SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 31, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____to _____

Commission file number 1-6089

H&R Block, Inc.

(Exact name of registrant as specified in its charter)

MISSOURI	**44-0607856**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4400 Main Street
Kansas City, Missouri 64111
(Address of principal executive offices, including zip code)

(816) 753-6900
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No o

The number of shares outstanding of the registrant's Common Stock, without par value, at the close of business on February 28, 2005 was 165,256,051 shares.

Form 10-Q for the Period Ended January 31, 2005

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CONDENSED CONSOLIDATED BALANCE SHEETS
Amounts in thousands, except share amounts

	January 31, 2005	April 30, 2004
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 576,146	$ 1,071,676
Cash and cash equivalents – restricted	535,318	545,428
Receivables from customers, brokers, dealers and clearing organizations, net	623,225	625,076
Receivables, net	1,461,097	347,910
Prepaid expenses and other current assets	425,400	371,209
Total current assets	3,621,186	2,961,299
Residual interests in securitizations – available-for-sale	253,531	210,973
Beneficial interest in Trusts – trading	131,885	137,757
Mortgage servicing rights	147,511	113,821
Property and equipment, at cost less accumulated depreciation and amortization of $642,536 and $579,535	327,385	279,220
Intangible assets, net	295,260	325,829
Goodwill, net	975,850	959,418
Other assets	388,513	391,709
Total assets	$ 6,141,121	$ 5,380,026
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Commercial paper	$ 1,528,882	$ —
Current portion of long-term debt	25,575	275,669
Accounts payable to customers, brokers and dealers	1,035,228	1,065,793
Accounts payable, accrued expenses and other current liabilities	503,623	456,167
Accrued salaries, wages and payroll taxes	230,251	268,747
Accrued income taxes	78,796	405,667
Total current liabilities	3,402,355	2,472,043
Long-term debt	928,529	545,811
Other noncurrent liabilities	361,587	465,163
Total liabilities	4,692,471	3,483,017
Stockholders' equity:		
Common stock, no par, stated value $.01 per share, 800,000,000 shares authorized, 217,945,398 shares issued at January 31, 2005 and April 30, 2004	2,179	2,179
Additional paid-in capital	581,748	545,065
Accumulated other comprehensive income	97,625	57,953
Retained earnings	2,670,356	2,781,368
Less cost of 52,864,620 and 44,849,128 shares of common stock in treasury	(1,903,258)	(1,489,556)
Total stockholders' equity	1,448,650	1,897,009
Total liabilities and stockholders' equity	$ 6,141,121	$ 5,380,026

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENTS
Unaudited, amounts in thousands, except per share amounts

	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Revenues:				
Service revenues	$ 656,871	$ 572,862	$ 1,195,353	$ 1,053,056
Gains on sales of mortgage assets, net	198,302	212,249	564,950	672,204
Interest income	46,599	59,328	129,192	149,831
Other	130,235	118,391	164,478	151,995
	1,032,007	962,830	2,053,973	2,027,086
Operating expenses:				
Cost of services	509,104	454,342	1,124,894	991,587
Interest	24,927	21,361	65,080	64,457
Selling, general and administrative	366,025	312,623	894,054	763,434
	900,056	788,326	2,084,028	1,819,478
Operating income (loss)	131,951	174,504	(30,055)	207,608
Other income, net	19,732	1,616	23,250	4,475
Income (loss) before taxes	151,683	176,120	(6,805)	212,083
Income taxes (benefit)	59,991	69,394	(2,215)	83,462
Net income (loss) before cumulative effect of change in accounting principle	91,692	106,726	(4,590)	128,621
Cumulative effect of change in accounting principle for multiple deliverable revenue arrangements, less tax benefit of $4,031	—	—	—	(6,359)
Net income (loss)	$ 91,692	$ 106,726	$ (4,590)	$ 122,262
Basic earnings (loss) per share:				
Before change in accounting principle	$ .56	$ .60	$ (.03)	$ .72
Cumulative effect of change in accounting principle	—	—	—	(.03)
Net income (loss)	$ .56	$ .60	$ (.03)	$ .69
Diluted earnings (loss) per share:				
Before change in accounting principle	$ .55	$ .59	$ (.03)	$ .71
Cumulative effect of change in accounting principle	—	—	—	(.04)
Net income (loss)	$ .55	$ .59	$ (.03)	$ .67
Dividends per share	$ .22	$ .20	$ .64	$ .58

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited, amounts in thousands

Nine months ended January 31,	2005	2004
Cash flows from operating activities:		
Net income (loss)	$ (4,590)	$ 122,262
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	122,305	122,497
Accretion of residual interests in securitizations	(86,618)	(118,389)
Impairments of residual interests in securitizations	8,304	26,048
Additions to trading securities – residual interests in securitizations	(115,213)	(251,585)
Proceeds from net interest margin transactions, net	98,743	197,417
Additions to mortgage servicing rights	(94,569)	(64,265)
Amortization of mortgage servicing rights	60,879	57,334
Net change in beneficial interest in Trusts	5,872	(5,406)
Other, net of acquisitions	(1,580,364)	(1,087,553)
Net cash used in operating activities	(1,585,251)	(1,001,640)
Cash flows from investing activities:		
Cash received from residual interests in securitizations	100,344	127,997
Purchases of property and equipment, net	(137,483)	(81,178)
Payments made for business acquisitions, net of cash acquired	(26,348)	(280,280)
Other, net	15,207	36,052
Net cash used in investing activities	(48,280)	(197,409)
Cash flows from financing activities:		
Repayments of commercial paper	(2,348,966)	(1,022,716)
Proceeds from issuance of commercial paper	3,877,848	2,433,893
Repayments of Senior Notes	(250,000)	—
Proceeds from issuance of Senior Notes, net	395,221	—
Proceeds from securitization financing	—	50,100
Repayments of securitization financing	—	(50,100)
Payments on acquisition debt	(19,462)	(50,820)
Dividends paid	(106,422)	(103,538)
Acquisition of treasury shares	(529,852)	(371,242)
Proceeds from issuance of common stock	119,892	111,155
Other, net	(258)	(1,947)
Net cash provided by financing activities	1,138,001	994,785
Net decrease in cash and cash equivalents	(495,530)	(204,264)
Cash and cash equivalents at beginning of the period	1,071,676	875,353
Cash and cash equivalents at end of the period	$ 576,146	$ 671,089

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

1. Basis of Presentation

The condensed consolidated balance sheet as of January 31, 2005, the condensed consolidated income statements for the three and nine months ended January 31, 2005 and 2004, and the condensed consolidated statements of cash flows for the nine months ended January 31, 2005 and 2004 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at January 31, 2005 and for all periods presented have been made.

"H&R Block," "the Company," "we," "our" and "us" are used interchangeably to refer to H&R Block, Inc. or to H&R Block, Inc. and its subsidiaries, as appropriate to the context.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Most notably, we reclassified $57.6 million and $125.9 million previously reported as interest income to gains on sales of mortgage assets for the three and nine months ended January 31, 2004, respectively. These reclassifications had no effect on our results of operations or stockholders' equity as previously reported.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our April 30, 2004 Annual Report to Shareholders on Form 10-K and our October 31, 2004 and July 31, 2004 Forms 10-Q.

Operating revenues of the Tax Services and Business Services segments are seasonal in nature with peak revenues occurring in the months of January through April. Therefore, results for interim periods are not indicative of results to be expected for the full year.

We file our Federal and state income tax returns on a calendar year basis. The condensed consolidated income statements reflect the effective tax rates expected to be applicable for the respective full fiscal years.

2. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted average shares outstanding during each period. The dilutive effect of potential common shares is included in diluted earnings (loss) per share except in those periods with a loss. The computations of basic and diluted earnings (loss) per share are as follows:

(in 000s, except per share amounts)

	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Net income (loss) before change in accounting principle	$ 91,692	$ 106,726	$ (4,590)	$ 128,621
Basic weighted average common shares	164,520	176,732	165,948	177,964
Potential dilutive shares from stock options and restricted stock	2,917	4,251	—	3,516
Convertible preferred stock	1	1	—	1
Dilutive weighted average common shares	167,438	180,984	165,948	181,481
Earnings (loss) per share before change in accounting principle:				
Basic	$ .56	$ .60	$ (.03)	$ .72
Diluted	.55	.59	(.03)	.71

Diluted earnings per share excludes the impact of shares of common stock issuable upon the lapse of certain restrictions or the exercise of options to purchase 15.2 million shares of stock for the nine months ended January 31, 2005, as the effect would be antidilutive due to the net loss recorded during the period. Diluted earnings per share for the three months ended January 31, 2005 and the three and nine months ended January 31, 2004 excludes the impact of 0.3 million, 283 and 3.7 million shares, respectively, issuable upon the exercise of stock options, as the effect would be antidilutive due to the

options' exercise prices being greater than the average market price of the common shares during the period.

The weighted average shares outstanding for the three and nine months ended January 31, 2005 decreased to 164.5 million and 165.9 million, respectively, from 176.7 million and 178.0 million last year, respectively, primarily due to our purchases of treasury shares. The effect of these purchases was partially offset by the issuance of treasury shares related to our stock-based compensation plans.

During the nine months ended January 31, 2005 and 2004, we issued 3.3 million shares and 3.8 million shares, respectively, of common stock pursuant to the exercise of stock options, employee stock purchases and awards of restricted shares, in accordance with our stock-based compensation plans.

During the nine months ended January 31, 2005, we acquired 11.3 million shares of our common stock, of which 11.2 million shares were purchased from third parties with the remaining shares swapped or surrendered to us, at an aggregate cost of $529.9 million. During the nine months ended January 31, 2004, we acquired 7.8 million shares of our common stock from third parties at an aggregate cost of $371.2 million.

3. Receivables

Receivables consist of the following:

(in 000s)

	January 31, 2005	January 31, 2004	April 30, 2004
Participation in refund anticipation loans (RALs)	$ 829,325	$ 562,974	$ 49,047
Business Services accounts receivable	175,140	153,322	145,231
Mortgage loans held for sale	128,607	113,388	64,136
Receivables for tax-related fees	108,331	79,287	4,900
Loans to franchisees	52,712	46,729	35,872
Royalties from franchisees	46,900	39,898	725
Software receivables	26,420	25,995	20,882
Other	126,643	111,801	80,535
	1,494,078	1,133,394	401,328
Allowance for doubtful accounts	(21,336)	(23,903)	(38,266)
Lower of cost or market adjustment – mortgage loans	(11,645)	(16,440)	(15,152)
	$ 1,461,097	$ 1,093,051	$ 347,910

4. Mortgage Banking Activities

Activity related to available-for-sale residual interests in securitizations consists of the following:

(in 000s)

Nine months ended January 31,	2005	2004
Balance, beginning of period	$ 210,973	$ 264,337
Additions from net interest margin (NIM) transactions	16,470	1,604
Cash received	(100,344)	(127,997)
Cash received from sale of previously securitized residuals	—	(17,000)
Accretion	86,618	118,389
Impairments of fair value	(8,304)	(26,048)
Other	(4)	(5,875)
Changes in unrealized holding gains arising during the period, net	48,122	26,441
Balance, end of period	$ 253,531	$ 233,851

We sold $21.7 billion and $16.9 billion of mortgage loans in whole loan sales to warehouse trusts (Trusts) or other buyers during the nine months ended January 31, 2005 and 2004, respectively, with gains totaling $544.4 million and $685.5 million, respectively, recorded on these sales.

Trading residual interests valued at $115.2 million and $199.0 million were securitized in NIM transactions during the nine months ended January 31, 2005 and 2004, respectively, with net cash proceeds of $98.7 million and $197.4 million received, respectively. In the prior year, additional residual interests were sold and cash proceeds of $50.1 million were received as a result of a secured financing (on-balance sheet securitization). During the third quarter of last year, the NIM trust was terminated and the related residual interests were subsequently securitized in a NIM transaction with a qualifying

special purpose entity (QSPE). Total net additions to residual interests from NIM transactions for the nine months ended January 31, 2005 and 2004 were $16.5 million and $1.6 million, respectively.

Cash flows of $100.3 million and $128.0 million were received from the securitization trusts for the nine months ended January 31, 2005 and 2004, respectively. Cash received on residual interests is included in investing activities in the condensed consolidated statements of cash flows.

Aggregate net unrealized gains on residual interests, which had not yet been accreted into income, totaled $160.4 million at January 31, 2005 and $112.5 million at April 30, 2004. These unrealized gains are recorded net of deferred taxes in other comprehensive income, and may be recognized in income in future periods either through accretion or upon further securitization or sale of the related residual interest.

Activity related to mortgage servicing rights (MSRs) consists of the following:

(in 000s)

Nine months ended January 31,	2005	2004
Balance, beginning of period	$113,821	$ 99,265
Additions	94,569	64,265
Amortization	(60,879)	(57,334)
Balance, end of period	$147,511	$106,196

Estimated amortization of MSRs for fiscal years 2005 through 2009 is $84.6 million, $70.2 million, $35.4 million, $13.8 million and $3.6 million, respectively.

The key assumptions we used to estimate the cash flows and values of the residual interests initially recorded during the three months ended January 31, 2005 and 2004 are as follows:

	January 31, 2005	January 31, 2004
Estimated credit losses	2.42%	4.72%
Discount rate	25%	21%
Variable returns to third-party beneficial interest holders	LIBOR forward curve at closing	

The key assumptions we used to estimate the cash flows and values of the residual interests and MSRs at January 31, 2005 and April 30, 2004 are as follows:

	January 31, 2005	April 30, 2004
Estimated credit losses – residual interests	3.08%	4.16%
Discount rate – residual interests	20.37%	19.09%
Discount rate – MSRs	12.80%	12.80%
Variable returns to third-party beneficial interest holders	LIBOR forward curve at valuation date	

We originate both adjustable and fixed rate mortgage loans. A key assumption used to estimate the cash flows and values of the residual interests is average annualized prepayment speeds. Prepayment speeds include voluntary prepayments, involuntary prepayments and scheduled principal payments. For adjustable rate mortgages with prepayment penalties, we use an average prepayment rate of 29% in the months prior to the rate reset date, which increases to 74% in the three months immediately following the rate reset date, then subsequently declines to 50% over the remaining life of the loans. For adjustable rate mortgages without prepayment penalties, we use an average prepayment rate of 37% in the months prior to the rate reset date, which increases to 56% in the three months immediately following the rate reset date, then subsequently declines to 46% over the remaining life of the loans.

For fixed rate mortgages with prepayment penalties, we use an average prepayment rate of 30% during the months prior to the expiration of the prepayment penalties, which increases to 44% in the three months immediately following the expiration date, and remains constant at 45% over the remaining life of the loans. For fixed rate mortgages without prepayment penalties, we use an average prepayment rate of 35% over the life of the loans. Prepayment rate is projected based on actual paydown including voluntary, involuntary and scheduled principal payments.

Expected static pool credit losses are as follows:

	Mortgage Loans Securitized in Fiscal Year				
	Prior to 2002	2002	2003	2004	2005
As of:					
April 30, 2004	4.46%	3.58%	4.35%	3.92%	—
July 31, 2004	4.58%	2.96%	2.47%	2.59%	—
October 31, 2004	4.54%	2.96%	2.30%	2.62%	3.08%
January 31, 2005	4.54%	2.57%	2.10%	2.42%	2.73%

Static pool credit losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets outstanding at January 31, 2005, October 31, 2004, July 31, 2004 and April 30, 2004.

At January 31, 2005, the sensitivities of the current fair value of the residual interests and MSRs to 10% and 20% adverse changes in the above key assumptions are as follows:

(dollars in 000s)

	Residential Mortgage Loans		
	NIM Residuals	Beneficial Interest in Trusts	Servicing Asset
Carrying amount/fair value	$ 253,531	$ 131,885	$ 147,511
Weighted average remaining life (in years)	1.2	2.3	1.2
Prepayments (including defaults):			
Adverse 10% – $impact on fair value	$ 62	$ (10,323)	$ (21,253)
Adverse 20% – $impact on fair value	6,717	(16,485)	(37,045)
Credit losses:			
Adverse 10% – $impact on fair value	$ (35,301)	$ (5,418)	Not applicable
Adverse 20% – $impact on fair value	(69,779)	(10,830)	Not applicable
Discount rate:			
Adverse 10% – $impact on fair value	$ (5,600)	$ (3,084)	$ (1,919)
Adverse 20% – $impact on fair value	(10,946)	(8,827)	(3,795)
Variable interest rates (LIBOR forward curve):			
Adverse 10% – $impact on fair value	$ (7,802)	$ (25,547)	Not applicable
Adverse 20% – $impact on fair value	(15,295)	(51,073)	Not applicable

These sensitivities are hypothetical and should be used with caution. Changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also in this table, the effect of a variation of a particular assumption on the fair value is calculated without changing any other assumptions. It is likely that changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Mortgage loans that have been securitized at January 31, 2005 and April 30, 2004, past due sixty days or more and the related credit losses incurred are presented below:

(in 000s)

	Total Principal Amount of Loans Outstanding		Principal Amount of Loans 60 Days or More Past Due		Credit Losses (net of recoveries)	
	January 31, 2005	April 30, 2004	January 31, 2005	April 30, 2004	Three months ended January 31, 2005	April 30, 2004
Securitized mortgage loans	$ 11,863,950	$ 15,732,953	$ 1,190,385	$ 1,286,069	$ 110,374	$ 46,606
Mortgage loans in warehouse Trusts	5,243,654	3,244,141	—	—	—	—
Total loans	$ 17,107,604	$ 18,977,094	$ 1,190,385	$ 1,286,069	$ 110,374	$ 46,606

5. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended January 31, 2005, consist of the following:

(in 000s)

	April 30, 2004	Additions	Other	January 31, 2005
Tax Services	$ 350,044	$ 9,512	$ 557	$ 360,113
Mortgage Services	152,467	—	—	152,467
Business Services	311,175	6,365	(2)	317,538
Investment Services	145,732	—	—	145,732
Total goodwill	$ 959,418	$ 15,877	$ 555	$ 975,850

We test goodwill for impairment annually at the beginning of our fourth quarter, or more frequently if events occur indicating it is more likely than not the fair value of a reporting unit's net assets has been reduced below its carrying value. No such impairment or events indicating impairment were identified within any of our segments during the nine months ended January 31, 2005. Our evaluation of impairment is dependent upon various assumptions, including assumptions regarding projected operating results and cash flows of reporting units. Actual results could differ materially from our projections and those differences could alter our conclusions regarding the fair value of a reporting unit and its goodwill.

Intangible assets consist of the following:

(in 000s)

	January 31, 2005			April 30, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Tax Services:						
Customer relationships	$ 23,717	$ (5,998)	$ 17,719	$ 19,011	$ (3,377)	$ 15,634
Noncompete agreements	17,677	(10,098)	7,579	17,364	(5,724)	11,640
Business Services:						
Customer relationships	125,780	(65,572)	60,208	121,229	(56,313)	64,916
Noncompete agreements	27,515	(10,619)	16,896	27,424	(8,670)	18,754
Trade name – amortizing	1,450	(978)	472	1,450	(926)	524
Trade name – non-amortizing	55,637	(4,868)	50,769	55,637	(4,868)	50,769
Investment Services:						
Customer relationships	293,000	(151,383)	141,617	293,000	(129,408)	163,592
Total intangible assets	$ 544,776	$ (249,516)	$ 295,260	$ 535,115	$ (209,286)	$ 325,829

Amortization of intangible assets for the three and nine months ended January 31, 2005 was $13.6 million and $40.4 million, respectively. Amortization of intangible assets for the three and nine months ended January 31, 2004 was $15.3 million and $39.3 million, respectively. Estimated amortization of intangible assets for fiscal years 2005 through 2009 is $54.8 million, $53.3 million, $44.2 million, $42.3 million and $40.9 million, respectively.

The goodwill and intangible assets previously included in the Corporate segment as of April 30, 2004 have been reclassified to the Tax Services segment.

6. Derivative Instruments

A summary of our derivative instruments as of January 31, 2005 and April 30, 2004, and gains or losses incurred during the three and nine months ended January 31, 2005 and 2004 follows. We enter into derivative instruments to reduce risks relating to mortgage loans we originate and sell, and therefore all gains or losses are included in gains on sales of mortgage assets, net in the condensed consolidated income statements.

(in 000s)

	Asset (Liability) Balance at		Gain (Loss) in the Three Months Ended January 31,		Gain (Loss) in the Nine Months Ended January 31,	
	January 31, 2005	April 30, 2004	2005	2004	2005	2004
Interest rate swaps	$ 1,752	$ —	$ 31,039	$ (2,703)	$ 28,934	$ (2,703)
Rate-lock equivalents	455	(1,386)	141	(4,525)	1,841	(3,911)
Prime short sales	(319)	2,080	(424)	(496)	(1,949)	2,317
	$ 1,888	$ 694	$ 30,756	$ (7,724)	$ 28,826	$ (4,297)

We use interest rate swaps and forward loan sale commitments to reduce interest rate risk associated with non-prime loans. We generally enter into interest rate swap arrangements related to existing loan applications with rate-lock commitments and, beginning at the end of our second quarter, for rate-lock commitments we expect to make in the next 30 days. Interest rate swaps represent an agreement to exchange interest rate payments, effectively converting our fixed financing costs into a floating rate. These contracts increase in value as rates rise and decrease in value as rates fall.

Forward loan sale commitments for non-prime loans are not considered derivative instruments and are therefore not recorded in our financial statements. The notional value and the contract value of the forward commitments at January 31, 2005 were $4.0 billion and $4.1 billion, respectively. Most of our forward commitments give us the option to under- or over-deliver by five to ten percent.

In the normal course of business, we enter into commitments with our customers to fund prime mortgage loans for specified periods of time at "locked-in" interest rates. These derivative instruments represent commitments (rate-lock equivalents) to fund prime loans. We adopted SEC Staff Accounting Bulletin No. 105, "Application of Accounting Principles to Loan Commitments," as of March 31, 2004. Upon adoption, we no longer record an asset at the time we enter into the commitments to fund non-prime mortgage loans.

We sell short FNMA, FHLMC and GNMA mortgage-backed securities to reduce our risk related to our commitments to fund fixed-rate prime loans. The position on certain or all of the fixed-rate mortgage loans is closed approximately 10-15 days prior to standard Public Securities Association (PSA) settlement dates.

7. Long-Term Debt

In August 2004 we filed an additional shelf registration statement with the SEC for up to $1.0 billion in debt securities. On October 26, 2004, we issued $400.0 million of 5.125% Senior Notes under shelf registration statements. The Senior Notes are due on October 30, 2014, and are not redeemable by the bondholders prior to maturity. The proceeds from the notes were used to repay our $250.0 million in 6 3/4% Senior Notes, which were due on November 1, 2004. The remaining proceeds were used for working capital, capital expenditures, repayment of other debt and other general corporate purposes.

8. Comprehensive Income

The components of comprehensive income are:

(in 000s)

	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Net income (loss)	$ 91,692	$ 106,726	$ (4,590)	$ 122,262
Change in unrealized gain on marketable securities, net	(3,881)	(8,356)	29,714	5,680
Change in foreign currency translation adjustments	1,917	2,319	9,958	14,049
Comprehensive income	$ 89,728	$ 100,689	$ 35,082	$ 141,991

9. Stock-Based Compensation

Effective May 1, 2003, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), under the prospective transition method as described in Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." Had compensation cost for

all stock-based compensation plan grants been determined in accordance with the fair value accounting method prescribed under SFAS 123, our net income (loss) and earnings (loss) per share would have been as follows:

(in 000s, except per share amounts)

	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Net income (loss) as reported	$ 91,692	$ 106,726	$ (4,590)	$ 122,262
Add: Stock-based compensation expense included in reported net income (loss), net of related tax effects	8,918	4,733	17,260	7,530
Deduct: Total stock-based compensation expense determined under fair value method for all awards, net of related tax effects	(11,599)	(7,132)	(25,304)	(17,763)
Pro forma net income (loss)	$ 89,011	$ 104,327	$ (12,634)	$ 112,029
Basic earnings (loss) per share:				
As reported	$ .56	$ .60	$ (.03)	$ .69
Pro forma	.54	.59	(.08)	.63
Diluted earnings (loss) per share:				
As reported	$ .55	$ .59	$ (.03)	$ .67
Pro forma	.53	.58	(.08)	.62

10. Supplemental Cash Flow Information

During the nine months ended January 31, 2005, we paid $406.6 million and $53.6 million for income taxes and interest, respectively. During the nine months ended January 31, 2004, we paid $245.4 million and $57.5 million for income taxes and interest, respectively.

The following transactions were treated as non-cash investing activities in the condensed consolidated statement of cash flows:

(in 000s)

Nine months ended January 31,	2005	2004
Residual interest mark-to-market	$ 98,713	$ 24,731
Additions to residual interests	16,470	1,604

11. Commitments and Contingencies

We maintain unsecured committed lines of credit (CLOCs) to support our commercial paper program and for general corporate purposes. During the second quarter, we replaced our $2.0 billion CLOC with two CLOCs. The two CLOCs are from a consortium of thirty-one banks. The first $1.0 billion CLOC is subject to annual renewal in August 2005, has a one-year term-out provision with a maturity date in August 2006 and has an annual facility fee of ten basis points per annum. The second $1.0 billion CLOC has a maturity date of August 2009 and has an annual facility fee of twelve basis points per annum. We obtained an additional $750.0 million line of credit for the period of January 26 to February 25, 2005 to back-up peak commercial paper issuance or use as an alternate source of funding for RAL participations. These lines are subject to various affirmative and negative covenants, including a minimum net worth covenant. These CLOCs were undrawn at January 31, 2005.

We offer guarantees under our Peace of Mind (POM) program to tax clients whereby we will assume the cost of additional taxes attributable to tax return preparation errors for which we are responsible. In August 2003, we adopted Emerging Issues Task Force Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables” (EITF 00-21). EITF 00-21 impacts revenue and expense recognition related to tax preparation in our premium tax offices where POM guarantees are included in the price of a completed tax return. Prior to the adoption of EITF 00-21, revenues and expenses related to POM guarantees at premium offices were recorded in the same period as tax preparation revenues. Beginning May 1, 2003, revenues and direct expenses related to POM guarantees are now initially deferred and recognized over the guarantee period based upon historic and actual payment of claims. As a result of the adoption of EITF 00-21, we recorded a cumulative effect of a change in accounting principle of $6.4 million, net of a tax benefit of $4.0 million, as of May 1, 2003. Changes in the deferred revenue liability are as follows:

Nine months ended January 31,	2005	(in 000s) 2004
Balance, beginning of period	$ 123,048	$ 49,280
Amounts deferred for new guarantees issued	19,925	19,098
Revenue recognized on previous deferrals	(52,295)	(47,273)
Adjustment resulting from change in accounting principle	—	61,487
Balance, end of period	$ 90,678	$ 82,592

We have commitments to fund mortgage loans to customers as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The commitments to fund loans amounted to $3.2 billion and $2.6 billion at January 31, 2005 and April 30, 2004, respectively. External market forces impact the probability of commitments being exercised, and therefore, total commitments outstanding do not necessarily represent future cash requirements.

We have entered into whole loan sale agreements with investors in the normal course of business, which include standard representations and warranties customary to the mortgage banking industry. Violations of these representations and warranties may require us to repurchase loans previously sold. A liability has been established related to the potential loss on repurchase of loans previously sold of $36.9 million and $25.2 million at January 31, 2005 and April 30, 2004, respectively, based on historical experience. Repurchased loans are normally sold in subsequent sale transactions.

Option One Mortgage Corporation provides a guarantee up to a maximum amount equal to approximately 10% of the aggregate principal balance of mortgage loans held by the Trusts before ultimate disposition of the loans. This guarantee would be called upon in the event adequate proceeds were not available from the sale of the mortgage loans to satisfy the payment obligations of the Trusts. No losses have been sustained on this commitment since its inception. The total principal amount of Trust obligations outstanding as of January 31, 2005 and April 30, 2004 was $5.3 billion and $3.2 billion, respectively. The fair value of mortgage loans held by the Trusts as of January 31, 2005 and April 30, 2004 was $5.4 billion and $3.3 billion, respectively.

We have various contingent purchase price obligations in connection with prior acquisitions. In many cases, contingent payments to be made in connection with these acquisitions are not subject to a stated limit. We estimate the potential payments (undiscounted) total approximately $5.6 million and $7.8 million as of January 31, 2005 and April 30, 2004, respectively. Our estimate is based on current financial conditions. Should actual results differ materially from our assumptions, the potential payments will differ from the above estimate. Such payments, if and when paid, would be recorded as additional cost of the acquired business, generally goodwill.

We have contractual commitments to fund certain franchises requesting draws on Franchise Equity Lines of Credit (FELCs). Our commitment to fund FELCs as of January 31, 2005 and April 30, 2004 totaled $69.1 million and $27.0 million, respectively. We have a receivable of $52.7 million and $35.9 million, which represents the amounts drawn on the FELCs, as of January 31, 2005 and April 30, 2004, respectively.

We routinely enter into contracts that include embedded indemnifications that have characteristics similar to guarantees, including obligations to protect counter parties from losses arising from the following: (a) tax, legal and other risks related to the purchase or disposition of businesses; (b) penalties and interest assessed by Federal and state taxing authorities in connection with tax returns prepared for clients; (c) indemnification of our directors and officers; and (d) third-party claims relating to various arrangements in the normal course of business. Typically, there is no stated maximum payment related to these indemnifications, and the term of indemnities may vary and in many cases is limited only by the applicable statute of limitations. The likelihood of any claims being asserted against us and the ultimate liability related to any such claims, if any, is difficult to predict. While we cannot provide assurance that such claims will not be successfully asserted, we believe the fair value of these guarantees and indemnifications is not material as of January 31, 2005.

12. Litigation Commitments and Contingencies

We have been involved in a number of class actions and putative class action cases since 1990 regarding our RAL programs. These cases are based on a variety of legal theories and allegations. These theories and allegations include, among others, that (i) we improperly did not disclose license fees we received from RAL lending banks for RALs they make to our clients, (ii) we owe and breached a fiduciary duty to our clients, and (iii) the RAL program violates laws such as state credit service organization laws and the federal Racketeer Influenced and Corrupt Organizations (RICO) Act. Although we have successfully defended many RAL cases, we incurred a substantial pretax expense in fiscal year 2003 in connection with the settlement of one RAL case. Several of the RAL cases are still pending and the amounts claimed in some of them are very substantial. We cannot estimate the range of possible loss relating to the RAL cases in light of various legal uncertainties. However, it is reasonably possible that the ultimate cost of this litigation could be substantial. We intend to continue defending the RAL cases vigorously, although there are no assurances as to their outcome.

We are also parties to claims and lawsuits pertaining to our electronic tax return filing services and our POM guarantee program associated with income tax preparation services. These claims and lawsuits include actions by individual plaintiffs, as well as cases in which plaintiffs seek to represent a class of similarly situated customers. The amounts claimed in these claims and lawsuits are substantial in some instances, and the ultimate liability with respect to such litigation and claims is difficult to predict. We intend to continue defending these cases vigorously, although there are no assurances as to their outcome.

In addition to the aforementioned types of cases, we are parties to claims and lawsuits that we consider to be ordinary, routine disputes incidental to our business (Other Claims and Lawsuits), including claims and lawsuits concerning the preparation of customers' income tax returns, the fees charged customers for various services, investment products, relationships with franchisees, contract disputes and civil actions, arbitrations, regulatory inquiries and class actions arising out of our business as a broker-dealer and as a servicer of mortgage loans. We believe we have meritorious defenses to each of the Other Claims and Lawsuits and we are defending, or intend to defend, them vigorously. While we cannot provide assurance that we will ultimately prevail in each instance, we believe that amounts, if any, required to be paid by us in the discharge of liabilities or settlements pertaining to Other Claims and Lawsuits will not have a material adverse effect on our consolidated financial statements. Regardless of outcome, claims and litigation can adversely affect us due to defense costs, diversion of management and publicity related to such matters.

It is our policy to accrue for amounts related to legal matters if it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Many of the various legal proceedings are covered in whole, or in part, by insurance. Any receivable for insurance recoveries is recorded separate from the corresponding litigation reserve, and only if recovery is determined to be probable. Receivables for insurance recoveries at January 31, 2005 were immaterial.

13. Segment Information

Information concerning our operations by reportable operating segment is as follows:

(in 000s)

	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Revenues:				
Tax Services	$ 531,086	$ 474,495	$ 655,639	$ 586,760
Mortgage Services	304,643	317,599	854,410	950,361
Business Services	132,872	112,293	371,021	319,816
Investment Services	62,104	57,753	169,446	167,443
Corporate	1,302	690	3,457	2,706
	$ 1,032,007	$ 962,830	$ 2,053,973	$ 2,027,086
Pretax income (loss):				
Tax Services	$ 64,337	$ 61,827	$ (182,624)	$ (168,136)
Mortgage Services	111,681	154,476	311,421	502,331
Business Services	5,936	1,955	(9,048)	(7,456)
Investment Services	(18,312)	(12,811)	(61,149)	(41,904)
Corporate	(11,959)	(29,327)	(65,405)	(72,752)
Income (loss) before taxes	$ 151,683	$ 176,120	$ (6,805)	$ 212,083

Our international operations contributed $12.5 million and $40.6 million in revenues for the three and nine months ended January 31, 2005, respectively, and $8.3 million and $14.7 million in pretax losses, respectively. Our international operations contributed $10.8 million and $35.4 million in revenues for the three and nine months ended January 31, 2004, respectively, and $6.4 million and $12.3 million in pretax losses, respectively. The previously reported International Tax Operations segment has been aggregated with U.S. Tax Operations in the Tax Services segment, and prior year results have been restated to reflect this change.

The pretax loss from our Corporate segment for the three and nine months ended January 31, 2005 includes a non-operating gain of $16.7 million, or $0.06 per diluted share, resulting from a legal recovery.

14. New Accounting Pronouncements

In December 2004, Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment,” (SFAS 123R) was issued. SFAS 123R revises the original SFAS 123 on stock-based compensation primarily by requiring all entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. Compensation expense must be recognized for the unvested portions of all awards outstanding as of the date of adoption. The provisions of this standard are effective as of the beginning of our second quarter of fiscal year 2006. We are currently evaluating what effect the adoption of SFAS 123R will have on our consolidated financial statements.

In October 2004, the American Jobs Creation Act (the Act) was signed into law. The Act introduces a one-time deduction for dividends received from the repatriation of certain foreign earnings, provided certain criteria are met. We have begun our evaluation of the effects of the Act, but do not expect to be able to complete this evaluation until additional clarifying language on key elements of the Act are issued. As of January 31, 2005, we have not provided deferred taxes on foreign earnings because we intended to indefinitely reinvest such earnings outside the United States. Whether we will ultimately take advantage of this provision depends on our review of the Act and any additional guidance provided and we are therefore currently uncertain as to the impact, if any, this matter will have on our consolidated financial statements, and are unable to estimate the amount of earnings we may repatriate.

Exposure Draft – Amendment of SFAS 140

The Financial Accounting Standards Board (FASB) intends to reissue the exposure draft, “Qualifying Special Purpose Entities and Isolation of Transferred Assets, an Amendment of FASB Statement No. 140,” during the third quarter of calendar year 2005. The purpose of the proposal is to provide more specific guidance on the accounting for transfers of financial assets to a QSPE.

Provisions in the first exposure draft, as well as tentative decisions reached by the FASB during its deliberations, may require us to consolidate our current QSPEs (the Trusts) established in our Mortgage Services segment. As of January 31, 2005, the Trusts had both assets and liabilities of $5.3 billion. The provisions of the exposure draft are subject to FASB due process and are subject to change. We will continue to monitor the status of the exposure draft, and consider changes, if any, to current structures as a result of the proposed rules.

15. Condensed Consolidating Financial Statements

Block Financial Corporation (BFC) is an indirect, wholly owned consolidated subsidiary of the Company. BFC is the Issuer and the Company is the Guarantor of the Senior Notes issued on October 21, 1997, April 13, 2000 and October 26, 2004. These condensed consolidating financial statements have been prepared using the equity method of accounting. Earnings of subsidiaries are, therefore, reflected in the Company's investment in subsidiaries account. The elimination entries eliminate investments in subsidiaries, related stockholder's equity and other intercompany balances and transactions. The income statement for the three and nine months ended January 31, 2004 and statement of cash flows for the nine months ended January 31, 2004 and balance sheet as of April 30, 2004 have been adjusted to reflect intercompany royalties between BFC and other subsidiaries. These adjustments have no effect on H&R Block, Inc. (Guarantor) or Consolidated H&R Block.

Condensed Consolidating Income Statements

(in 000s)

	Three months ended January 31, 2005				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ —	$ 442,279	$ 593,396	$ (3,668)	$ 1,032,007
Cost of services	—	104,532	404,641	(69)	509,104
Other	—	218,724	175,827	(3,599)	390,952
Total expenses	—	323,256	580,468	(3,668)	900,056
Operating income	—	119,023	12,928	—	131,951
Other income, net	151,683	16,694	3,038	(151,683)	19,732
Income before taxes	151,683	135,717	15,966	(151,683)	151,683
Income taxes	59,991	55,491	4,500	(59,991)	59,991
Net income	$ 91,692	$ 80,226	$ 11,466	$ (91,692)	$ 91,692

	Three months ended January 31, 2004				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ —	$ 443,546	$ 523,660	$ (4,376)	$ 962,830
Cost of services	—	96,911	357,669	(238)	454,342
Other	—	200,534	137,698	(4,248)	333,984
Total expenses	—	297,445	495,367	(4,486)	788,326
Operating income	—	146,101	28,293	110	174,504
Other income, net	176,120	—	1,616	(176,120)	1,616
Income before taxes	176,120	146,101	29,909	(176,010)	176,120
Income taxes	69,394	59,261	10,089	(69,350)	69,394
Net income	$ 106,726	$ 86,840	$ 19,820	$ (106,660)	$ 106,726

	Nine months ended January 31, 2005				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ —	$ 1,105,209	$ 959,051	$ (10,287)	$ 2,053,973
Cost of services	—	293,809	831,045	40	1,124,894
Other	—	573,196	396,265	(10,327)	959,134
Total expenses	—	867,005	1,227,310	(10,287)	2,084,028
Operating income (loss)	—	238,204	(268,259)	—	(30,055)
Other income, net	(6,805)	16,694	6,556	6,805	23,250
Income (loss) before taxes	(6,805)	254,898	(261,703)	6,805	(6,805)
Income taxes (benefit)	(2,215)	107,051	(109,266)	2,215	(2,215)
Net income (loss)	$ (4,590)	$ 147,847	$ (152,437)	$ 4,590	$ (4,590)

	Nine months ended January 31, 2004				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ —	$ 1,194,867	$ 841,811	$ (9,592)	$ 2,027,086
Cost of services	—	265,432	726,826	(671)	991,587
Other	—	519,694	317,557	(9,360)	827,891
Total expenses	—	785,126	1,044,383	(10,031)	1,819,478
Operating income (loss)	—	409,741	(202,572)	439	207,608
Other income, net	212,083	—	4,475	(212,083)	4,475
Income (loss) before taxes	212,083	409,741	(198,097)	(211,644)	212,083
Income taxes (benefit)	83,462	166,728	(83,439)	(83,289)	83,462
Net income (loss) before change in accounting	128,621	243,013	(114,658)	(128,355)	128,621
Cumulative effect of change in accounting	(6,359)	—	(6,359)	6,359	(6,359)
Net income (loss)	$ 122,262	$ 243,013	$ (121,017)	$ (121,996)	$ 122,262

Condensed Consolidating Balance Sheets

(in 000s)

	January 31, 2005				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ —	$ 138,602	$ 437,544	$ —	$ 576,146
Cash & cash equivalents – restricted	—	520,000	15,318	—	535,318
Receivables from customers, brokers and dealers, net	—	623,225	—	—	623,225
Receivables, net	396	1,104,735	355,966	—	1,461,097
Intangible assets and goodwill, net	—	439,816	831,294	—	1,271,110
Investments in subsidiaries	4,335,074	210	428	(4,335,074)	638
Other assets	—	1,196,549	476,989	49	1,673,587
Total assets	$ 4,335,470	$ 4,023,137	$ 2,117,539	$ (4,335,025)	$ 6,141,121
Commercial paper	$ —	$ 1,508,784	$ 20,098	$ —	$ 1,528,882
Accts. payable to customers, brokers and dealers	—	1,035,228	—	—	1,035,228
Long-term debt	—	896,382	32,147	—	928,529
Other liabilities	2	335,161	864,661	8	1,199,832
Net intercompany advances	2,886,818	(1,196,776)	(1,690,083)	41	—
Stockholders' equity	1,448,650	1,444,358	2,890,716	(4,335,074)	1,448,650
Total liabilities and stockholders' equity	$ 4,335,470	$ 4,023,137	$ 2,117,539	$ (4,335,025)	$ 6,141,121

	April 30, 2004				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ —	$ 132,076	$ 939,600	$ —	$ 1,071,676
Cash & cash equivalents – restricted	—	532,201	13,227	—	545,428
Receivables from customers, brokers and dealers, net	—	625,076	—	—	625,076
Receivables, net	180	168,879	178,851	—	347,910
Intangible assets and goodwill, net	—	461,791	823,456	—	1,285,247
Investments in subsidiaries	4,291,693	205	297	(4,291,693)	502
Other assets	(145)	1,115,435	389,270	(373)	1,504,187
Total assets	$ 4,291,728	$ 3,035,663	$ 2,344,701	$ (4,292,066)	$ 5,380,026
Accts. payable to customers, brokers and dealers	$ —	$ 1,065,793	$ —	$ —	$ 1,065,793
Long-term debt	—	498,225	47,586	—	545,811
Other liabilities	15,879	509,151	1,345,822	561	1,871,413
Net intercompany advances	2,378,840	(304,432)	(2,073,847)	(561)	—
Stockholders' equity	1,897,009	1,266,926	3,025,140	(4,292,066)	1,897,009
Total liabilities and stockholders' equity	$ 4,291,728	$ 3,035,663	$ 2,344,701	$ (4,292,066)	$ 5,380,026

Condensed Consolidating Statements of Cash Flows

(in 000s)

	Nine months ended January 31, 2005				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	$ 16,683	$ (828,974)	$ (772,960)	$ —	$ (1,585,251)
Cash flows from investing:					
Cash received on residuals	—	100,344	—	—	100,344
Purchase property & equipment	—	(26,355)	(111,128)	—	(137,483)
Payments for business acquisitions	—	—	(26,348)	—	(26,348)
Net intercompany advances	499,699	—	—	(499,699)	—
Other, net	—	(150)	15,357	—	15,207
Net cash provided by (used in) investing activities	499,699	73,839	(122,119)	(499,699)	(48,280)
Cash flows from financing:					
Repayments of commercial paper	—	(2,348,966)	—	—	(2,348,966)
Proceeds from commercial paper	—	3,857,750	20,098	—	3,877,848
Repayment of long-term debt	—	(250,000)	—	—	(250,000)
Proceeds from long-term debt	—	395,221	—	—	395,221
Payments on acquisition debt	—	—	(19,462)	—	(19,462)
Dividends paid	(106,422)	—	—	—	(106,422)
Acquisition of treasury shares	(529,852)	—	—	—	(529,852)
Proceeds from common stock	119,892	—	—	—	119,892
Net intercompany advances	—	(892,344)	392,645	499,699	—
Other, net	—	—	(258)	—	(258)
Net cash provided by (used in) financing activities	(516,382)	761,661	393,023	499,699	1,138,001
Net increase (decrease) in cash	—	6,526	(502,056)	—	(495,530)
Cash – beginning of period	—	132,076	939,600	—	1,071,676
Cash – end of period	$ —	$ 138,602	$ 437,544	$ —	$ 576,146

	Nine months ended January 31, 2004				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	$ 30,336	$ (635,888)	$(396,088)	$ —	$(1,001,640)
Cash flows from investing:					
Cash received on residuals	—	127,997	—	—	127,997
Purchase property & equipment	—	(28,037)	(53,141)	—	(81,178)
Payments for business acquisitions	—	—	(280,280)	—	(280,280)
Net intercompany advances	333,289	—	—	(333,289)	—
Other, net	—	40,474	(4,422)	—	36,052
Net cash provided by (used in) investing activities	333,289	140,434	(337,843)	(333,289)	(197,409)
Cash flows from financing:					
Repayments of commercial paper	—	(1,022,716)	—	—	(1,022,716)
Proceeds from commercial paper	—	2,433,893	—	—	2,433,893
Payments on acquisition debt	—	—	(50,820)	—	(50,820)
Repayments of securitization financing	—	(50,100)	—	—	(50,100)
Proceeds from securitization financing	—	50,100	—	—	50,100
Dividends paid	(103,538)	—	—	—	(103,538)
Acquisition of treasury shares	(371,242)	—	—	—	(371,242)
Proceeds from issuance of common stock	111,155	—	—	—	111,155
Net intercompany advances	—	(938,167)	604,878	333,289	—
Other, net	—	—	(1,947)	—	(1,947)
Net cash provided by (used in) financing activities	(363,625)	473,010	552,111	333,289	994,785
Net decrease in cash	—	(22,444)	(181,820)	—	(204,264)
Cash – beginning of period	—	180,181	695,172	—	875,353
Cash – end of period	$ —	$ 157,737	$ 513,352	$ —	$ 671,089

RESULTS OF OPERATIONS

H&R Block is a diversified company delivering tax services and financial advice, investment and mortgage services, and business and consulting services. For nearly 50 years, we have been developing relationships with millions of tax clients and our strategy is to expand on these relationships. Our Tax Services segment provides income tax return preparation services, electronic filing services and other services and products related to income tax return preparation to the general public in the United States, Canada, Australia and the United Kingdom. We also offer investment services through H&R Block Financial Advisors, Inc. (HRBFA). Our Mortgage Services segment offers a full range of home mortgage services through Option One Mortgage Corporation (OOMC) and H&R Block Mortgage Corporation (HRBMC). RSM McGladrey Business Services, Inc. (RSM) is a national accounting, tax and consulting firm primarily serving mid-sized businesses.

Our Mission
To help our clients achieve their financial objectives
by serving as their tax and financial partner.

Key to achieving our mission is the enhancement of client experiences through consistent delivery of valuable services and advice. Operating through multiple lines of business allows us to better meet the changing financial needs of our clients.

The analysis that follows should be read in conjunction with the tables below and the condensed consolidated income statements found on page 2.

Consolidated H&R Block, Inc. – Operating Results (in 000s, except per share amounts)

	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Revenues:				
Tax Services	$ 531,086	$ 474,495	$ 655,639	$ 586,760
Mortgage Services	304,643	317,599	854,410	950,361
Business Services	132,872	112,293	371,021	319,816
Investment Services	62,104	57,753	169,446	167,443
Corporate	1,302	690	3,457	2,706
	$ 1,032,007	$ 962,830	$ 2,053,973	$ 2,027,086
Pretax income (loss):				
Tax Services	$ 64,337	$ 61,827	$ (182,624)	$ (168,136)
Mortgage Services	111,681	154,476	311,421	502,331
Business Services	5,936	1,955	(9,048)	(7,456)
Investment Services	(18,312)	(12,811)	(61,149)	(41,904)
Corporate	(11,959)	(29,327)	(65,405)	(72,752)
	151,683	176,120	(6,805)	212,083
Income taxes (benefit)	59,991	69,394	(2,215)	83,462
Net income (loss) before change in accounting principle	91,692	106,726	(4,590)	128,621
Cumulative effect of change in accounting principle	—	—	—	(6,359)
Net income (loss)	$ 91,692	$ 106,726	$ (4,590)	$ 122,262
Basic earnings (loss) per share	$ .56	$ .60	$ (.03)	$ .69
Diluted earnings (loss) per share	$ .55	$ .59	$ (.03)	$ .67

OVERVIEW

A summary of our results compared to the prior year is as follows:

- Diluted earnings per share for the three months ended January 31, 2005 and 2004 was $0.55 and $0.59, respectively, and a loss of $0.03 and income of $0.67 for the respective nine-month periods. Results for the current quarter include a non-operating gain of $16.7 million, or $0.06 per diluted share, resulting from a legal recovery.

- Tax Services' pretax income increased $2.5 million, to $64.3 million for the quarter. For the nine months, the pretax loss increased $14.5 million to $182.6 million, primarily due to real estate expansion, which resulted in the opening of a net 939 new company-owned office locations.

- Mortgage Services' revenues and pretax income decreased $13.0 million and $42.8 million, respectively, for the three months ended January 31, 2005. Revenues and pretax income decreased $96.0 million and $190.9 million, for the respective nine-month periods. These declines are due to increased price competition and poorer execution in the secondary market, partially offset by increases in origination volumes of 56.8% and 27.7% for the three and nine months, respectively.

- Business Services' revenues increased $20.6 million and $51.2 million for the three and nine months ended January 31, 2005, respectively, primarily due to higher chargeable hours in our accounting, tax and consulting business. Chargeable hours increased primarily as a result of risk management services and business development initiatives. Pretax income increased $4.0 million for the current quarter primarily due to revenue growth. For the nine months ended January 31, 2005, the pretax loss increased $1.6 million primarily due to increased personnel recruiting and compensation costs and investments made in our emerging businesses.

- Investment Services' revenues increased $4.4 million and $2.0 million and the pretax loss increased $5.5 million and $19.2 million for the three and nine months, respectively. Declining results are primarily due to additional compensation and benefits from higher commission rates and financial incentives for new advisors coupled with increased legal expenses, partially offset by gains on the disposition of certain assets. In addition, a $6.0 million write-down of a branch office facility in the second quarter contributed to the increased loss during the nine months ended January 31, 2005.

TAX SERVICES

This segment primarily consists of our income tax preparation businesses – retail, online and software.

Tax Services – Operating Statistics (U.S. only)

	Period January 1 through January 31,	
	2005	2004
Clients served (in 000s):		
Company-owned offices	2,447	2,362
Franchise offices	1,406	1,352
Digital tax solutions (1)	1,129	1,268
	4,982	4,982
Average fee per client served: (2)		
Company-owned offices	$ 149.94	$ 140.25
Franchise offices	130.82	125.61
	$ 142.97	$ 134.92
Refund anticipation loans (RALs) (in 000s):		
Company-owned offices	1,197	1,184
Franchise offices	714	709
Digital tax solutions	12	20
	1,923	1,913
Offices:		
Company-owned offices	5,811	5,172
Company-owned shared office locations (3)	1,296	996
Total company-owned offices	7,107	6,168
Franchise offices	3,528	3,418
Franchise shared office locations (3)	526	323
Total franchise offices	4,054	3,741
	11,161	9,909

(1) Includes online completed and paid returns and federal software units sold.
(2) Calculated as tax preparation and related fees divided by clients served.
(3) Shared locations include offices located within Wal-Mart, Sears and other third-party businesses.

Tax Services – Operating Results				(in 000s)
	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Service revenues:				
Tax preparation and related fees	$ 375,343	$ 339,204	$ 428,322	$ 383,993
Online tax services	10,740	8,200	12,048	9,171
Other services	23,885	15,812	77,025	64,771
	409,968	363,216	517,395	457,935
Royalties	50,920	44,427	56,271	49,410
RAL participation fees	43,354	37,185	43,520	37,192
RAL waiver fees	—	988	—	6,548
Software sales	17,812	18,915	20,437	19,733
Other	9,032	9,764	18,016	15,942
Total revenues	531,086	474,495	655,639	586,760
Cost of services:				
Compensation and benefits	179,187	160,001	253,108	226,240
Occupancy	74,270	66,142	177,779	158,444
Depreciation	14,907	12,924	33,522	31,021
Supplies	12,701	11,410	20,716	17,897
Other	47,484	42,872	106,860	101,808
	328,549	293,349	591,985	535,410
Cost of software sales	12,731	13,231	20,400	19,939
Selling, general and administrative	125,469	106,088	225,878	199,547
Total expenses	466,749	412,668	838,263	754,896
Pretax income (loss)	$ 64,337	$ 61,827	$ (182,624)	$ (168,136)

Three months ended January 31, 2005 compared to January 31, 2004

Tax Services' revenues increased $56.6 million, or 11.9%, for the three months ended January 31, 2005 compared to the prior year.

Tax preparation and related fees increased $36.1 million, or 10.7%, for the current quarter. This increase is primarily due to an increase in the average fee per U.S. client served, coupled with an increase in U.S. clients served in offices. The average fee per client served increased 6.9% to $149.94 in the current year compared to $140.25 last year. Clients served in company-owned offices during the current tax season totaled 2.4 million, up 3.6% from the prior year. We estimate that approximately $10.8 million of the total increase is due to new offices opened during the current year.

Other service revenues increased $8.1 million primarily as a result of additional revenues associated with Refund Anticipation Checks (RACs), Express IRAs and, to a lesser extent, increased revenues from POM guarantees.

The average fee per client served at franchise offices increased by 4.1%, while clients served rose 4.0%. These increases, coupled with a slight increase in the royalty rate during the current quarter, resulted in a $6.5 million increase in royalty revenue.

Revenues earned during the current quarter in connection with RAL participations totaled $43.4 million, an increase of 16.6% over the prior year. This increase is primarily due to an increase in the dollar value of loans in which we purchased participation interests, resulting from an increase in the fee charged by the lender, an increase in our clients' average refund size, and an increase in the maximum loan amount allowed by the lender.

Cost of services for the three months ended January 31, 2005 increased $35.2 million, or 12.0%, from the prior year. Our real estate expansion efforts have contributed to increases across all cost of services categories and resulted in a net 639 new stand-alone company-owned offices and a net 300 new company-owned shared-office locations. Compensation and benefits increased $19.2 million primarily due to an increase in the number of tax professionals and support staff needed for our new offices, the increase in revenues and higher payroll tax rates. Occupancy expenses increased $8.1 million, or 12.3%, primarily as a result of higher rent expenses, due to an 11.3% increase in company-owned offices under lease and a 2.7% increase in the average rent. Utilities related to these new offices also contributed to the increase. Other cost of service expenses increased $4.6 million primarily due to additional expenses associated with our POM program.

Selling, general and administrative expenses increased $19.4 million over the prior year primarily due to increased spending on marketing initiatives and a $5.1 million increase in legal expenses. Legal expenses increased partially due to reserves required for RAL-related litigation.

Pretax income of $64.3 million for the three months ended January 31, 2005 represents a 4.1% increase over prior year income of $61.8 million.

Due to the seasonal nature of this segment's business, operating results for the three months ended January 31, 2005 are not comparable to the three months ended October 31, 2004 and are not indicative of the expected results for the entire fiscal year.

Nine months ended January 31, 2005 compared to January 31, 2004

Tax Services' revenues increased $68.9 million, or 11.7%, for the nine months ended January 31, 2005 compared to the prior year.

Tax preparation and related fees increased $44.3 million, or 11.5%, for the nine months ended January 31, 2005. This increase is primarily due to an increase in the average fee per client served, coupled with an increase in U.S. clients served in offices during the first month of the tax season. Australian tax returns prepared increased 5.2% and the average charge increased 2.8%, resulting in $3.6 million of additional revenues.

Other service revenues increased $12.3 million primarily as a result of additional revenues associated with POM guarantees and, to a lesser extent, increased revenues from RACs and Express IRAs.

The average fee per client served and clients served both increased at our franchise offices, resulting in an increase in royalty revenue of 13.9%.

Revenues earned during the current year in connection with RAL participations totaled $43.5 million, an increase of 17.0% over the prior year. This increase is primarily due to an increase in the dollar amount of loans in which we purchased participation interests, resulting from an increase in the fee charged by the lender, an increase in our clients' average refund size and the maximum loan amount allowed by the lender. This increase was offset by the elimination of RAL waiver revenue in the prior year associated with the RAL waiver agreement.

Cost of services for the nine months ended January 31, 2005 were up $56.6 million, or 10.6%, from the prior year. Compensation and benefits increased $26.9 million primarily due to an increase in the number of tax professionals and support staff needed for our real estate expansion and increased revenues. Occupancy expenses increased $19.3 million, or 12.2%, as a result of an 11.3% increase in company-owned offices under lease. Other cost of service expenses increased $5.1 million primarily due to additional expenses associated with Express IRAs.

Selling, general and administrative expenses increased $26.3 million over the prior year due to increased spending related to additional marketing efforts, legal expenses and information technology expenses.

The pretax loss of $182.6 million for the nine months ended January 31, 2005 represents an 8.6% increase over the prior year loss of $168.1 million.

Fiscal 2005 outlook

Our fiscal year 2005 outlook for the Tax Services segment is unchanged from the discussion in our April 30, 2004 Form 10-K and our October 31, 2004 Form 10-Q. Clients served across our retail network through February 15, 2005 were up 4.0% and we believe we are on track to meet our expectations for the year. However, results in interim periods may not necessarily be representative of the overall results for the season.

RAL Litigation

We have been named as a defendant in a number of lawsuits alleging that we engaged in wrongdoing with respect to the RAL program. We believe we have strong defenses to the various RAL cases and will vigorously defend our position. Nevertheless, the amounts claimed by the plaintiffs are, in some instances, very substantial, and there can be no assurances as to the ultimate outcome of the pending RAL cases, or as to the impact of the RAL cases on our financial statements. See additional discussion of RAL Litigation in note 12 to the condensed consolidated financial statements and in Part II, Item 1, "Legal Proceedings."

MORTGAGE SERVICES

This segment is primarily engaged in the origination of non-prime mortgage loans through an independent broker network, the origination of prime and non-prime mortgage loans through a retail office network, the sale and securitization of mortgage loans and residual interests, and the servicing of non-prime loans.

Mortgage Services – Operating Statistics			(dollars in 000s)
Three months ended	January 31, 2005	January 31, 2004	October 31, 2004
Volume of loans originated:			
Wholesale (non-prime)	$ 7,378,071	$ 4,732,182	$ 5,528,361
Retail:Prime	238,867	157,438	183,647
Non-prime	776,797	464,926	800,975
	$ 8,393,735	$ 5,354,546	$ 6,512,983
Loan characteristics:			
Weighted average FICO score (1)	615	607	609
Weighted average interest rate for borrowers (1)	7.30%	7.47%	7.46%
Weighted average loan-to-value (1)	79.3%	78.1%	78.3%
Revenue (loan value):			
Net gain on sale – gross margin (2)	2.42%	3.93%	2.83%
Loan delivery:			
Loan sales	$ 8,348,537	$ 5,308,800	$ 6,560,780
Execution price (3)	2.82%	4.08%	2.94%

(1) Represents non-prime production.

(2) Defined as gain on sale of mortgage loans (including gain or loss on derivatives, mortgage servicing rights and net of direct origination and acquisition expenses) divided by origination volume.

(3) Defined as total premium received divided by total balance of loans delivered to third-party investors or securitization vehicles (excluding mortgage servicing rights and the effect of loan origination expenses).

Mortgage Services - Operating Results			(in 000s)
Three months ended	January 31, 2005	January 31, 2004	October 31, 2004
Components of gains on sales:			
Gain on mortgage loans	$ 172,381	$ 217,915	$ 187,195
Gain (loss) on derivatives	30,756	(7,724)	(2,606)
Gain on sales of residual interests	—	17,000	—
Impairment of residual interests	(4,835)	(14,942)	(34)
	198,302	212,249	184,555
Interest income:			
Accretion - residual interests	28,782	47,483	32,172
Other interest income	4,064	2,227	2,445
	32,846	49,710	34,617
Loan servicing revenue	72,928	55,072	61,907
Other	567	568	555
Total revenues	304,643	317,599	281,634
Cost of services	56,694	52,832	53,062
Compensation and benefits	80,185	62,874	68,945
Occupancy	11,519	9,059	11,327
Other	44,564	38,358	42,100
Total expenses	192,962	163,123	175,434
Pretax income	$ 111,681	$ 154,476	$ 106,200

Three months ended January 31, 2005 compared to January 31, 2004

Mortgage Services' revenues decreased $13.0 million, or 4.1%, for the three months ended January 31, 2005 compared to the prior year. Revenues decreased as a result of a decline in gains on sales of mortgage loans and residual interests and lower accretion income, somewhat offset by gains on derivatives and increased servicing revenue.

The following table summarizes the key drivers of gains on sales of mortgage loans:

		(dollars in 000s)
Three months ended January 31,	2005	2004
Application process:		
Total number of applications	84,810	59,328
Number of sales associates (1)	3,523	2,649
Closing ratio (2)	60.4%	60.3%
Originations:		
Total number of originations	51,267	35,795
Weighted average interest rate for borrowers (WAC)	7.30%	7.47%
Average loan size	$ 164	$ 150
Total originations	$ 8,393,735	$ 5,354,546
Non-prime origination ratio	97.2%	97.1%
Direct origination and acquisition expenses, net	$ 110,432	$ 75,257
Revenue (loan value):		
Net gain on sale - gross margin (3)	2.42%	3.93%

(1) Includes all direct sales and back office sales support associates.
(2) Percentage of loans funded divided by total applications in the period.
(3) Defined as gain on sale of mortgage loans (including gain or loss on derivatives, mortgage servicing rights and net of direct origination and acquisition expenses) divided by origination volume.

Although we continue to grow our origination volumes, up 56.8% over the prior year, gains on sales of mortgage loans declined $45.5 million, primarily as a result of increased price competition and poorer execution in the secondary market. Market interest rates, based on a two-year swap, increased from 2.20% last year to 3.64% at the end of the current quarter. However, our WAC declined to 7.30% from 7.47% in the prior year. Because our WAC was not more aligned with market rates, our gross margin declined 151 basis points, to 2.42% from 3.93% last year. To mitigate the risk of short-term changes in market interest rates, we use interest rate swaps and forward loan sale commitments. During the current

quarter, we recorded a net $30.8 million in gains, compared to losses of $7.7 million in the prior year, related to our various derivative instruments. See note 6 to the condensed consolidated financial statements.

During the current year, we reclassified the accretion on our beneficial interest in Trusts, which includes actual cash received from the Trusts in excess of those estimated, from interest income to gain on sale. This change was made to more accurately reflect the characteristics of the proceeds received by the beneficial interest holders upon disposition of the loans by the Trusts. Amounts reclassified from interest income to gains on sales for the three months ended January 31, 2004 totaled $57.6 million. This change had no impact on our net income as previously reported.

In the prior year we recorded $17.0 million in gains on sales of previously securitized residual interests, while no similar transaction occurred in the current year.

Impairments of residual interests in securitizations of $4.8 million were recognized during the current quarter, compared with $14.9 million in the prior year.

The following table summarizes the key drivers of loan servicing revenues:

		(dollars in 000s)
Three months ended January 31,	2005	2004
Average servicing portfolio:		
With related MSRs	$41,753,865	$ 33,427,112
Without related MSRs	15,584,677	7,797,396
	$57,338,542	$ 41,224,508
Number of loans serviced	387,619	308,305
Average delinquency rate	5.02%	6.00%
Value of MSRs	$ 147,511	$ 106,196

Loan servicing revenues increased $17.9 million, or 32.4%, compared to the prior year. The increase reflects a higher loan servicing portfolio. The average servicing portfolio for the three months ended January 31, 2005 increased $16.1 billion, or 39.1%, to $57.3 billion.

Accretion of residual interests of $28.8 million for the three months ended January 31, 2005 represents a decrease of $18.7 million from the prior year. This decrease is primarily due to the sale of previously securitized residual interests during fiscal year 2004, which eliminated future accretion on those residual interests.

During the third quarter of fiscal year 2005, our residual interests continued to perform better than expected compared to internal valuation models, primarily due to credit losses performing better than originally modeled. We recorded favorable pretax mark-to-market adjustments, which increased the fair value of our residual interests $18.8 million during the quarter. These adjustments were recorded, net of write-downs of $9.0 million and deferred taxes of $3.8 million, in other comprehensive income and will be accreted into income throughout the remaining life of those residual interests. Future changes in interest rates or other assumptions, based on market conditions or actual loan pool performance, could cause additional adjustments to the fair value of the residual interests and could cause changes to the accretion of these residual interests in future periods. Favorable mark-to-market adjustments on low original value residuals will generally not be accreted into revenues until the residual interest begins to cash flow.

Total expenses for the three months ended January 31, 2005, increased $29.8 million, or 18.3%, over the year-ago quarter. This increase is primarily due to $17.3 million in increased compensation and benefits as a result of a 33.0% increase in sales associates, coupled with related increases in payroll taxes and origination-based incentives. Other expenses increased $6.2 million for the current quarter, primarily due to a $1.5 million increase in consulting expenses, and similar increases in depreciation and travel. Costs related to servicing of mortgage loans increased $3.9 million as a result of a higher average servicing portfolio during the three months ended January 31, 2005.

Pretax income decreased $42.8 million to $111.7 million for the three months ended January 31, 2005.

Three months ended January 31, 2005 compared to October 31, 2004

Mortgage Services' revenues increased $23.0 million, or 8.2%, for the three months ended January 31, 2005, compared to the second quarter. Revenues increased due to gains on derivatives and higher servicing revenues, partially offset by lower gains on sales of mortgage loans.

The following table summarizes the key drivers of gains on sales of mortgage loans:

(dollars in 000s)

Three months ended	January 31, 2005	October 31, 2004
Application process:		
Total number of applications	84,810	72,699
Number of sales associates (1)	3,523	3,369
Closing ratio (2)	60.4%	57.0%
Originations:		
Total number of originations	51,267	41,422
Weighted average interest rate for borrowers (WAC)	7.30%	7.46%
Average loan size	$ 164	$ 157
Total originations	$ 8,393,735	$ 6,512,983
Non-prime origination ratio	97.2%	97.2%
Direct origination and acquisition expenses, net	$ 110,432	$ 86,239
Revenue (loan value):		
Net gain on sale - gross margin (3)	2.42%	2.83%

(1) Includes all direct sales and back office sales support associates.
(2) Percentage of loans funded divided by total applications in the period.
(3) Defined as gain on sale of mortgage loans (including gain or loss on derivatives, mortgage servicing rights and net of direct origination and acquisition expenses) divided by origination volume.

Gains on sales of mortgage loans decreased $14.8 million primarily as a result of increased price competition and poorer execution in the secondary market. Market interest rates have increased to 3.64% from 2.94% in the second quarter. However our WAC declined from 7.46% to 7.30%. Because our WAC was not more aligned with market rates, our gross margin declined 41 basis points. To mitigate the risk of short-term changes in market interest rates, we use interest rate swaps and forward loan sale commitments. During the current quarter, we recorded a net $30.8 million in gains, compared to a net loss of $2.6 million in the second quarter, related to our various derivative instruments. Loan origination volumes increased 28.9% from the second quarter primarily due to the hiring of additional sales associates.

Impairments of residual interests in securitizations of $4.8 million were recognized during the third quarter.

The following table summarizes the key drivers of loan servicing revenues:

(dollars in 000s)

Three months ended	January 31, 2005	October 31, 2004
Average servicing portfolio:		
With related MSRs	$ 41,753,865	$ 39,407,600
Without related MSRs	15,584,677	11,917,124
	$ 57,338,542	$ 51,324,724
Number of loans serviced	387,619	362,430
Average delinquency rate	5.02%	5.19%
Value of MSRs	$ 147,511	$ 134,062

Loan servicing revenues increased $11.0 million, or 17.8%, compared to the second quarter. The increase reflects a higher loan servicing portfolio. The average servicing portfolio for the three months ended January 31, 2005 increased $6.0 billion, or 11.7%.

Total expenses increased $17.5 million compared to the second quarter. This increase is primarily due to $11.2 million in increased compensation and benefits as a result of a 4.6% increase in sales associates, coupled with related increases in payroll taxes and origination-based incentives. Other expenses increased $2.5 million for the current quarter, primarily due to a $5.6 million increase in marketing costs, which was partially offset by a $3.2 million decrease in consulting expenses. Costs related to servicing of mortgage loans increased $3.6 million as a result of a higher average servicing portfolio.

Pretax income increased $5.5 million, or 5.2%, for the three months ended January 31, 2005 compared to the preceding quarter.

Mortgage Services – Operating Statistics		(dollars in 000s)
Nine months ended January 31,	2005	2004
Volume of loans originated:		
Wholesale (non-prime)	$18,887,536	$14,740,523
Retail:Prime	637,801	945,424
Non-prime	2,197,898	1,323,236
	$21,723,235	$17,009,183
Loan characteristics:		
Weighted average FICO score (1)	611	608
Weighted average interest rate for borrowers (1)	7.32%	7.51%
Weighted average loan-to-value (1)	78.6%	78.2%
Revenue (loan value):		
Net gain on sale – gross margin (2)	2.64%	4.01%
Loan delivery:		
Loan sales	$21,653,373	$16,940,590
Execution price (3)	3.21%	4.14%

(1) Represents non-prime production.

(2) Defined as gain on sale of mortgage loans (including gain or loss on derivatives, mortgage servicing rights and net of direct origination and acquisition expenses) divided by origination volume.

(6) Defined as total premium received divided by total balance of loans delivered to third-party investors or securitization vehicles (excluding mortgage servicing rights and the effect of loan origination expenses).

Mortgage Services - Operating Results		(in 000s)
Nine months ended January 31,	2005	2004
Components of gains on sales:		
Gain on mortgage loans	$ 544,428	$ 685,549
Gain (loss) on derivatives	28,826	(4,297)
Gain on sales of residual interests	—	17,000
Impairment of residual interests	(8,304)	(26,048)
	564,950	672,204
Interest income:		
Accretion - residual interests	86,618	118,389
Other interest income	7,947	3,043
	94,565	121,432
Loan servicing revenue	193,690	155,048
Other	1,205	1,677
Total revenues	854,410	950,361
Cost of services	161,869	144,020
Compensation and benefits	225,287	178,956
Occupancy	32,810	27,906
Other	123,023	97,148
Total expenses	542,989	448,030
Pretax income	$ 311,421	$ 502,331

Nine months ended January 31, 2005 compared to January 31, 2004

Mortgage Services' revenues decreased $96.0 million, or 10.1%, for the nine months ended January 31, 2005 compared to the prior year. Revenues decreased primarily as a result of a decline in gains on sales of mortgage loans.

The following table summarizes the key drivers of gains on sales of mortgage loans:

		(dollars in 000s)
Nine months ended January 31,	2005	2004
Application process:		
Total number of applications	232,001	194,730
Number of sales associates (1)	3,523	2,649
Closing ratio (2)	58.9%	58.3%
Originations:		
Total number of originations	136,615	113,585
Weighted average interest rate for borrowers (WAC)	7.32%	7.51%
Average loan size	$ 159	$ 150
Total originations	$21,723,235	$17,009,183
Non-prime origination ratio	97.1%	94.4%
Direct origination expenses, net	$ 299,549	$ 208,315
Revenue (loan value):		
Net gain on sale – gross margin (3)	2.64%	4.01%

(1) Includes all direct sales and back office sales support associates.

(2) Percentage of loans funded divided by total applications in the period.

(3) Defined as gain on sale of mortgage loans (including gain or loss on derivatives, mortgage servicing rights and net of direct origination and acquisition expenses) divided by origination volume.

Although we continue to grow our origination volumes, up 27.7% over the prior year, gains on sales of mortgage loans declined $141.1 million as a result of increased price competition and poorer execution in the secondary market. Market interest rates have increased to 3.64% from 1.88% in early April and our WAC increased from 7.06% at April 30, 2004 to 7.32% at January 31, 2005. Because our WAC was not more aligned with market rates, our gross margin declined 137 basis points from last year. To mitigate the risk of short-term changes in market interest rates, we use interest rate swaps and forward loan sale commitments. During the current year, we recorded a net $28.8 million in gains, compared to a net loss of $4.3 million in the prior year, related to our various derivative instruments.

As discussed previously, we reclassified accretion on our beneficial interest in Trusts from interest income to gain on sale. Amounts reclassified for the nine months ended January 31, 2004 totaled $125.9 million. This change had no impact on our net income as previously reported.

In the prior year we recorded $17.0 million in gains on sales of previously securitized residual interests, while no similar transaction occurred in the current year.

Impairments of residual interests in securitizations of $8.3 million were recognized in the current period, compared to $26.0 million for the nine months ended January 31, 2004.

The following table summarizes the key drivers of loan servicing revenues:

(dollars in 000s)

Nine months ended January 31,	2005	2004
Average servicing portfolio:		
With related MSRs	$39,593,946	$30,931,506
Without related MSRs	12,586,192	5,975,852
	$52,180,138	$36,907,358
Number of loans serviced	387,619	308,305
Average delinquency rate	5.03%	6.27%
Value of MSRs	$ 147,511	$ 106,196

Loan servicing revenues increased $38.6 million, or 24.9%, compared to the prior year. The increase reflects a higher loan-servicing portfolio. The average servicing portfolio for the nine months ended January 31, 2005 increased $15.3 billion, or 41.4%.

Accretion of residual interests of $86.6 million for the nine months ended January 31, 2005 represents a decrease of $31.8 million from the prior year. This decrease is primarily due to the sale of previously securitized residual interests during fiscal year 2004, which eliminated future accretion on those residual interests.

During the first nine months of fiscal year 2005, our residual interests continued to perform better than expected compared to internal valuation models. We recorded favorable pretax mark-to-market adjustments, which increased the fair value of our residual interests $132.3 million during the year. These adjustments were recorded, net of write-downs of $33.6 million and deferred taxes of $37.7 million, in other comprehensive income and will be accreted into income throughout the remaining life of those residual interests.

Total expenses for the nine months ended January 31, 2005, increased $95.0 million, or 21.2%, over the prior year. This increase is primarily due to $46.3 million in increased compensation and benefits as a result of a 33.0% increase in sales associates, reflecting the overall growth in operations. Other expenses increased $25.9 million for the current period, primarily due to an $8.9 million increase in consulting expenses, and increases in depreciation and travel expenses. Costs related to servicing of mortgage loans increased $17.8 million as a result of a higher average servicing portfolio.

Pretax income decreased $190.9 million to $311.4 million for the nine months ended January 31, 2005.

Fiscal 2005 outlook

Due to continued pressure on our margins, our Mortgage Services segment fiscal year 2005 outlook has declined from the discussion in our April 30, 2004 Form 10-K. Based on these assumptions, we expect our mortgage segment pretax income to decline approximately 30% from fiscal year 2004, excluding the gain on sale of previously securitized residual interests. Beginning late in our fourth quarter and then more meaningfully in fiscal year 2006, we expect to realize a 50 to 75 basis point improvement in our total cost of origination, including the effect of potentially higher origination volumes.

BUSINESS SERVICES

This segment offers middle-market companies accounting, tax and consulting services, wealth management, retirement resources, payroll and benefits services, corporate finance and financial process outsourcing.

Business Services – Operating Statistics

	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Accounting, tax and consulting:				
Chargeable hours	641,009	580,746	1,852,346	1,682,073
Chargeable hours per person	332	322	935	904
Net collected rate per hour	$ 134	$ 126	$ 129	$ 122
Average margin per person	$ 25,194	$ 23,117	$ 64,621	$ 59,126

Business Services – Operating Results (in 000s)

	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Service revenues:				
Accounting, tax and consulting	$ 90,880	$ 74,680	$ 259,207	$ 214,544
Capital markets	17,631	19,287	48,309	53,789
Payroll, benefits and retirement services	6,748	5,527	16,280	14,977
Other services	7,809	4,754	20,212	13,681
	123,068	104,248	344,008	296,991
Other	9,804	8,045	27,013	22,825
Total revenues	132,872	112,293	371,021	319,816
Cost of services:				
Compensation and benefits	68,730	56,707	206,631	165,306
Occupancy	6,572	4,935	17,111	15,393
Other	8,129	8,386	31,151	24,143
	83,431	70,028	254,893	204,842
Selling, general and administrative	43,505	40,310	125,176	122,430
Total expenses	126,936	110,338	380,069	327,272
Pretax income (loss)	$ 5,936	$ 1,955	$ (9,048)	$ (7,456)

Three months ended January 31, 2005 compared to January 31, 2004

Business Services' revenues for the three months ended January 31, 2005 increased $20.6 million, or 18.3%, from the prior year. This increase was primarily due to a $16.2 million increase in accounting, tax and consulting revenues resulting from a 6.3% increase in the net collected rate per hour and a 10.4% increase in chargeable hours. The increase in chargeable hours is primarily due to favorable market conditions for all of our core services and strong demand for consulting and risk management services. Other service revenues increased $3.1 million as a result of growth in our financial process outsourcing business and wealth management services. Capital markets revenues declined $1.7 million as a result of an 11.5% decrease in the number of business valuation projects. Other revenues increased $1.8 million as a result of increases in computer hardware and software sales to clients.

Total expenses increased $16.6 million, or 15.0%, for the three months ended January 31, 2005 compared to the prior year. Compensation and benefits increased $12.0 million, primarily as a result of increases in the average wage per employee, which is being driven by marketplace competition for professional staff, and in the number of personnel. Selling, general and administrative expenses increased $3.2 million primarily due to increased personnel recruiting expenses and additional costs associated with our business development initiatives. Higher expenses are also attributable to investments we are making in early-stage businesses within this segment.

Pretax income for the three months ended January 31, 2005 was $5.9 million compared to $2.0 million in the prior year.

Due to the seasonal nature of this segment's business, operating results for the three months ended January 31, 2005 are not comparable to the three months ended October 31, 2004 and are not indicative of the expected results for the entire fiscal year.

Nine months ended January 31, 2005 compared to January 31, 2004

Business Services' revenues for the nine months ended January 31, 2005 increased $51.2 million, or 16.0%, from the prior year. This increase was primarily due to a $44.7 million increase in accounting, tax and consulting revenues resulting from a 5.7% increase in the net collected rate per hour and a 10.1% increase in chargeable hours. Additionally, reimbursable expenses and contractor revenues contributed $2.3 million and $3.8 million, respectively, to this increase. Other service revenues increased $6.5 million due to our wealth management services and the acquisition of our financial process outsourcing business in the second quarter of last year, coupled with baseline growth in this business. Capital markets revenues declined $5.5 million as a result of a 13.0% decrease in the number of business valuation projects. Other revenues increased $4.2 million as a result of increases in network product fees and computer hardware and software sales to clients.

Total expenses increased $52.8 million, or 16.1%, for the nine months ended January 31, 2005 compared to the prior year. Compensation and benefits increased $41.3 million, primarily as a result of increases in the average wage per employee, which is being driven by marketplace competition for professional staff, and the number of personnel. Other cost of services increased as a result of higher reimbursable expenses billed to clients and contractor fees. Selling, general and administrative expenses increased $2.7 million primarily due to increased personnel recruiting expenses and additional costs associated with our strategic growth initiatives. Higher expenses are also attributable to investments we are making in early-stage businesses within this segment.

The pretax loss for the nine months ended January 31, 2005 was $9.0 million compared to $7.5 million in the prior year.

Fiscal 2005 outlook

Our fiscal year 2005 outlook for our Business Services segment is unchanged from the discussion in our April 30, 2004 Form 10-K and our October 31, 2004 Form 10-Q.

INVESTMENT SERVICES

This segment is primarily engaged in offering advice-based brokerage services and investment planning. Our integration of investment advice and new service offerings are allowing us to shift our focus from a transaction-based client relationship to a more advice-based focus.

Investment Servic – Operating Statistics			
Three months ended	January 31, 2005	January 31, 2004	October 31, 2004
Customer trades (1)	245,612	272,003	192,909
Customer daily average trades	3,899	4,459	3,014
Average revenue per trade (2)	$ 120.62	$ 113.61	$ 125.13
Customer accounts: (3)			
Traditional brokerage	431,902	467,710	444,770
Express IRAs	295,676	241,116	334,928
	727,578	708,826	779,698
Ending balance of assets under administration (billions)	$ 28.4	$ 27.5	$ 27.2
Average assets per traditional brokerage account	$ 65,339	$ 58,256	$ 60,225
Average margin balances (millions)	$ 596	$ 568	$ 590
Average customer payable balances (millions)	$ 989	$ 1,028	$ 962
Number of advisors	1,013	960	982
Included in the numbers above are the following relating to fee-based accounts:			
Customer household accounts	7,263	5,705	7,046
Average revenue per account	$ 2,149	$ 2,021	$ 2,044
Ending balance of assets under administration (millions)	$ 1,911	$ 1,342	$ 1,755
Average assets per active account	$ 248,400	$ 235,232	$ 249,068

(1) Includes only trades on which revenues are earned ("revenue trades"). Revenues are earned on both transactional and annuitized trades.

(2) Calculated as total trade revenues divided by revenue trades.

(3) Includes only accounts with a positive balance.

Investment Services – Operating Results			(in 000s)
Three months ended	January 31, 2005	January 31, 2004	October 31, 2004
Service revenue:			
Transactional revenue	$ 24,654	$ 26,504	$ 19,988
Annuitized revenue	18,382	15,324	17,199
Production revenue	43,036	41,828	37,187
Other service revenue	7,000	8,568	6,527
	50,036	50,396	43,714
Margin interest revenue	11,975	8,362	10,038
Less: interest expense	(1,090)	(248)	(541)
Net interest revenue	10,885	8,114	9,497
Other	93	(1,005)	9
Total revenues (1)	61,014	57,505	53,220
Cost of services:			
Compensation and benefits	28,986	27,031	27,074
Occupancy	5,913	5,123	4,753
Depreciation	1,052	1,978	1,089
Other	4,478	4,001	3,447
	40,429	38,133	36,363
Selling, general and administrative	38,897	32,183	41,423
Total expenses	79,326	70,316	77,786
Pretax loss	$ (18,312)	$ (12,811)	$ (24,566)

(1) Total revenues, less interest expense.

Three months ended January 31, 2005 compared to January 31, 2004

Investment Services' revenues, net of interest expense, for the three months ended January 31, 2005 increased $3.5 million, or 6.1%.

Production revenue increased $1.2 million, or 2.9%, over the prior year. Transactional revenue, which is based on individual securities transactions, decreased $1.9 million, or 7.0%, from the prior year due primarily to a 15.8% decline in transactional trading volume. This decline was partially offset by an increase in average revenue per trade. Annuitized revenue, which is based on sales of mutual funds, insurance, fee based products and unit investment trusts, increased $3.1 million, or 20.0%, due to increased sales of annuities and mutual funds. Annualized productivity averaged approximately $172,000 per advisor during the current quarter compared to $185,000 per advisor in the prior year. Declining productivity was primarily due to advisor attrition.

Margin interest revenue increased $3.6 million, or 43.2%, from the prior year, as a result of a 4.9% increase in average margin balances and higher interest rates earned.

Cost of services increased $2.3 million, or 6.0%, primarily as a result of $2.0 million of additional compensation and benefits. This increase is primarily due to higher commission rates than the prior year and financial incentives for new advisors.

Selling, general and administrative expenses increased $6.7 million, or 20.9%, over the prior year primarily as the result of gains of $2.2 million on the disposition of certain assets in the prior year, an increase of $2.1 million in legal expenses and $1.8 million in additional stock-based compensation.

The pretax loss for Investment Services for the third quarter of fiscal year 2005 was $18.3 million compared to the prior year loss of $12.8 million.

Three months ended January 31, 2005 compared to October 31, 2004
Investment Services' revenues, net of interest expense, for the three months ended January 31, 2005 increased $7.8 million, or 14.6% compared to the preceding quarter.

Production revenue increased $5.8 million, or 15.7%, over the second quarter. Transactional revenue increased $4.7 million, or 23.3%, compared to the preceding quarter, primarily due to a 31.1% increase in transactional trading volume partially offset by a decline in average revenue per trade. Annuitized revenues rose $1.2 million, or 6.9%, due to increased mutual fund sales and trailer revenue. A total of 86 new advisors were recruited during the quarter. Our total advisor count increased from 982 to 1,013 during the period as a result of our recruiting efforts and declining advisor attrition.

Margin interest revenue increased $1.9 million, or 19.3%, from the preceding quarter, which is primarily a result of higher interest rates earned.

Cost of services increased $4.1 million, or 11.2%, principally due to a $1.9 million rise in compensation and benefits, primarily resulting from higher production revenues.

Selling, general and administrative expenses decreased $2.5 million, or 6.1%, primarily due to a $6.0 million write-down of a branch office facility during the second quarter, partially offset by gains on the disposition of certain assets during the second quarter and $1.5 million in additional stock-based compensation recorded in the current quarter.

The pretax loss for the Investment Services segment was $18.3 million, compared to a loss of $24.6 million in the second quarter.

Investment Services – Operating Statistics		
Nine months ended January 31,	2005	2004
Customer trades (1)	644,469	744,765
Customer daily average trades	3,410	3,859
Average revenue per trade (2)	$ 121.68	$ 118.74
Customer accounts: (3)		
Traditional brokerage	431,902	467,710
Express IRAs	295,676	241,116
	727,578	708,826
Ending balance of assets under administration (billions)	$ 28.4	$ 27.5
Average assets per traditional brokerage account	$ 65,339	$ 58,256
Average margin balances (millions)	$ 595	$ 528
Average customer payable balances (millions)	$ 988	$ 963
Number of advisors	1,013	960
Included in the numbers above are the following relating to fee-based accounts:		
Customer household accounts	7,263	5,705
Average revenue per account	$ 2,039	$ 1,734
Ending balance of assets under administration (millions)	$ 1,911	$ 1,342
Average assets per active account	$ 248,400	$ 235,232

(1) Includes only trades on which revenues are earned ("revenue trades"). Revenues are earned on both transactional and annuitized trades.

(2) Calculated as total trade revenues divided by revenue trades.

(3) Includes only accounts with a positive balance.

Investment Services – Operating Results		(in 000s)
Nine months ended January 31,	2005	2004
Service revenue:		
Transactional revenue	$ 64,594	$ 74,658
Annuitized revenue	54,114	42,145
Production revenue	118,708	116,803
Other service revenue	19,789	26,422
	138,497	143,225
Margin interest revenue	30,773	24,949
Less: interest expense	(1,930)	(1,065)
Net interest revenue	28,843	23,884
Other	176	(731)
Total revenues (1)	167,516	166,378
Cost of services:		
Compensation and benefits	84,908	73,905
Occupancy	16,354	15,427
Depreciation	3,205	5,652
Other	11,680	12,331
	116,147	107,315
Selling, general and administrative	112,518	100,967
Total expenses	228,665	208,282
Pretax loss	$ (61,149)	$ (41,904)

(1) Total revenues, less interest expense.

Nine months ended January 31, 2005 compared to January 31, 2004

Investment Services' revenues, net of interest expense, for the nine months ended January 31, 2005 increased $1.1 million, or 0.7%.

Production revenue increased $1.9 million, or 1.6%, over the prior year. Transactional revenue decreased $10.1 million, or 13.5%, from the prior year due primarily to a 20.0% decline in transactional

trading volume, which was partially offset by an increase in the average revenue per trade. Annuitized revenues increased $12.0 million, or 28.4%, due to increased sales of annuities and mutual funds. The shift in revenues from transactional to annuitized demonstrates our continued move toward an advice-based focus.

Other service revenue declined $6.6 million, or 25.1%, from the prior year due to fewer fixed income underwriting offerings and Express IRA revenues now being recorded in Tax Services.

Margin interest revenue increased $5.8 million, or 23.3%, from the prior year, as a result of a 12.7% increase in average margin balances and higher interest rates earned. Margin balances have increased from an average of $528 million for the nine months ended January 31, 2004 to $595 million in the current period.

Cost of services increased $8.8 million, or 8.2%, primarily due to $11.0 million of additional compensation and benefits. This increase is primarily due to a higher average commission rate than the prior year and financial incentives for new advisors. This increase was partially offset by a decline in depreciation costs as a result of building sales and asset roll offs related to the move from owned office facilities to leased facilities.

Selling, general and administrative expenses increased $11.6 million, or 11.4%, over the prior year primarily as the result of the $6.0 million write-down of a branch office facility and an increase of $5.0 million in legal expenses.

The pretax loss for Investment Services was $61.1 million compared to the prior year loss of $41.9 million.

Fiscal 2005 outlook

In our April 30, 2004 Form 10-K we indicated we believed a key to this segment's profitability was the recruitment and retention of experienced financial advisors. Our recruiting efforts during the year have improved. However, advisor attrition remains consistent with industry levels and, as a result, recruitment efforts have been fully offset by attrition rates that were higher than planned. We have expanded our partner programs with Tax Services, and have both licensed and unlicensed tax professionals teamed with financial advisors. We are planning for improvements in this business as we better align this segment’s cost structure with its revenue stream. Given our performance to date and revised internal forecasts, we expect our fiscal year 2005 pretax loss to be approximately 25% larger than the prior year.

CORPORATE

This segment consists primarily of corporate support departments, which provide services to our operating segments. These support departments consist of marketing, information technology, facilities, human resources, executive, legal, finance, government relations and corporate communications. Support department costs are generally allocated to our operating segments. Our captive insurance and franchise financing subsidiaries are also included within this segment.

Corporate – Operating Results				(in 000s)
	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Operating revenues	$ 3,425	$ 2,332	$ 10,290	$ 7,313
Eliminations	(2,123)	(1,642)	(6,833)	(4,607)
Total revenues	1,302	690	3,457	2,706
Corporate expenses:				
Compensation and benefits	1,747	2,828	7,869	6,827
Interest expense	20,936	18,764	55,672	52,119
Other	10,530	9,738	27,466	20,083
	33,213	31,330	91,007	79,029
Support departments:				
Information technology	29,023	30,745	81,435	80,696
Marketing	46,030	44,513	57,292	52,607
Finance	9,107	8,406	26,620	24,140
Other	31,584	22,843	78,179	50,858
	115,744	106,507	243,526	208,301
Allocation of support departments	(117,297)	(106,593)	(245,096)	(208,391)
Other income, net	18,399	1,227	20,575	3,481
Pretax loss	$ (11,959)	$ (29,327)	$ (65,405)	$ (72,752)

Three months ended January 31, 2005 compared to January 31, 2004
Corporate expenses increased $1.9 million primarily due to higher interest expense, resulting from higher interest rates and higher average debt balances.

Other support department expenses increased $8.7 million, primarily due to $5.7 million of additional stock-based compensation expenses and increases in the cost of employee insurance and supply sales to franchises.

Other income increased $17.2 million primarily as a result of a $16.7 million legal recovery we received during the current quarter.

The pretax loss was $12.0 million, compared with last year's third quarter loss of $29.3 million.

Due to the nature of this segment, the three months ended January 31, 2005 are not comparable to the three months ended October 31, 2004 and are not indicative of the expected results for the entire fiscal year.

Nine months ended January 31, 2005 compared to January 31, 2004
Corporate expenses increased $12.0 million primarily due to increases in consulting and insurance costs, as well as increased allocations from the information technology, legal and human resource departments.

Marketing department expenses increased $4.7 million, or 8.9%, primarily due to additional marketing efforts in the current year. Other support department expenses increased $27.3 million, primarily due to $14.1 million of additional stock-based compensation expenses, increases in the cost of employee insurance and additional supply sales to the operating segments.

Other income increased $17.1 million primarily as a result of the $16.7 million legal recovery we received during the current year.

The pretax loss was $65.4 million, compared with last year's loss of $72.8 million.

FINANCIAL CONDITION

These comments should be read in conjunction with the condensed consolidated balance sheets and condensed consolidated statements of cash flows found on pages 1 and 3, respectively.

CAPITAL RESOURCES & LIQUIDITY BY SEGMENT
Our sources of capital include cash from operations, issuances of common stock and debt. We use capital primarily to fund working capital requirements, pay dividends, repurchase our shares and acquire businesses.

Cash From Operations. Cash used in operations totaled $1.6 billion and $1.0 billion for the nine months ended January 31, 2005 and 2004, respectively. The increase in cash used in operating activities is primarily due to increases in receivables, principally participations in RALs, and income tax payments. RAL participation receivables increased over the prior year due to a higher dollar amount of loans in which we purchased participation interests, resulting from increases in the fee charged by the lender, our clients' average refund size and the maximum loan amount allowed by the lender. Income tax payments totaled $406.6 million during the current year, an increase of $161.2 million over the prior year, due to a change in a tax accounting method, which resulted in the acceleration of taxable income within our Mortgage Services segment.

Issuance of Common Stock. We issue shares of common stock, in accordance with our stock-based compensation plans, out of treasury shares. Proceeds from the issuance of common stock totaled $119.9 million and $111.2 million for the nine months ended January 31, 2005 and 2004, respectively.

Debt. In August 2004 we filed an additional shelf registration statement with the SEC for up to $1.0 billion in debt securities. On October 26, 2004, we issued $400.0 million of 5.125% Senior Notes under our shelf registration statements. The Senior Notes are due on October 30, 2014, and are not redeemable by the bondholders prior to maturity. The proceeds from the notes were used to repay our $250.0 million in 6-3/4% Senior Notes, which were due on November 1, 2004. The remaining proceeds were used for working capital, capital expenditures, repayment of other debt and other general corporate purposes.

As of January 31, 2005, we had commercial paper borrowings of $1.5 billion outstanding. Commercial paper issuance supports RAL participations and various other cash requirements.

Dividends. Dividends paid totaled $106.4 million and $103.5 million for the nine months ended January 31, 2005 and 2004, respectively.

Share Repurchases. On June 9, 2004, our Board of Directors approved an authorization to repurchase 15 million shares. This authorization is in addition to the authorization of 20 million shares on June 11, 2003. During the nine months ended January 31, 2005, we repurchased 11.2 million shares pursuant to these authorizations at an aggregate price of $527.5 million or an average price of $46.98 per share. There are 15.1 million shares remaining under these authorizations at January 31, 2005. We plan to continue to purchase shares on the open market in accordance with these authorizations, subject to various factors including the price of the stock, the availability of excess cash, our ability to maintain liquidity and financial flexibility, securities laws restrictions and other investment opportunities available.

Restricted Cash. We hold certain cash balances that are restricted as to use. Cash and cash equivalents - restricted totaled $535.3 million at January 31, 2005. Investment Services held $520.0 million of this total segregated in a special reserve account for the exclusive benefit of customers. Restricted cash of $15.3 million at January 31, 2005 held by Business Services is related to funds held to pay payroll taxes on behalf of its customers.

Segment Cash Flows. A condensed consolidating statement of cash flows by segment for the nine months ended January 31, 2005 follows. Generally, interest is not charged on intercompany activities between segments.

(in 000s)

	Tax Services	Mortgage Services	Business Services	Investment Services	Corporate	Consolidated H&R Block
Cash provided by (used in):						
Operations	$(1,128,154)	$ 42,964	$ (870)	$(52,492)	$ (446,699)	$(1,585,251)
Investing	(77,825)	62,511	(23,892)	13,906	(22,980)	(48,280)
Financing	—	—	(19,462)	—	1,157,463	1,138,001
Net intercompany	1,334,086	(116,041)	40,954	9,712	(1,268,711)	—

Net intercompany activities are excluded from investing and financing activities within the segment cash flows. We believe that by excluding intercompany activities, the cash flows by segment more clearly depicts the cash generated and used by each segment. Had intercompany activities been included, those segments in a net lending situation would have been included in investing activities, and those in a net borrowing situation would have been included in financing activities.

Tax Services. Tax Services has historically been our largest provider of annual operating cash flows. The seasonal nature of Tax Services generally results in a large positive operating cash flow in the fourth quarter. Tax Services used $1.1 billion in its current nine-month operations to cover off-season costs and working capital requirements. This segment also used $77.8 million in investing activities, primarily related to capital expenditures in connection with our real estate expansion initiative.

Mortgage Services. This segment primarily generates cash as a result of the sale and securitization of mortgage loans and residual interests, and as its residual interests begin to cash flow. Mortgage Services provided $43.0 million in cash from operating activities and $62.5 million in cash from investing activities. Cash flows from investing activities consist of $100.3 million in cash receipts on residual interests, partially offset by $37.7 million in capital expenditures.

Gains on sales. Gains on sales of mortgage assets totaled $565.0 million, with the cash received primarily recorded as operating activities. The percentage of cash proceeds we receive from our capital market transactions, which are included within the gains on sales of mortgage assets, is reconciled below.

		(in 000s)
Nine months ended January 31,	2005	2004
Cash proceeds:		
Whole loans sold by the Trusts	$ 544,954	$ 529,521
Residual cash flows from Beneficial Interest in Trusts	142,783	123,834
Loans securitized	53,181	115,041
Gain on derivative instruments	24,544	—
	765,462	768,396
Non-cash:		
Retained mortgage servicing rights	94,570	64,265
Additions to balance sheet (1)	16,470	63,545
	111,040	127,810
Portion of gain on sale related to capital market transactions	876,502	896,206
Other items included in gain on sale:		
Changes in beneficial interest in Trusts	(7,981)	14,658
Impairments to fair value of residual interests	(8,304)	(26,048)
Net change in fair value of derivative instruments	4,282	(4,297)
Direct origination and acquisition expenses, net	(299,549)	(208,315)
	(311,552)	(224,002)
Reported gains on sales of mortgage assets	$ 564,950	$ 672,204
Percent of gain on sale related to capital market transactions received as cash (2)	87%	86%

(1) Includes residual interests and interest rate caps.
(2) Cash proceeds divided by portion of gain on sale related to capital market transactions.

Warehouse Funding. To finance our prime originations, we utilize an on-balance sheet warehouse facility with capacity up to $25 million. This annual facility bears interest at one-month LIBOR plus 140 to 200 basis points. As of January 31, 2005 and April 30, 2004 the balance outstanding under this facility was $4.4 million and $4.0 million, respectively.

To fund our non-prime originations, we utilize five off-balance sheet warehouse Trusts. The facilities used by the Trusts had a total capacity of $9.0 billion as of January 31, 2005. The Mortgage Services segment is planning to implement a $3.0 billion on-balance sheet commercial paper conduit program during fiscal year 2006. At that time, we plan to reduce the warehouse facilities to $7.0 billion. This will bring total available warehouse capacity to approximately $10.0 billion.

We believe the sources of liquidity available to the Mortgage Services segment are sufficient for its needs.

Business Services. Business Services funding requirements are largely related to receivables for completed work and “work in process.” We provide funding sufficient to cover their working capital needs. This segment used $0.9 million in operating cash flows during the first nine months of the year. Business Services also used $23.9 million and $19.5 million in investing and financing activities,

respectively. Investing activities included acquisitions and capital expenditures, while financing activities consist of payments on acquisition debt.

Investment Services. Investment Services, through HRBFA, is subject to regulatory requirements intended to ensure the general financial soundness and liquidity of broker-dealers.

At January 31, 2005, HRBFA's net capital of $118.8 million, which was 18.0% of aggregate debit items, exceeded its minimum required net capital of $13.2 million by $105.6 million. During the current year, we contributed additional capital of $17.0 million, even though HRBFA was in excess of the minimum net capital requirement, and we may continue to do so in the future.

In the first nine months of fiscal year 2005, Investment Services used $52.5 million in its operating activities primarily due to operating losses and the timing of cash deposits that are restricted for the benefit of customers. Cash provided by investing activities consists primarily of proceeds from the sale of branch offices.

Liquidity needs relating to client trading and margin-borrowing activities are met primarily through cash balances in client brokerage accounts and working capital. We believe these sources of funds will continue to be the primary sources of liquidity for Investment Services. Stock loans have historically been used as a secondary source of funding and could be used in the future, if warranted.

Pledged securities at January 31, 2005 totaled $53.5 million, an excess of $13.2 million over the margin requirement. Pledged securities at the end of fiscal year 2004 totaled $46.3 million, an excess of $7.9 million over the margin requirement.

We believe the funding sources for Investment Services are stable. Liquidity risk within this segment is primarily limited to maintaining sufficient capital levels to obtain securities lending liquidity to support margin borrowing by customers.

OFF-BALANCE SHEET FINANCING ARRANGEMENTS

Substantially all non-prime mortgage loans we originate are sold daily to the Trusts. The Trusts purchase the loans from us utilizing five warehouse facilities that were arranged by us, bear interest at one-month LIBOR plus 50 to 200 basis points and expire on various dates during the year. In December 2004, the warehouse facilities were increased from $8.0 billion to $9.0 billion through February 15, 2005. This increase was pursuant to an amendment to the warehouse facility with Bank of America, N.A. (the BOA Facility) as reported on our current report on Form 8-K dated December 17, 2004, which is incorporated herein by reference.

On February 15, 2005, the BOA Facility was amended further to extend the term through May 15, 2005 of the $1.0 billion in warehouse capacity added in December 2004. The additional $1.0 billion increases our maximum guarantee, which is equal to approximately 10% of the aggregate principal balance of mortgage loans held by the Trusts.

There have been no other material changes in our off-balance sheet financing arrangements from those reported at April 30, 2004 in our Annual Report on Form 10-K.

COMMERCIAL PAPER ISSUANCE

We maintain unsecured CLOCs to support our commercial paper program and for general corporate purposes. During the second quarter, we replaced our $2.0 billion CLOC with two CLOCs. The two CLOCs are from a consortium of thirty-one banks. The first $1.0 billion CLOC is subject to annual renewal in August 2005, has a one-year term-out provision with a maturity date in August 2006 and has an annual facility fee of ten basis points per annum. The second $1.0 billion CLOC has a maturity date of August 2009 and has an annual facility fee of twelve basis points per annum. These lines are subject to various affirmative and negative covenants, including a minimum net worth covenant. These CLOCs are for working capital use, general corporate purposes and commercial paper back up. We obtained an additional $750.0 million line of credit for the period of January 26 to February 25, 2005 to back-up peak commercial paper issuance or use as an alternate source of funding for RAL participations. This line is subject to various covenants, substantially similar to the primary CLOCs. These CLOCs were undrawn at January 31, 2005.

At January 31, 2005, there was $25.0 million (Canadian) of commercial paper outstanding under the H&R Block Canada commercial paper program. The Canadian issuances are supported by a credit facility provided by one

bank in an amount not to exceed $125.0 million (Canadian). The Canadian CLOC is subject to annual renewal in December 2005. The Canadian CLOC was undrawn at January 31, 2005.

There have been no other material changes in our commercial paper program from those reported at April 30, 2004 in our Annual Report on Form 10-K.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

There have been no material changes in our contractual obligations and commercial commitments from those reported at April 30, 2004 in our Annual Report on Form 10-K.

REGULATORY ENVIRONMENT

There have been no material changes in our regulatory environment from those reported at April 30, 2004 in our Annual Report on Form 10-K.

FORWARD-LOOKING INFORMATION

In this report, and from time to time throughout the year, we share our expectations for our future performance. These forward-looking statements are based upon current information, expectations, estimates and projections regarding the Company, the industries and markets in which we operate, and our assumptions and beliefs at that time. These statements speak only as of the date on which they are made, are not guarantees of future performance, and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in these forward-looking statements. Words such as “believe,” “will,” “plan,” “expect,” “intend,” “estimate,” “approximate,” and similar expressions may identify such forward-looking statements.

There have been no material changes in our risk factors from those reported at April 30, 2004 in our Annual Report on Form 10-K.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks from those reported at April 30, 2004 in our Annual Report on Form 10-K.

CONTROLS AND PROCEDURES

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, such as this Form 10-Q, is recorded, processed, summarized and reported in accordance with the SEC’s rule. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosure.

Our Disclosure Controls were designed to provide reasonable assurance that the controls and procedures would meet their objectives. Our management, including the CEO and CFO, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusions of two or more people, or by management override of the control. Because of the inherent limitations in a cost-effective, maturing control system, misstatements due to error or fraud may occur and not be detected.

As of January 31, 2005, we evaluated the effectiveness of the design and operation of our Disclosure Controls. The controls evaluation was done under the supervision and with the participation of management, including our CEO and CFO.

The evaluation of our Disclosure Controls included a review of the controls' objectives and design, our implementation of the controls and the effect of the controls on the information generated for use in this Form 10-Q. In our Form 10-K for the year ended April 30, 2004, we reported various control weaknesses related to our corporate tax accounting function. These weaknesses related specifically to the reconciliation and level of detailed support of both current and deferred income tax accounts. We also determined an acceleration of taxable income was warranted in one of our segments, although there was no change to our total income tax provision. Upon identification of these control weaknesses, immediate corrective action was undertaken. Remediation that was complete or substantially complete at January 31, 2005 included the following:

- Two additional tax directors have been added to our corporate tax department. Each has significant federal, state and local tax experience and one director also has tax GAAP experience. Where necessary, we have retained outside experts to supplement our core knowledge of the complexities around mortgage securitizations. These resources, when combined with our existing resources, will enable the department to serve the technical needs of the enterprise.

- A formal policy governing all key aspects of accounting for income taxes has been developed and adopted. Departmental procedures are being revised to conform to the provisions of the policy.

- The corporate controller's department and the corporate tax department are focused on communicating more effectively with an increased concentration on the financial reporting aspects of tax items.

- The corporate tax department is now an active participant in the quarterly results review meetings with our business segment leaders. During these meetings, leaders engage in a detailed review of quarterly financial statements.

- Detailed, entity-specific support for all components of deferred taxes is being compiled as of the last audited financial statement date, and will be updated through the most recent calendar year end.

Our efforts to strengthen financial and internal controls continue. We expect these efforts to be completed by the end of fiscal year 2005.

Based on this evaluation, other than the item described above, our CEO and CFO have concluded these controls are effective. There have been no significant changes in internal controls, or in other factors, which would significantly affect these controls subsequent to the date of evaluation.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information below should be read in conjunction with the information included in note 12 to our condensed consolidated financial statements.

RAL Litigation

We reported in current reports on Form 8-K, previous quarterly reports on Form 10-Q and in our annual report on Form 10-K for the year ended April 30, 2004, certain events and information regarding lawsuits throughout the country regarding our refund anticipation loan programs (collectively, "RAL Cases"). The RAL Cases have involved a variety of legal theories asserted by plaintiffs. These theories include allegations that, among other things: disclosures in the RAL applications were inadequate, misleading and untimely; the RAL interest rates were usurious and unconscionable; we did not disclose that we would receive part of the finance charges paid by the customer for such loans; breach of state laws on credit service organizations; breach of contract, unjust enrichment, unfair and deceptive acts or practices; violations of the federal Racketeer Influenced and Corrupt Organizations (RICO) Act; violations of the federal Fair Debt Collection Practices Act; and that we owe and breached a fiduciary duty to our customers in connection with the RAL program.

The amounts claimed in the RAL Cases have been substantial in some instances. We have successfully defended against numerous RAL Cases, although several of the RAL Cases are still pending. Of these RAL

Cases that are no longer pending, some were dismissed on our motions for dismissal or summary judgment and others were dismissed voluntarily by the plaintiffs after denial of class certification. Other cases were settled, with one settlement resulting in a pretax expense of $43.5 million in fiscal year 2003 (the "Texas RAL Settlement").

We continue to believe we have meritorious defenses to the RAL Cases, and we intend to defend the remaining RAL Cases vigorously. There can be no assurances, however, as to the outcome of the pending RAL Cases individually or in the aggregate. Furthermore, there can be no assurances regarding the impact of the RAL Cases on our consolidated financial statements. The following is updated information regarding the pending RAL Cases in which developments occurred during or after the three months ended January 31, 2005:

Lynne A. Carnegie, et al. v. Household International, Inc., H&R Block, Inc., et al., (formerly Joel E. Zawikowski, et al. v. Beneficial National Bank, H&R Block, Inc., Block Financial Corporation, et al.) Case No. 98 C 2178, United States District Court for the Northern District of Illinois, Eastern Division, instituted on April 18, 1998. On April 15, 2003, the District Court judge declined to approve a $25.0 million nationwide settlement of this matter, under which we and the lending bank would have each paid $12.5 million. The judge's decision was based on a finding that counsel for the settlement plaintiffs had been inadequate representatives of the plaintiff class and failed to sustain their burden of showing that the settlement was fair. The judge subsequently appointed new counsel for the plaintiffs who filed an amended complaint and a motion for partial summary judgment. On March 29, 2004, the court either dismissed or decertified all of the plaintiffs' claims other than part of one count alleging violations of the RICO Act. The United States Court of Appeals for the Seventh Circuit subsequently affirmed the trial court's certification of a nationwide class on the RICO count. The case is scheduled to go to trial in October 2005. We intend to continue defending the case vigorously, but there are no assurances as to its outcome.

Deandra D. Cummins, et al. V. H&R Block, Inc., et al., Case No. 03-C-134, Circuit Court of Kanawha County, West Virginia. On December 30, 2004, the trial court certified a class consisting of all West Virginia residents who obtained RALs from January 1, 1994 to present. On February 23, 2005, the U.S. Supreme Court denied our request to review the West Virginia Supreme Court's decision not to review the trial court's denial of our motion to compel arbitration. The case is scheduled to go to trial in October 2005.

Sandra J. Basile, et al. v. H&R Block, Inc. et al., April Term 1992 Civil Action No. 3246, Court of Common Pleas, First Judicial district of Pennsylvania, Philadelphia County, instituted on April 23, 1993. On February 3, 2005, the Pennsylvania appellate court granted plaintiff's motion for *en banc* review of the appellate court's previous three-judge panel decision denying plaintiff's appeal of the trial court class decertification. Re-argument is expected to occur in June 2005.

Peace of Mind Litigation

Lorie J. Marshall, et al. v. H&R Block Tax Services, Inc., et al., Civil Action 2002L000004, Circuit Court of Madison County, Illinois, is a class action case filed on January 18, 2002, as to which the court granted plaintiffs' first amended motion for class certification on August 27, 2003. Plaintiffs' claims consist of five counts relating to the defendants' Peace of Mind program under which the applicable tax return preparation subsidiary assumes liability for the cost of additional tax assessments attributable to tax return preparation error. The plaintiffs allege that defendants' sale of its Peace of Mind guarantee constitutes statutory fraud by selling insurance without a license, an unfair trade practice by omission and by "cramming" (i.e., charging customers for the guarantee even though they did not request it and/or did not want it), and constitutes a breach of fiduciary duty. In August 2003, the court certified the following plaintiff classes: (1) all persons who were charged a separate fee for Peace of Mind by "H&R Block" or a defendant H&R Block class member from January 1, 1997 to final judgment; (2) all persons who reside in certain class states and who were charged a separate fee for Peace of Mind by "H&R Block," or a defendant H&R Block class member, and that was not licensed to sell insurance, from January 1, 1997 to final judgment; and (3) all persons who had an unsolicited charge for Peace of Mind posted to their bills by "H&R Block," or a defendant H&R Block class member from January 1, 1997, to final judgment. Among those excluded from the plaintiff classes are all persons who received the Peace of Mind guarantee through an H&R Block Premium office and all persons who reside in Texas and Alabama. The court also certified a defendant class consisting of any entity with the names "H&R Block" or "HRB"

in its name, or otherwise affiliated or associated with H&R Block Tax Services, Inc., and which sold or sells the Peace of Mind product. The trial court subsequently denied the defendants' motion asking the trial court to certify the class certification issues for interlocutory appeal. Discovery is proceeding. No trial date has been set.

There is one other putative class action pending against us in Texas that involves the Peace of Mind guarantee. This case is being tried before the same judge that presided over the Texas RAL Settlement and involves the same plaintiffs attorneys that are involved in the Marshall litigation in Illinois and substantially similar allegations. No class has been certified in this case.

We believe the claims in these Peace of Mind actions are without merit and we intend to defend them vigorously. However, there can be no assurances as to the outcome of these pending actions individually or in the aggregate, and there can be no assurances on the impact of these actions on our consolidated financial statements.

Other Claims and Litigation

As with other broker-dealers, HRBFA has been the subject of an investigation by the National Association of Securities Dealers, Inc. (NASD) regarding the market timing of mutual funds. The investigation concerned the trading activity by two former financial advisors, primarily on behalf of one of HRBFA's institutional clients. After substantive discussions with the NASD, HRBFA agreed to a settlement of the matter, without admitting or denying any wrongdoing. We paid a fine of $500,000 and $325,000 restitution, to mutual fund customers.

As reported in a current report on Form 8-K dated November 8, 2004, the NASD brought charges against HRBFA related to the sale by HRBFA of Enron debentures in 2001. Two private civil actions subsequently were filed against HRBFA concerning the matter raised in the NASD's charges, one of which was subsequently dismissed without prejudice. We intend to defend the charges and the civil suit vigorously. There can be no assurances as to the outcome and resolution of this matter.

As part of an industry-wide review, the Internal Revenue Service (IRS) is investigating tax-planning strategies that certain RSM clients utilized during fiscal years 2000 through 2003. Specifically, the IRS is examining these strategies to determine whether RSM complied with tax shelter registration and listing regulations and whether such strategies were appropriate. If the IRS were to determine that these strategies were inappropriate, clients that utilized the strategies could face penalties and interest for underpayment of taxes and may attempt to seek recovery from RSM. There can be no assurances as to the outcome of this matter.

As reported in current report on Form 8-K dated December 12, 2003, the United States SEC informed outside counsel to the Company on December 11, 2003 that the Commission had issued a Formal Order of Investigation concerning our disclosures, in and before November 2002, regarding RAL litigation to which we were and are a party. There can be no assurances as to the outcome and resolution of this matter.

We have from time to time been party to claims and lawsuits not discussed herein arising out of our business operations. These claims and lawsuits include actions by individual plaintiffs, as well as cases in which plaintiffs seek to represent a class of similarly situated customers. The amounts claimed in these claims and lawsuits are substantial in some instances, and the ultimate liability with respect to such litigation and claims is difficult to predict. Some of these claims and lawsuits pertain to RALs, the electronic filing of customers' income tax returns and the Peace of Mind guarantee program. We believe we have meritorious defenses to each of these claims, and we are defending, or intend to defend, them vigorously, although there is no assurance as to their outcome.

In addition to the aforementioned types of cases, we are parties to claims and lawsuits that we consider to be ordinary, routine litigation incidental to our business, including claims and lawsuits (Other Claims) concerning investment products, the preparation of customers' income tax returns, the fees charged customers for various products and services, losses incurred by customers with respect to their investment accounts, relationships with franchisees, denials of mortgage loans, contested mortgage foreclosures, other aspects of the mortgage business, intellectual property disputes, and contract disputes. We believe we have meritorious defenses to each of the Other Claims, and we are defending, or intend to defend, them vigorously. While we cannot provide assurance that we will ultimately prevail in each instance, we believe the amount, if any, we are required to pay in the discharge of liabilities or

settlements in these Other Claims will not have a material adverse effect on our consolidated financial statements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

A summary of our purchases of H&R Block common stock during the third quarter of fiscal year 2005 is as follows:

(shares in 000s)

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that May Be Purchased Under the Plans or Programs (2)
November 1 – November 30	2	$ 49.22	—	15,104
December 1 – December 31	—	$ 48.08	—	15,104
January 1 – January 31	4	$ 47.40	—	15,104

(1) All shares purchased during the current quarter were purchased in connection with the funding of employee income tax withholding obligations arising upon the exercise of stock options or the lapse of restrictions on restricted shares.

(2) On June 11, 2003 and June 9, 2004, our Board of Directors approved the repurchase of 20 million shares and 15 million shares, respectively, of H&R Block, Inc. common stock. These authorizations have no expiration dates.

ITEM 6. EXHIBITS

10.1 Termination Agreement dated January 7, 2005, between H&R Block, Inc., H&R Block Financial Advisors, Inc. and Brian L. Nygaard.

10.2 Fourth Amended and Restated Refund Anticipation Loan Participation Agreement dated as of December 31, 2004, between Block Financial Corporation, HSBC Taxpayer Financial Services Inc. and Household Tax Masters Acquisition Corporation.

10.3 Second Amended and Restated Loan Purchase and Contribution Agreement dated as of November 14, 2003 between Option One Loan Warehouse Corporation and Option One Mortgage Corporation.

10.4 Amended and Restated Sales and Servicing Agreement dated November 12, 2004 among Option One Owner Trust 2003-5, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank, N.A.

10.5 Note Purchase Agreement dated November 14, 2003 between Option One Owner Trust 2003-5, Option One Loan Warehouse Corporation and Citigroup Global Markets Realty Corp.

10.6 Amendment Number One to the Note Purchase Agreement, dated November 14, 2004, among Option One Owner Trust 2003-5, Option One Loan Warehouse Corporation and Citigroup Global Markets Realty Corp.

10.7 Indenture dated as of November 1, 2003 between Option One Owner Trust 2003-5 and Wells Fargo Bank Minnesota, National Association.

10.8 Amended and Restated Sale and Servicing Agreement dated as of November 25, 2003 among Option One Owner Trust 2001-2, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank Minnesota, National Association.

10.9 Amendment Number One to the Amended and Restated Sale and Servicing Agreement, dated as of April 30, 2004, among Option One Owner Trust 2001-2, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank Minnesota, National Association.

10.10 Amendment Number Two to the Amended and Restated Sale and Servicing Agreement, dated as of December 17, 2004, among Option One Owner Trust 2001-2, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank N.A.

10.11 Amended and Restated Note Purchase Agreement dated as of November 25, 2003 among Option One Owner Trust 2001-2, Option One Loan Warehouse Corporation and Bank of America, N.A.

10.12 Amendment Number One to the Amended and Restated Note Purchase Agreement, dated as of December 17, 2004, among Option One Owner Trust 2001-2, Option One Loan Warehouse Corporation and Bank of America, N.A.

10.13 Amendment Number Two to the Amended and Restated Note Purchase Agreement, dated as of February 15, 2005, among Option One Owner Trust 2001-2, Option One Loan Warehouse Corporation and Bank of America, N.A.

10.14 Amended and Restated Indenture dated as of November 25, 2003 between Option One Owner Trust 2001-2 and Wells Fargo Bank Minnesota, National Association.

10.15 Letter Agreement dated as of April 1, 2000 among Option One Mortgage Corporation, Bank of America, N.A.

31.1 Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Chief Executive Officer furnished pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by Chief Financial Officer furnished pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

H&R BLOCK, INC.
(Registrant)

DATE 3/9/05 BY /s/ Mark A. Ernst
Mark A. Ernst
Chairman of the Board, President and Chief Executive Officer

DATE 3/9/05 BY /s/ William L. Trubeck
William L. Trubeck
Executive Vice President and Chief Financial Officer

Exhibit 10.1

TERMINATION AGREEMENT

THIS TERMINATION AGREEMENT ("this Agreement") is entered into as of the 7th day of January, 2005, by and between H&R Block, Inc., a Missouri corporation ("HRB"), H&R Block Financial Advisors, Inc., a Michigan corporation ("HRBFA") and Brian L. Nygaard ("Nygaard").

ARTICLE ONE

TERMINATION OF EMPLOYMENT

1. Mutual Agreement to Terminate Employment Agreement. HRBFA and Nygaard are parties to an Employment Agreement dated November 5, 2001 (the "Employment Agreement"), and the parties desire to terminate Nygaard's employment according to Section 1.07(b) of the Employment Agreement by this Agreement. The parties agree, however, to treat Nygaard's termination of employment as a "Qualifying Termination," as such term is used in the Employment Agreement, for purposes of determining Nygaard's severance compensation and benefits as set forth in Section 3 of this Agreement. The parties further agree that the termination is not the result of the elimination of the position of President and Chief Executive Officer of HRBFA. Such employment and the Employment Agreement will terminate effective as of the close of business on January 7, 2005, or such earlier date as is agreed upon by the parties in writing (the "Termination Date"). By this Agreement, the parties agree to waive any notice of termination required by the Employment Agreement. Unless otherwise agreed in this Agreement, the termination of the Employment Agreement will not be effective as to those portions of the Employment Agreement which, by their express terms as set forth therein, require performance by either party following termination of the Employment Agreement.

2. Resignation as Officer. Nygaard will resign (a) as President and Chief Executive Officer of HRBFA and (b) from any and all officer and director positions held with HRBFA and with all other subsidiaries of HRB (all such other subsidiaries of HRB, "Affiliates"). Such resignations will be effective as of the Termination Date. Nygaard will execute resignations in the form attached hereto as Exhibit A contemporaneously with his execution of this Agreement.

3. Surviving Obligations. Notwithstanding the above, the termination of Nygaard's employment will not affect the following provisions of the Employment Agreement which, by their express terms as set forth therein, impose continuing obligations on one or more of the parties following termination of the Employment Agreement:

- Article Two, "Confidentiality," Sections 2.01, 2.02
- Article Three, "Non-Hiring; Non-Solicitation; No Conflicts; Non-Competition" Sections 3.01, 3.02, 3.03, 3.05
- Article Four, "Miscellaneous," Section 4.03

3. Severance Compensation and Benefits.

(a) In consideration of Nygaard's promises herein, HRBFA agrees to continue to employ Nygaard through the Termination Date. On the Termination Date, Nygaard will be given the opportunity to execute a release agreement (the "Release Agreement") in the form attached hereto as Exhibit B. If Nygaard executes the Release Agreement on the Termination Date, HRB and HRBFA will agree to provide the compensation and benefits under the H&R Block Severance Plan as follows and as described in the Release Agreement on the terms described therein:

(i) HRB and HRBFA will pay to Nygaard $312,000 (which amount represents an aggregate of one-half of Nygaard's (A) annual base salary and (B) target short-term incentive compensation for HRBFA's fiscal year 2005, each determined as of the date of this Agreement) over the 6-month period beginning on the Termination Date in semi-monthly equal installments of $26,000 (less required tax withholdings and elected benefit withholdings). Such payments shall not encompass payment to Nygaard for any unused vacation or other paid time off accrued as of the Termination Date, payment for which will be made in accordance with HRB's policy as soon as administratively feasible after the Termination Date.

(ii) Nygaard will remain eligible to participate in those health and welfare plans maintained by HRBFA offering medical, dental, vision, employee assistance, flexible spending account, life insurance, and accidental death and dismemberment insurance benefits during the 6-month period beginning on the Termination Date on the same basis as employees of HRBFA, after which Nygaard may be eligible to continue coverage of those benefits provided under group health plans in accordance with his rights under Section 4980B of the Internal Revenue Code of 1986, as amended.

(iii) Those portions of any outstanding incentive stock options and nonqualified stock options to purchase shares of HRB's common stock granted to Nygaard by HRB ("Stock Options") that are scheduled to vest between the Termination Date and July 6, 2006 (based solely on the time-specific vesting schedule included in the applicable stock option agreement), shall vest and become exercisable as of the Termination Date. Accordingly, Nygaard shall have until October 6, 2005 to exercise such Stock Options. The operation of such provision is subject to Nygaard's execution of an amendment to the affected stock option agreements in the form attached as an exhibit to the Release Agreement.

(iv) All restrictions on any shares of HRB's common stock awarded to Nygaard by HRB ("Restricted Shares") that would have lapsed absent a termination of employment in accordance with their terms by reason of time between the Termination Date and July 6, 2006 shall terminate (and shall be fully vested) as of the Termination Date. Any shares unaffected by the operation of this section 3(a)(iv) shall be forfeited to HRB on the Termination Date. A list of the Restricted Shares existing and (A) vested as of the date of this Agreement and (B) to become vested pursuant to Section 5 of the Release Agreement is attached hereto as Exhibit C.

(v) HRB and HRBFA will arrange for Right Management Consultants to provide outplacement services to Nygaard for the 12-month period beginning on the Termination Date.

(b) The compensation and benefits described in Section 3(a) of this Agreement will cease and no further compensation and benefits will be provided to Nygaard under the Release Agreement if Nygaard violates any of the post-employment obligations under Section 5 of this Agreement and Articles Two and Three of the Employment Agreement.

(c) The parties agree that, in accordance with Section 1.07(c) of the Employment Agreement, upon termination of Nygaard's employment under the Employment Agreement, and payment of the Compensation and Benefits under the Severance Plan as stated in Section 3 of this Agreement, HRB and HRBFA will have no further obligations to Nygaard under the Employment Agreement and no further payments of base salary or other compensation or benefits will be payable by HRB or HRBFA to Nygaard thereunder.

4. Business Expenses; Commitments. HRBFA will promptly pay directly, or reimburse Nygaard for, all business expenses to the extent such expenses are paid or incurred by Nygaard during the term of the Employment Agreement in accordance with HRBFA's policy in effect from time to time and to the extent such expenses were reasonable and necessary to the conduct by Nygaard of HRBFA's business; provided, however, during the period from the date of this Agreement through the Termination Date and at all times thereafter, Nygaard will not initiate, make, renew, confirm or ratify any contracts or commitments for or on behalf of HRB, HRBFA or any Affiliate, nor will Nygaard incur any expenses on behalf of HRB, HRBFA or any Affiliate without HRB's prior written consent except for those expenses incurred on behalf of HRBFA that are reasonable and necessary to the conduct by Nygaard of HRBFA's business.

5. Nygaard's Responsibilities.

(a) During the period from the date of this Agreement through the Termination Date, Nygaard will be reasonably and appropriately responsive to, and fully supportive of the management of HRB, HRBFA and Affiliates and will be cooperative with such management in providing information regarding areas of his expertise and experience with HRB and HRBFA. Nygaard acknowledges that his employment responsibilities may be reduced prior to the Termination Date at HRBFA's sole discretion.

(b) After the Termination Date, in the event a (i) claim is asserted against HRB, HRBFA or any Affiliates and/or their respective employees, agents, officers, or directors or (ii) a government investigation is commenced with respect to HRB, HRBFA or any Affiliates and/or their respective employees, agents, officers, or directors, Nygaard will assist and cooperate with HRB, HRBFA or Affiliates in good faith and in such manner as is reasonably possible in developing the information, or providing the statements, documents or testimony reasonably required to properly respond to or defend such claim or government investigation. HRBFA will reimburse Nygaard for his out-of-pocket expenses directly associated with providing such assistance and cooperation. If such assistance and cooperation requires a substantial amount of Nygaard's time, HRBFA agrees to reasonably compensate Nygaard for such time, except in litigation matters where Nygaard is a named party. In such cases Nygaard will continue to provide reasonable assistance and cooperation, as requested, and will receive reimbursement for his out-of-pocket expenses directly associated with providing such assistance and cooperation, but receive no compensation for his time.

(c) Nygaard will not at any time or in any manner (i) defame HRB, HRBFA, or any Affiliate or their respective past or present directors and employees, (ii) make disparaging statements to the media, to any employee or contractor of HRB, HRBFA or any Affiliate, or to any other person or entity concerning HRB, HRBFA or any Affiliate, their respective past or present directors and employees or any matter related to his employment or non-employment, or (iii) do any deliberate act designed primarily to injure the business or reputation of HRB, HRBFA or any Affiliate.

(d) For a period of 2 years after the Termination Date, Nygaard may not directly or indirectly recruit, solicit, or hire any employees of subsidiaries of HRB ("HRB Employees") or otherwise induce any such HRB Employee to leave the employment of the applicable employer-subsidiary of HRB to become an employee of or otherwise be associated with any other party or with Nygaard or any company or business with which Nygaard is or may become associated. The running of the 2-year period will be suspended during any period of violation and/or any period of time required to enforce this covenant by litigation or threat of litigation.

(e) During the time Nygaard is receiving payments pursuant to the Release Agreement, and for 2 years after the cessation of such payments, Nygaard may not directly or indirectly solicit or enter into any arrangement with any person or entity which is, at the time of the solicitation, a significant customer of HRB, HRBFA, or an Affiliate for the purpose of engaging in any business transaction of the nature performed by HRB, HRBFA or such Affiliate, or contemplated to be performed by HRB, HRBFA or such Affiliate, for such customer, provided that this Section 5(e) will only apply to customers for whom Nygaard personally provided services while employed by HRBFA or customers about whom or which Nygaard acquired material information while employed by HRBFA. The running of the 2-year period will be suspended during any period of violation and/or any period of time required to enforce this covenant by litigation or threat of litigation.

(f) During the time Nygaard is receiving payments pursuant to the Release Agreement, and for 2 years after the cessation of such payments, Nygaard shall not engage in, or own or control any interest in (except as a passive investor in less than one percent of the outstanding securities of publicly held companies), or act as an officer, director or employee of, or consultant, advisor or lender to, (i) any firm, corporation, partnership, limited liability company, institution, business, government agency, or entity that at the time of the initiation of such engagement, ownership, control, or action by Executive, engages in, or has developed a plan to engage in a business whose core strategy is to integrate the provision of tax and/or accounting products or services with the provisions of investment products or services to its clients, or (ii) any subsidiary, division or segment or a firm, corporation, partnership, limited liability company, institution, business, government agency, or entity that at the time of the initiation of such engagement, ownership, control, or action by Nygaard, engages in, or has developed a plan to engage in a business that integrates the provision of tax and/or accounting products or services with the provision of investment products or services to its clients. The running of the 2-year period will be suspended during any period of violation and/or any period of time required to enforce this covenant by litigation or threat of litigation.

(g) The parties acknowledge that the restrictions contained in this Agreement and the surviving restrictions of the Employment Agreement are reasonable, but should any provisions of any Section of this Agreement or the surviving restrictions of the

Employment Agreement be determined to be invalid, illegal, or otherwise unenforceable or unreasonable in scope by any court of competent jurisdiction, the validity, legality, and enforceability of the other provisions of this Agreement or the other surviving provisions of the Employment Agreement will not be affected thereby and the provision found invalid, illegal, or otherwise unenforceable or unreasonable will be considered by the parties to be amended as to scope of protection, time, or geographic area (or any one of them, as the case may be) in whatever manner is considered reasonable by that court and, as so amended, will be enforced.

(h) HRB and HRBFA may agree to waive any of Nygaard's obligations under this Agreement or the surviving post-employment obligations under the Employment Agreement; provided that any such waiver must be in writing and signed by Nygaard, a duly authorized officer of HRBFA, and the Chief Executive Officer of HRB, and further provided that payments under the Release Agreement will immediately cease upon any such waiver.

6. HRB and HRBFA Conduct. HRB and HRBFA will not at any time or in any manner (i) defame Nygaard, (ii) make disparaging statements to the media, to any employee or contractor of HRB, HRBFA or Affiliates, or to any other person or entity regarding Nygaard, his performance, character, status or any other personal or professional matter, or (iii) do any deliberate act designed in whole or in part to injure, embarrass or damage Nygaard's reputation.

7. Release by Nygaard. In consideration of the promises and agreements of HRB and HRBFA, as set forth in this Agreement, Nygaard for himself and for his relations, heirs, legal representatives and assigns unconditionally releases and forever discharges HRB, HRBFA, and each HRB Affiliate, their respective present and past directors, officers, employees, agents, predecessors, successors, and assigns of and from any and all claims, demands, actions, causes of action and suits of any kind whatsoever, whether under federal or state statute, local regulation or at common law or which thereafter arise from any matter, fact, circumstance, event, happening or thing whatsoever occurring or failing to occur prior to the date of this Agreement involving Nygaard's employment by HRBFA or any Affiliate including, without limitation, Nygaard's hiring, compensation earned as of or before the date of this Agreement, the termination of Nygaard's responsibilities as an officer of HRBFA and as a director and/or officer of each Affiliate, Nygaard's termination as an employee of HRBFA, other obligations of HRB, HRBFA or any HRB Affiliate (except for those obligations expressly stated in this Agreement, the surviving post-termination provisions of the Employment Agreement or applicable benefit plans), and further including, but not limited to, any claims for race, sex or age discrimination under the Age Discrimination in Employment Act, as amended ("ADEA"), Title VII of the Civil Rights Act of 1964, the 1991 amendments of such Civil Rights Act, the Americans with Disabilities Act, as amended, and all other federal and state statutes and common law doctrines.

8. Consideration of Release of ADEA Claims. With regard to the waiver/release of rights or claims under the ADEA, Nygaard acknowledges and understands that this is a legal document and that he is legally entitled to, and has been offered, a period of twenty-one (21) days (the "Consideration Period") to consider the waiver/release of such rights or claims under this Agreement before signing it. After signing this Agreement, Nygaard may revoke the waiver/release of rights or claims under the ADEA by giving written notice ("Revocation Notice") to Mark A. Ernst, 4400 Main Street, Kansas City, Missouri 64111,

within seven (7) days after the date of signing (such seven (7) day period, the "Revocation Period" and such date of signing, the "Signing Date"). For such revocation to be effective, the Revocation Notice must be received no later than 5:00 p.m., Kansas City, Missouri time, on the seventh (7th) day after the Signing Date. If Nygaard provides the Revocation Notice to HRB or HRBFA, this Agreement will be null, void and unenforceable.

9. Acknowledgements. **Nygaard acknowledges that HRB and HRBFA have advised him to consult with an attorney prior to signing this Agreement or before the expiration of the Revocation Period. Nygaard specifically acknowledges and agrees that either the full twenty-one (21) day Consideration Period has lapsed or he has been offered such twenty-one (21) day Consideration Period but has elected to waive and forego all of the applicable days which have not yet lapsed in such twenty-one (21) day Consideration Period. Nygaard acknowledges and agrees that upon such consideration, he has decided to waive and release any claims that he may have under the ADEA, pursuant to the terms of this Agreement.**

10. Entire Agreement. This Agreement, the Release Agreement, and the surviving post-termination obligations of the Employment Agreement constitute the entire agreement and understanding between HRB, HRBFA and Nygaard concerning the subject matter hereof. No modification, amendment, termination, or waiver of this Agreement will be binding unless in writing and signed by Nygaard and a duly authorized officer of HRBFA and the Chief Executive Officer of HRB. Failure of HRB, HRBFA or Nygaard to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of such terms, covenants, and conditions.

11. Successors and Assigns. This Agreement and each of its provisions will be binding upon Nygaard and the heirs, executors, successors and administrators of Nygaard or his estate and property, and will inure to the benefit of HRB, HRBFA and their successors and assigns. Nygaard may not assign or transfer to others the obligation to perform his duties hereunder.

12. Specific Performance by Nygaard. The parties acknowledge that money damages alone will not adequately compensate HRB or HRBFA for breach of any of the covenants and agreements herein and, therefore, in the event of the breach or threatened breach of any such covenant or agreement by either party, in addition to all other remedies available at law, in equity or otherwise, a wronged party will be entitled to injunctive relief compelling specific performance of (or other compliance with) the terms hereof.

13. Notices. Notices hereunder will be deemed delivered five days following deposit thereof in the United States mail (postage prepaid) addressed to Nygaard at; and to HRBFA at 4400 Main Street, Kansas City, Missouri 64111; Attn**:** Mark A. Ernst, with a copy to Nicholas J. Spaeth, Esq., H&R Block, Inc., 4400 Main Street, Kansas City, Missouri 64111; or to such other address and/or person designated by any party in writing to the other parties.

14. Counterparts. This Agreement may be signed in counterparts and delivered by facsimile transmission confirmed promptly thereafter by actual delivery of executed counterparts.

Executed as a sealed instrument under, and to be governed by, construed and enforced in accordance with, the laws of the State of Missouri.

BRIAN L. NYGAARD:

Dated: 1/07/05

/s/ Brian L. Nygaard
Brian L. Nygaard

Accepted and Agreed:

H&R Block, Inc.
a Missouri corporation

H&R Block Financial Advisors, Inc.
a Michigan corporation

By: /s/ Mark A. Ernst
Mark A. Ernst
Chairman of the Board, President and Chief Executive Officer of H&R Block, Inc.

Dated: _____

EXHIBIT A

RESIGNATION

TO: The Board of Directors of H&R Block, Inc.:

Effective January 7, 2005, I hereby resign as President and Chief Executive Officer of H&R Block Financial Advisors, Inc., a Michigan corporation.

Dated: _____

_____
Brian L. Nygaard

EXHIBIT B

RELEASE AGREEMENT

THIS RELEASE AGREEMENT ("this Release Agreement") is entered into as of the ___day of _____, 2005, by and between H&R Block Financial Advisors, Inc., a Michigan corporation ("HRBFA"), H&R Block, Inc., a Missouri corporation ("HRB") and Brian L. Nygaard ("Nygaard").

WHEREAS, HRB, HRBFA and Nygaard are parties to an Agreement dated as of _____, 2005, under which the parties mutually agreed to terminate the Employment Agreement dated November 5, 2001, by and between HRBFA and Nygaard (the "Employment Agreement"), and Nygaard's employment thereunder (the "Termination Agreement").

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Release by Nygaard. In consideration of the promises of HRB and HRBFA to Nygaard of the compensation and benefits specified in Section 4 of this Release Agreement, Nygaard for himself and for his relations, heirs, legal representatives, and assigns unconditionally releases and forever discharges HRB, HRBFA and HRB's direct and indirect parents, subsidiaries and affiliates (collectively, "Affiliates"), their respective present and past directors, officers, employees, agents, predecessors, successors, and assigns of and from any and all claims, demands, actions, causes of action and suits of any kind whatsoever, whether under federal or state statute, local regulation or at common law or which thereafter arise from any matter, fact, circumstance, event, happening or thing whatsoever occurring or failing to occur prior to the date of this Release Agreement involving Nygaard's employment by HRBFA or any Affiliate, including, without limitation, Nygaard's hiring, compensation earned as of or before the date of this Release Agreement, the termination of Nygaard's responsibilities as an officer of HRBFA and as a director and/or officer of each Affiliate, Nygaard's termination as an employee of HRBFA, other obligations of HRB, HRBFA or any Affiliate (except for those obligations expressly stated in this Release Agreement, the post-termination provisions of the Employment Agreement or applicable benefit plans), and further including, but not limited to, any claims for race, sex or age discrimination under the Age Discrimination in Employment Act, as amended ("ADEA"), Title VII of the Civil Rights Act of 1964, the 1991 amendments of such Civil Rights Act, the Americans with Disabilities Act, as amended, and all other federal and state statutes and common law doctrines.

2. Consideration of Release of ADEA Claims. With regard to the waiver/release of rights or claims under the ADEA, Nygaard acknowledges and understands that this is a legal document and that he is legally entitled to, and has been offered, a period of twenty-one (21) days (the "Consideration Period") to consider the waiver/release of such rights or claims under this Release Agreement before signing it. After signing this Release Agreement, Nygaard may revoke the waiver/release of rights or claims under the ADEA by giving written notice ("Revocation Notice") to Mark A. Ernst, 4400 Main Street, Kansas

City, Missouri 64111, within seven (7) days after the date of signing (such seven (7) day period, the "Revocation Period" and such date of signing, the "Signing Date"). For such revocation to be effective, the Revocation Notice must be received no later than 5:00 p.m., Kansas City, Missouri time, on the seventh (7th) day after the Signing Date. If Nygaard provides the Revocation Notice to HRB or HRBFA, this Agreement will be null, void and unenforceable and HRB and HRBFA will have no obligation to make any payments or provide any benefits to Nygaard hereunder.

3. Acknowledgements. **Nygaard acknowledges that HRB and HRBFA have advised him to consult with an attorney prior to signing this Release Agreement or before the expiration of the Revocation Period. Nygaard specifically acknowledges and agrees that either the full twenty-one (21) day Consideration Period has lapsed or he has been offered such twenty-one (21) day Consideration Period but has elected to waive and forego all of the applicable days which have not yet lapsed in such twenty-one (21) day Consideration Period. Nygaard acknowledges and agrees that upon such consideration he has decided to waive and release any claims he may have under the ADEA, pursuant to the terms of this Release Agreement.**

4. Compensation and Benefits. The parties agree that Nygaard will receive compensation and benefits from HRB and HRBFA after the Termination Date as follows:

(i) HRB and HRBFA will pay to Nygaard $312,000 over the 6-month period beginning on the Termination Date in semi-monthly equal installments of $26,000 (less required tax withholdings). Such payments shall not encompass payment to Nygaard for any unused vacation or other paid time off accrued as of the Termination Date.

(ii) Nygaard will remain eligible to participate in those health and welfare plans maintained by HRBFA offering medical, dental, vision, employee assistance, flexible spending account, life insurance, and accidental death and dismemberment insurance benefits during the 6-month period beginning on the Termination Date on the same basis as employees of HRBFA.

(iii) Those portions of any outstanding incentive stock options and nonqualified stock options to purchase shares of HRB's common stock granted to Nygaard by HRB ("Stock Options") that are scheduled to vest between the Termination Date and July 6, 2006 (based solely on the time-specific vesting schedule included in the applicable stock option agreement), shall vest and become exercisable as of the Termination Date. Nygaard shall have until October 6, 2005 to exercise such Stock Options. The operation of this Section 4(a)(iii) is subject to Nygaard's execution of an amendment to the affected stock option agreements in the form attached hereto as Exhibit I.

(iv) All restrictions on any shares of HRB's common stock awarded to Nygaard by HRB ("Restricted Shares") that would have lapsed absent a termination of employment in accordance with their terms by reason of time between the Termination Date and July 6, 2006 shall terminate (and shall be fully vested) as of the Termination Date. Any shares unaffected by the operation of this section 3(a)(iv) shall be forfeited to HRB on the Termination Date. A list of the Restricted Shares existing and (A) vested as of the date of this Agreement and (B) to become vested pursuant to Section 5 of the Release Agreement is attached hereto as Exhibit B.

(v) HRB and HRBFA will arrange for Right Management Consultants to provide outplacement services to Nygaard for the 12-month period beginning on the Termination Date.

5. Termination of Compensation and Benefits. The compensation and benefits described in Section 4 of this Release Agreement will cease and no further compensation and benefits will be provided to Nygaard under this Release Agreement if (a) Nygaard violates his obligations under Section 5 of the Termination Agreement or any of the post-employment obligations under Sections 3.02, 3.03 and 3.05 of the Employment Agreement, or (b) HRB and HRBFA agree to waive any of such obligations pursuant to and in accordance with Section 5(h) of the Termination Agreement.

6. Successors and Assigns. This Release Agreement and each of its provisions will be binding upon Nygaard and the heirs, executors, successors, and administrators of Nygaard or his estate and property, and shall inure to the benefit of HRB, HRBFA and their successors and assigns. Nygaard may not assign or transfer to others the obligation to perform his duties hereunder.

7. Binding Effect. This Agreement is effective only when approved in writing by the Chairman of the Board, President and Chief Executive Officer of HRB.

Executed as a sealed instrument under, and to be governed by, construed and enforced in accordance with, the laws of the State of Missouri.

BRIAN L. NYGAARD:

Dated: _____

_____
Brian L. Nygaard

Accepted and Agreed:

H&R Block, Inc.
a Missouri corporation

H&R Block Financial Advisors, Inc.
a Michigan corporation

By: _____
Mark A. Ernst
Chairman of the Board, President and Chief Executive Officer of H&R Block, Inc.

Dated: _____

Exhibit I

H&R BLOCK, INC.

1993 LONG-TERM EXECUTIVE COMPENSATION PLAN
2003 LONG-TERM EXECUTIVE COMPENSATION PLAN

AMENDMENT TO STOCK OPTION AGREEMENT(S)

WHEREAS, H&R Block, Inc. ("HRB") and Brian L. Nygaard ("Optionee") are parties to one or more Stock Option Agreements, Restricted Shares Agreements and Award Agreements under the H&R Block, Inc. 1993 Long-Term Executive Compensation Plan and the H&R Block, Inc. 2003 Long-Term Executive Compensation Plan pursuant to which there are one or more Stock Options (as such term is defined in such Agreement(s)) outstanding on the date hereof (such one or more Stock Option Agreements to be referred to herein as the "SOA");

WHEREAS, H&R Block Financial Advisors, Inc., an indirect wholly owned subsidiary of the Company ("HRBFA") and the Company, have entered into an agreement with Optionee under which Optionee and the parties agree to terminate Optionee's employment (the "Termination Agreement"); and

WHEREAS, Optionee has executed an agreement under which Optionee releases all known and potential claims against the Company, HRBFA, and all other direct or indirect subsidiaries of the Company (the "Release");

NOW, THEREFORE, subject to the provisions of the Termination Agreement and the Release, Optionee and the Company agree as follows:

(1) Section 3(a) of each SOA attached hereto as Exhibits 1, 2, and 3 are hereby amended to add the following sentence to the end of such Section:

"Notwithstanding the above, in the event that Optionee and Optionee's employer sign the agreement presented to Optionee by Optionee's employer under which Optionee releases all known and potential claims against the Company, Optionee's employer, and all other subsidiaries of the Company (the "Release Agreement") and Optionee does not revoke the Release Agreement during any revocation period described therein (the "Revocation Period"), this Stock Option shall become exercisable to the extent provided in the Release Agreement as of the applicable date specified in the Release Agreement."

(2) Section 3(b) of each SOA attached hereto as Exhibits 1, 2, and 3 are hereby amended to add the following sentence to the end of such Section:

"Notwithstanding the above, in the event that Optionee signs the Release Agreement and does not revoke the Release Agreement during the Revocation Period, any shares of Common Stock of the Company identified in the SOA as subject to an Incentive Stock Option shall become subject to a Nonqualified Stock

Option in lieu of subject to an Incentive Stock Option, and the Stock Option shall continue and Optionee shall have the right to exercise such Stock Option during the applicable time period described in the Release Agreement and to the extent specified in the Release Agreement."

(3) Except as modified in this Amendment to Stock Option Agreement(s), the SOA attached hereto as Exhibits 1, 2, and 3 shall remain in full force and effect in accordance with its terms.

(4) Sections 1(c) and (d) of the Restricted Shares Agreement attached hereto as Exhibit 4 is hereby amended to add the following sentence to the end of Sections 1(c) and (d) respectively:

"Notwithstanding the above, in the event that Recipient and Recipient's employer sign the agreement presented to Recipient by Recipient's employer under which Recipient releases all known and potential claims against the Company, Recipient's employer, and all other subsidiaries of the Company (the "Release Agreement") and Recipient does not revoke the Release Agreement during any revocation period described therein (the "Revocation Period"), the Restricted Shares shall become fully vested to the extent provided in the Release Agreement as of the applicable date specified in the Release Agreement and the Company shall promptly thereafter deliver to the Recipient such shares held by the Company and such Shares shall no longer be considered to be held by the Company."

(5) Section I(A)(1) of the Award Agreement attached hereto as Exhibit 5 is hereby amended to add the following to the end of Sections I(A)(1) respectively:

"Notwithstanding the above, in the event that Recipient and Recipient's employer sign the agreement presented to Recipient by Recipient's employer under which Recipient releases all known and potential claims against the Company, Recipient's employer, and all other subsidiaries of the Company (the "Release Agreement") and Recipient does not revoke the Release Agreement during any revocation period described therein (the "Revocation Period"), the Restricted Shares shall become fully vested to the extent provided in the Release Agreement as of the applicable date specified in the Release Agreement and the Company shall promptly thereafter deliver to the Recipient such shares held by the Company and such Shares shall no longer be considered to be held by the Company. "

(6) Section II(B) of the Award Agreement attached hereto as Exhibit 5 is hereby amended to add the following to the end of Sections II(B) respectively:

"Notwithstanding the above, in the event that Recipient signs the Release Agreement and does not revoke the Release Agreement during the Revocation Period, any shares of Common Stock of the Company identified in the Award Agreement as subject to an Incentive Stock Option shall become subject to a Nonqualified Stock Option in lieu of subject to an Incentive Stock Option, and the Stock Option shall continue and Recipient shall have the right to exercise such Stock Option during the applicable time period described in the Release Agreement and to the extent specified in the Release Agreement."

(7) Except as modified in this Amendment to Award Agreement attached hereto as Exhibit 5, the Award Agreement shall remain in full force and effect in accordance with its terms.

H&R BLOCK, INC.

(Signature of Optionee)

(Social Security Number)

By _____
Mark A. Ernst
Chairman of the Board, President, and
Chief Executive Officer

(Street Address)

(City, State/Province, Postal Code)

EXECUTION COPY

Exhibit 10.2

FOURTH AMENDED AND RESTATED
REFUND ANTICIPATION LOAN
PARTICIPATION AGREEMENT

THIS FOURTH AMENDED AND RESTATED REFUND ANTICIPATION LOAN PARTICIPATION AGREEMENT (this "Agreement"), dated as of December ___, 2004, is made by and among BLOCK FINANCIAL CORPORATION, a Delaware corporation ("BFC"), HSBC TAXPAYER FINANCIAL SERVICES INC., formerly known as HOUSEHOLD TAX MASTERS INC., a Delaware corporation ("HSBC TFS"), and, solely for purposes of Section 7.18, HOUSEHOLD TAX MASTERS ACQUISITION CORPORATION, a Delaware corporation ("HTMAC").

RECITALS

A. BFC, HSBC TFS and Household Bank, f.s.b., a federal savings bank ("HB"), are parties to the Amended and Restated Refund Anticipation Loan Participation Agreement, dated as of January 6, 2003 (the "First Amended and Restated RAL Participation Agreement"), where BFC agreed to purchase from HSBC TFS and HSBC TFS agreed to sell to BFC a participation interest in refund anticipation loans made to customers of both H&R Block Tax Services, Inc., a Delaware corporation ("Block Tax Services"), and its affiliates and certain franchisees of HRB Royalty, Inc., a Delaware corporation ("Royalty") and their affiliates.

B. HB ceased its operations and in connection therewith, HSBC TFS engaged Imperial Capital Bank, a California state-chartered commercial bank ("ICB"), to perform the origination function for Refund Anticipation Loans ("RALs") and issuing function for Refund Anticipation Checks ("RACs") for 2003 and 2004.

C. HSBC TFS, HTMAC and ICB entered into an Amended and Restated Sale and Servicing Agreement for RALs and RACs, dated as of January 3, 2003 (the "Sale and Servicing Agreement"), which represents the basic agreement between HSBC TFS, HTMAC and ICB regarding the RAL program pursuant to which (i) HSBC TFS services the loans originated by ICB under the RAL program, and (ii) HTMAC purchases participation interests in RALs from ICB. Redacted copies of the Sale and Servicing Agreement and all amendments thereto will be delivered by HSBC TFS or HTMAC to BFC.

D. H&R Block Services, Inc., a Missouri corporation ("Block Services"), on behalf of itself and its subsidiaries, Block Tax Services, and Royalty (Block Services, Block Tax Services and Royalty are collectively referred to herein as "Block Companies"), HSBC TFS and Beneficial Franchise Company, Inc., a Delaware corporation ("Beneficial Franchise") (HSBC TFS and Beneficial Franchise are collectively referred to herein as "Household Companies"), and for certain limited purposes, HB, have entered into an Amended and Restated Refund Anticipation Loan Operations Agreement, dated as of January 6, 2003 (the "First Amended and Restated RAL Operations Agreement").

E. Block Companies and Household Companies are parties to a letter agreement,

dated November 11, 2002 (the "First ICB Consent Letter"), pursuant to which Block Companies consented to ICB as the RAL originator under the First Amended and Restated RAL Operations Agreement, subject to the right of Block Companies in their sole discretion, during the ten (10) day period from June 1 through June 10, 2003, to provide written notice to HSBC TFS, Beneficial Franchise and ICB that ICB is not acceptable as the RAL originator and RAC issuer for future Tax Periods, in which event Household Companies agree to substitute a financial institution chartered by the Office of Thrift Supervision or the Office of the Comptroller of the Currency (a "Federally Chartered Financial Institution") as the RAL originator and RAC issuer for future Tax Periods (the "Block ICB Termination Right").

F. Block Companies and Household Companies have entered into a Second ICB Consent Letter, dated June 9, 2003 (the "Second ICB Consent Letter"), pursuant to which Block Companies have agreed to refrain from exercising the Block ICB Termination Right for the 2004 Tax Period, on certain terms and conditions, subject to Block Companies' absolute right in their sole discretion during the ten (10) day period from June 1 through June 10 of any year, to provide written notice to HSBC TFS, Beneficial Franchise and ICB, that ICB is not acceptable as the RAL originator and RAC issuer for future Tax Periods, in which event Household Companies agree to substitute a Federally Chartered Financial Institution as the RAL Originator and RAC issuer for future Tax Periods, provided that any entity selected by Household Companies (other than an Affiliate of Household Companies that is a Federally Chartered Financial Institution having sufficient capital to fulfill its anticipated obligations with respect to the RAL Program) shall be subject to the consent of Block Companies, which consent shall not be unreasonably withheld.

G. The Block Companies and the Household Companies have entered into a Second Amended and Restated RAL Operations Agreement, dated as of June 9, 2003 (the "Second Amended and Restated RAL Operations Agreement").

H. BFC and HSBC TFS are parties to the Second Amended and Restated Refund Anticipation Loan Participation Agreement, dated as of June 9, 2003 (the "Second Amended and Restated RAL Participation Agreement"), which reflected the continuation of ICB as the RAL originator and RAC issuer for the 2004 Tax Period, subject to the terms and conditions of the Second ICB Consent Letter and the Second Amended and Restated RAL Participation Agreement.

I. Pursuant to a Waiver of Rights Under Amended and Restated Refund Anticipation Loan Participation Agreement, dated January 6, 2003, BFC waived its right to purchase Participation Interests with respect to RALs originated from January 1, 2003 to April 30, 2003, therefore, an amendment to the Second Amended and Restated RAL Participation Agreement to reflect the fact that HTMAC (not HSBC TFS) is the owner of the Participation Interests being sold to BFC, was not necessary in the past.

J. BFC, HSBC TFS, and HTMAC are parties to the Third Amended and Restated Refund Anticipation Loan Participation Agreement, dated as of January 1, 2004 (the "Third Amended and Restated RAL Participation Agreement"), which reflected the fact that HTMAC, rather than HSBC TFS, was the seller of the Participation Interest to BFC for the 2004 Tax Period.

K. The parties desire to amend and restate the Third Amended and Restated RAL Participation Agreement as hereinafter set forth to reflect that fact that HSBC TFS, rather than HTMAC, shall be the seller of the Participation Interests to BFC, and to eliminate HTMAC as a party to this Agreement.

AGREEMENT

NOW, THEREFORE, for and in consideration of the premises and of the agreements of the parties hereto and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, BFC, HTMAC and HSBC TFS hereby covenant and agree that the Third Amended and Restated RAL Participation Agreement is hereby amended and restated in its entirety with respect to Participation Interests purchased by BFC and certain other acts and events that occur from and after the effective date hereof, by deleting the provisions of Sections 1.1 through 7.17 as the same now appear and by substituting therefor the following Sections 1.1 through 7.18:

ARTICLE I.
DEFINITIONS

Section 1.1. Definitions. As used in this Agreement, the following terms shall have the meaning set forth below:

"Affiliate" of any Person shall mean any other Person controlling, controlled by or under common control with such Person.

"Applicable Percentage" shall mean the percentage set forth for a particular Tax Period in Section 2.5.

"Applicable Tax Period" shall mean any of the ten consecutive Tax Periods commencing with and including the Tax Period beginning January 1, 1997 and ending with and including the Tax Period beginning January 1, 2006.

"BFC" shall mean Block Financial Corporation, a Delaware corporation.

"Block Franchise" shall mean an office owned by a franchisee of Block Services or its subsidiaries that operates under the "H&R Block" name that is open to the public for the preparation of tax returns.

"Block ICB Termination Right" shall have the meaning set forth in Recital E.

"Block Office" shall mean (i) an office owned by Block Services or its subsidiaries that operates under the "H&R Block" name and is open to the public for the preparation of tax returns and (ii) a Corporate Franchise.

"Block Services" shall mean H&R Block Services, Inc., a Missouri corporation.

"Block Tax Services" shall mean H&R Block Tax Services, Inc., a Missouri corporation.

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in Bridgewater, New Jersey are authorized or obligated by law or executive order to be closed.

"Claim" shall have the meaning set forth in Section 6.2.

"Closing Date" shall mean with respect to a Participation Interest, the date on which such Participation Interest is sold to BFC pursuant to this Agreement.

"Collections" shall mean (i) all finally collected funds received by HSBC TFS as servicer for the RAL Originator and applied to Participated Pool RALs, whether such finally collected funds arise from receipt of cash, checks, wire transfers, ATM transfers, exercise of rights of offset or other form of payment, (ii) promissory notes and/or other evidence of indebtedness accepted by HSBC TFS as servicer for the RAL Originator from or on behalf of Obligors in payment of Participated Pool RALs (in which case such Collections shall be deemed to be received by the RAL Originator for purposes of this Agreement on the Business Day on which such promissory note or evidence of indebtedness was received by the RAL Originator) and (iii) all fees charged by the RAL Originator to customers of Block Offices for issuing Pool RACs (in which case such Collections shall be deemed to be received by the RAL Originator for purposes of this Agreement on the Business Day on which such RAC is delivered to the customer).

"Corporate Pool RAL" shall have the meaning given such term in the definition of "Pool RAL."

"Corporate Franchise" or "Corporate Franchisee" shall mean a Person authorized directly by Block Services (or an Affiliate of Block Services) pursuant to a corporate franchise agreement to operate a Block Office. Corporate Franchise or Corporate Franchisee does not include a Person authorized by a major franchise agreement between a Major Franchisee and Block Services, or an Affiliate of Block Services, to operate a Block Franchise and to subfranchise others to operate a Block Franchise within a specified territory, or a subfranchisee of a Major Franchisee.

"Defaulted Pool RAL" shall mean each Participated Pool RAL which, in accordance with the RAL Guidelines and HSBC TFS' customary and usual servicing procedures for RALs, the RAL Originator has charged off as uncollectible; provided, however, that no Pool RAL originated during any Tax Period shall be classified as a Defaulted Pool RAL prior to January 1 of the following year.

"Eligible RAL" shall mean each Pool RAL:

(a) that was created by the RAL Originator, and is in compliance in all material respects, with the Second Amended and Restated RAL Operations Agreement (or a Major Franchisee RAL Agreement, as the case may be) and the federal Equal Credit Opportunity Act, 15 U.S.C. §§ 1691 *et seq.*;

(b) (i) as to which any blank preprinted form of disclosure statement supplied by HSBC TFS on behalf of the RAL Originator to the tax preparation office at which

such Pool RAL was originated for use in connection with the origination of such Pool RAL complied, as to form (subject to proper completion), with the requirements of the federal Truth-in-Lending Act, 15 U.S.C. §§ 1601 *et seq*. ("TILA") (it being understood that the foregoing shall not be deemed a warranty by HSBC TFS that such form has been properly completed) and (ii) that was created in compliance with the other requirements of TILA; and

(c) as to which, at the time of the sale of the Participation Interest in such Pool RAL to BFC, HSBC TFS had good and marketable title thereto free and clear of all Liens arising under or through HSBC TFS or any of its Affiliates.

"ERA Operations Agreement" shall mean the ERA Operations Agreement as in effect from time to time between BFC, Royalty, HSBC TFS and Beneficial Franchise.

"Excluded RAL" shall have the meaning set forth in Section 5.2.

"Federally Chartered Financial Institution" shall have the meaning set forth in Recital E.

"First Amended and Restated RAL Participation Agreement" shall have the meaning set forth in Recital A.

"First ICB Consent Letter " shall have the meaning set forth in Recital E.

"Governmental Authority" shall mean the United States of America, any state or other political subdivision thereof and any entity exercising executive, legislative judicial, regulatory or administrative functions pertaining to government.

"HB" shall mean Household Bank, f.s.b., a federal savings bank.

"HSBC Bank" shall mean HSBC Bank USA, National Association, a national banking association.

"HSBC TFS" shall mean HSBC Taxpayer Financial Services Inc., a Delaware corporation.

"HTMAC" shall mean Household Tax Masters Acquisition Corporation, a Delaware corporation.

"ICB" shall mean Imperial Capital Bank, a California state chartered commercial bank.

"Ineligible RAL" shall have the meaning set forth in Section 4.4(c).

"Lien" shall mean any pledge, hypothecation, assignment, encumbrance, security interest, lien (statutory or other) or other security agreement of any kind or nature whatsoever, including (without limitation) any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing.

"Major Franchisee" shall mean, subject to the terms of Section 7.17 hereof, the Person authorized by a major franchise agreement with Block Services, or with an Affiliate of Block Services, to operate a Block Office and to subfranchise others to operate Block Office within a specified territory.

"Major Franchisee Pool RAL" shall have the meaning given such term in the definition of "Pool RAL."

"Major Franchisee RAL Agreement" shall mean an agreement from time to time between HSBC TFS and/or any one or more Affiliates of HSBC TFS and a Major Franchisee pursuant to which RALs are made to customers of Block Offices of such Major Franchisee or its subfranchisees, as the same may be amended, modified or supplemented from time to time.

"No Fee RAL" shall mean any RAL for which no RAL fee is charged to a customer.

"Notifying Party" shall have the meaning set forth in Section 5.2.

"Obligor" shall mean, with respect to any RAL, the Person or Persons obligated to make payments to the RAL Originator, or an Affiliate of the RAL Originator, with respect to such RAL.

"Originator Party" shall mean any Person or entity through whom Pool RALs or Pool RACs are made or serviced, and any other Person or entity that prepares or arranges for the preparation of a tax return for a Pool RAL or Pool RAC customer, or that files, makes or transmits or assists or arranges for the filing, making or transmission of any such tax return, refund request or Pool RAL or Pool RAC request, or that acts as a network or service bureau in connection with any of the foregoing, or that owns, distributes, licenses or otherwise has an interest in any software or other intellectual property used in connection with any of the foregoing or in any trademark, service mark or brand name under which Pool RALs or Pool RACs are promoted.

"Participated Pool RAL" shall mean any Pool RAL in which a Participation Interest has been sold to BFC pursuant to Section 2.1 and has not been reassigned to HSBC TFS or repurchased by HSBC TFS pursuant to this Agreement.

"Participation Interest" shall have the meaning set forth in Section 2.1.

"Person" shall mean any legal person, including any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity or other entity of similar nature.

"Pool RAC" shall mean any RAC issued by the RAL Originator through a Block Office owned by Block Services, a Corporate Franchise, a Major Franchisee, a subfranchisee of a Major Franchisee or any Affiliate of any of the foregoing.

"Pool RAL" shall mean (a) any RAL made by the RAL Originator through a Block Office owned by Block Services, a Corporate Franchise or either of their Affiliates, pursuant to or under color of (i) the Second Amended and Restated RAL Operations Agreement or (ii) a

referral to the RAL Originator by Block Services, such Corporate Franchise or such Affiliates pursuant to a contractual electronic filing arrangement with any other Person and (b) any electronic refund advance ("ERA") made by the RAL Originator originated through On-Line Tax Preparation ("OTP") software pursuant to the ERA Operations Agreement (a RAL or ERA described in subclause (a) or (b) may hereinafter be referred to as a "Corporate Pool RAL") and (c) any RAL made during any Tax Period by a Major Franchisee or a subfranchisee of a Major Franchisee, pursuant to or under color of (i) a Major Franchisee RAL Agreement or (ii) a referral to the RAL Originator by a Major Franchisee, or a subfranchisee or such Major Franchisee, of an Obligor whose federal income tax return was filed electronically by such Major Franchisee, or subfranchisee of such Major Franchisee, pursuant to a contractual electronic filing arrangement between such Major Franchisee or subfranchisee and any other Person (a RAL described in this subclause (c) may hereinafter be referred to as a "Major Franchisee Pool RAL"). Notwithstanding the foregoing, "Pool RAL", "Corporate Pool RAL", and "Major Franchisee Pool RAL", shall not include any RAL for which no RAL fee is charged to a customer (a "No Fee RAL").

"Principal Amount" of a RAL, shall mean:

(a) the aggregate amount paid or payable by the RAL Originator to or for the account of an Obligor in connection with a RAL, and shall in any event include (i) the amount of any check properly issued or authorized to be issued by the RAL Originator to the order of any such Obligor, and (ii) any amounts paid or payable by the RAL Originator for the account of Obligor to any Originator Party, the Internal Revenue Service or any other Person (whether or not the RAL Originator has a right, contingent or otherwise, to withhold or retain any portion of such amount). The "Principal Amount" of a RAL shall not include any financing fee or refund account fee payable by such Obligor to the RAL Originator for such RAL. Each of the foregoing elements of a RAL shall be deemed to be made for purposes of this Agreement on the Business Day on which the RAL check clears the bank account used by the RAL Originator for the disbursement of RALs and such fact has been recorded in the computer files the RAL Originator uses for administering RALs; and

(b) shall also include any payment made at any time by the RAL Originator with respect to any lost, altered or stopped check issued by or on behalf of the RAL Originator in connection with a RAL described in paragraph (a) (the "Underlying RAL"), as well as any payment by the RAL Originator with respect to any lost, altered or stopped replacement check. Payments on any RAL described in this paragraph (b) shall be deemed to be made for purposes of this Agreement on the Business Day when the replacement RAL check clears the bank account used by the RAL Originator for the disbursement of RALs and such fact has been recorded in the computer files the RAL Originator uses for administering RALs.

"Purchase Price" shall mean the purchase price for a Participation Interest to be paid by BFC to HSBC TFS as calculated pursuant to Section 2.3.

"RAC" means a check issued by the RAL Originator and delivered to a taxpayer pursuant to a Refund Anticipation Check Service.

"RAL" shall mean any refund anticipation loan from time to time made by the RAL Originator.

"RAL Guidelines" shall mean the RAL Originator's policies and procedures from time to time relating to the operation of its refund anticipation loan business, including (without limitation) the policies and procedures for determining the credit worthiness of refund anticipation loan customers, the extension of credit to refund anticipation loan customers and relating to the collection and charge off of refund anticipation loans.

"RAL Originator" shall mean the insured depository institution engaged by HSBC TFS (subject to the Block Companies' rights under the Letter Agreement and the Second ICB Consent Letter) to serve as the originator under the RAL Program.

"RAL Participation Agreement" shall have the meaning set forth in Recital D.

"RAL Program" shall have the meaning assigned to it in the Second Amended and Restated RAL Operations Agreement.

"Reassignment Amount" shall have the meaning set forth in Section 4.3.

"Reassignment Date" shall have the meaning set forth in Section 4.3.

"Refund Anticipation Check Service" shall mean a service pursuant to which a check in the amount of a taxpayer's federal income tax refund, less the sum of (a) fees charged for the making of the check, (b) tax preparation fees and (c) other properly withheld amounts, is delivered to a taxpayer on account of a direct deposit refund (other than in connection with a RAL made in advance of receipt of the related refund). "Refund Anticipation Check Service" includes the delivery of a direct deposit refund check to a taxpayer in connection with such taxpayer's denied RAL application.

"Repurchase Value" of a Participated Pool RAL at any time shall mean the Principal Amount of such Participated Pool RAL, less any Collections received with respect to such Participated Pool RAL.

"Sale and Servicing Agreement " shall have the meaning set forth in Recital C.

"Second Amended and Restated RAL Operations Agreement" shall have the meaning set forth in Recital G.

"Second Amended and Restated RAL Participation Agreement" shall have the meaning set forth in Recital H.

"Second ICB Consent Letter" shall have the meaning set forth in Recital F.

"Tax Period" for any year shall mean the period from and including January 1 of such year to and including August 15 of such year.

"Third Amended and Restated RAL Operations Agreement" shall have the meaning set forth in Recital J.

"UCC" shall mean the Uniform Commercial Code, as amended from time to time, as in effect in any specified jurisdiction.

"Underlying RAL" shall have the meaning given that term in paragraph (b) of the definition of "Principal Amount".

Section 1.2. Other Definitional Provisions. Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, the singular the plural and the part the plural. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section and subsection references contained in this Agreement are references to Sections and subsections in this Agreement unless otherwise specified.

ARTICLE II.
PURCHASE AND SALE OF INTERESTS IN POOL RALS

Section 2.1. Purchase and Sale of Participation Interests in Pool RALs.

(a) Purchase and Sale. Subject to the conditions set forth in this Agreement, HSBC TFS agrees to sell to BFC, and BFC agrees to purchase from HSBC TFS, from time to time, on a "checks cleared" basis, an undivided ownership interest in, and in an amount equal to the Applicable Percentage of, all of HSBC TFS's right, title and interest in and to each Pool RAL hereafter created, including all monies due or to become due with respect thereto and all Collections pertaining thereto and other proceeds (as defined in the UCC as in effect in the State of Delaware) thereof (a "Participation Interest"). Subject to the conditions set forth herein BFC agrees to pay for, purchase and accept all Participation Interests from time to time as provided herein. Except for the representations and warranties expressly made by HSBC TFS in this Agreement, Participation Interests (and acquisition thereof by BFC) shall be without recourse to HSBC TFS. HSBC TFS represents and warrants to BFC that the Pool RALs were originated in compliance with the Final Credit Criteria and Final RAL and RAC Fees (as defined in the Second Amended and Restated RAL Operations Agreement) and applicable law, excluding, however, any failure to comply which results from (i) any misrepresentation or omission to state a material fact by a RAL Customer, or (ii) action or inaction by any Block Office, Major Franchisee or subfranchisee of a Major Franchisee to perform its explicit obligations under this Agreement, or a corporate franchise agreement between Block Services and a Corporate Franchise, a Major Franchisee RAL Agreement, or a subfranchisee agreement relating to the RAL Program between a Major Franchisee and a subfranchisee, as applicable (except for any action or inaction by such entities due to changes to the RAL Program required by the RAL Originator or HSBC TFS outside of the deadlines set forth in this Agreement for any such changes).

(b) Conveyance of Participation Interest. The conveyance by HSBC TFS to BFC of a Participation Interest in a Pool RAL shall be deemed to occur at the time when HSBC TFS receives full payment from BFC of the Purchase Price in respect to such Participation Interest corresponding to such Participated Pool RAL and all other Participated Pool RALs of HSBC TFS arising on the same day. Upon such conveyance, BFC shall be the owner, to the extent of the Applicable Percentage, of a Participation Interest in such Pool RAL. The parties intend that if and to the extent that any conveyance of a Participation Interest in a Pool RAL is not deemed a sale of a Participation Interest, HSBC TFS shall be deemed to have granted to BFC a security interest in the Participation Interest that was purportedly conveyed and that this Agreement shall constitute a security agreement under applicable law. HSBC TFS agrees to authorize the filing of financing and continuation statements as BFC may from time to time reasonably request with respect to Participation Interests hereafter created or arising.

(c) True Sale and Nonconsolidation Opinions. Upon BFC's request, HSBC TFS agrees to use all commercially reasonably efforts to obtain for BFC (i) a "true sale" opinion of counsel to HSBC TFS with respect to the sale by HSBC TFS and the purchase by BFC of the Participation Interests in the Pool RALs, and (ii) a "nonconsolidation" opinion of counsel to HSBC TFS with respect to HSBC TFS and any other subsidiary of HSBC TFS that owns the Participation Interests prior to such sale and purchase, in both cases in form and substance typically employed in off-balance sheet financing or sale transactions generally; provided, however, that in connection with such efforts (A) HSBC TFS shall not be obligated to restructure the terms of any agreement relating to the RAL Program, or any aspect of the RAL Program itself, in any way that adversely affects the economic interests of HSBC TFS or its Affiliates, and (B) the failure of HSBC TFS to obtain such opinions (after making commercially reasonable efforts to do so) shall not constitute a breach of any of HSBC TFS's obligations under this Agreement and shall in no event give rise to any liability on the part of HSBC TFS or any of its Affiliates. With respect to such opinions and the RAL Program for a particular Tax Year, (1) BFC shall use all commercially reasonable efforts to request such opinions as soon as reasonably possible during the immediately preceding calendar year, and in any event, no later than September 1st of such preceding calendar year absent major structural changes to the RAL Program made or proposed by HSBC TFS, (2) BFC shall use all commercially reasonable efforts to identify the entity, if any, with whom it intends to effectuate any financing or sale transaction, and the proposed structure of such financing or sale transaction, as soon as reasonably possible during the immediately preceding calendar year, and in any event, no later than September 1st of such preceding calendar year absent major structural changes to the RAL Program made or proposed by HSBC TFS, and (3) BFC and HSBC TFS shall cooperate and use all commercially reasonable efforts to complete all changes to the RAL Program, if any, and the legal documents and agreements reflecting such changes, if any, as soon as reasonably possible during the immediately preceding calendar year, and in any event no later than October 15th of such preceding calendar year absent major structural changes to the RAL Program made or proposed by BFC or HSBC TFS. BFC shall be solely responsible for all legal fees of the parties associated with any opinion undertaken pursuant to this Section 2.1(c). In connection with any request by BFC for an opinion pursuant to this Section 2.1(c) for a particular Tax Year, HSBC TFS shall, upon reasonable request by BFC, provide to BFC

copies of all material operative agreements executed by HSBC TFS or its Affiliates relating to the origination of RALs by the RAL Originator, or the sale and servicing of HSBC TFS's retained interest in the Pool RALs, for such Tax Year, as well as all material operative agreements executed by HSBC TFS or its Affiliates relating to the financing or sale of such retained interest for such Tax Year, in each case only to the extent (i) such agreements are reasonably necessary to be reviewed by BFC in connection with the opinions contemplated by this Section 2.1(c), and (ii) the terms of such agreements permit disclosure to third parties; provided, however, that HSBC TFS shall not add any provision to any such agreement that unreasonably prohibits disclosure to BFC, its accountants or counsel engaged in connection with the issuance of any opinion pursuant to this Section 2.1(c), or the entity, if any, engaged by BFC to effectuate any financing or sale transaction. BFC hereby agrees to hold all such agreements in strict confidence and not provide any copies or disclose any terms therein to any party other than its accountants, its counsel and the entity, if any, with whom BFC proposes to effectuate any financing or sale transaction; provided, however, that, notwithstanding any other provision in this Agreement, if such entity or an Affiliate of such entity is deemed by HSBC TFS to be a competitor of HSBC TFS in the making or servicing of RALs, then the disclosure of such agreements to such entity may be restricted by HSBC TFS to the extent deemed necessary by HSBC TFS, in its sole discretion, to protect its business interests and trade secrets. To the extent that the terms and conditions of this Section 2.1(c) are inconsistent with the terms and conditions of the Second ICB Consent Letter, the terms and conditions of the Second ICB Consent Letter shall control.

Section 2.2. Payment. Each Business Day, not later than 9:00 a.m., New Jersey time, HSBC TFS as servicer for the RAL Originator shall give notice to BFC (which notice may be by telephone, e-mail or facsimile) of the number and Principal Amount of Pool RALs made by the RAL Originator and in which HSBC TFS has purchased a Participation Interest on the preceding Business Day (it being understood that, for such purpose, a Pool RAL shall be deemed to be made at the time set forth in the definition of "Principal Amount" in this Agreement), together with the Purchase Price for the Participation Interest corresponding to such Pool RALs. Not later than 4:00 p.m., New Jersey time, on such Business Day, BFC shall pay to HSBC TFS the full amount of such Purchase Price. Such payment shall be made to HSBC TFS at such domestic account designated by HSBC TFS by notice to BFC from time to time, in United States dollars and in funds immediately available at such office at such time, without setoff, withholding, counterclaim or other deduction of any nature whatsoever.

Section 2.3. Purchase Price. The Purchase Price for a Participation Interest shall be equal to the sum, for each Pool RAL corresponding to such Participation Interest, of the product of (i) the Applicable Percentage applicable to such Pool RAL, times (ii) the Principal Amount of such Pool RAL (the aggregate amount referred to in this Section being referred to as the " Purchase Price" with respect to such Participation Interest).

Section 2.4. Float Adjustment. HSBC TFS shall pay to BFC an amount equal to the product of $.50 times the number of Pool RACs (other than Pool RACs issued through a Major Franchisee or a subfranchisee of a Major Franchisee) issued during the Tax Period. Such amount shall be due and payable by HSBC TFS by wire transfer not later than thirty (30) days after the last day that RACs are offered for such Tax Period.

Section 2.5. Applicable Percentages. The Applicable Percentage for Corporate Pool RALs shall be 40%; provided, however, the Applicable Percentage for Corporate Pool RALs shall be 49.999999% for each Tax Period during which HSBC TFS (or any of its Affiliates) is the exclusive facilitator of a Refund Anticipation Check Service to customers of Block Offices owned by Block Services, Corporate Franchisees and any of Block Services' Affiliates. The Applicable Percentage for a Major Franchisee Pool RAL shall be 25%. Notwithstanding the foregoing provisions of this Section 2.5, any Applicable Percentage (a) for a particular Tax Period may be such lesser percentage as specified by BFC by giving written notice to HSBC TFS on or before September 1 immediately prior to such Tax Period (it being understood that (i) such lesser percentage shall pertain only to the particular Tax Period for which such notice is given and (ii) if no such notice is given for a particular Tax Period, the Applicable Percentages shall be the percentages as set forth in this Section 2.5), or (b) for any portion of a particular Tax Period shall be reduced to zero if BFC has exceeded its internal funding limit (it being understood that (i) the reduction of the percentage to zero shall only be in effect during the periods of time BFC has exceeded its internal funding limit and (ii) for the periods of time BFC has not exceeded its internal funding limit, the Applicable Percentages shall be the percentages as set forth in this Section 2.5).

ARTICLE III.
SERVICING, ADMINISTRATION AND COLLECTION OF POOL RALS

Section 3.1. Servicing and Administration of Participated Pool RALs. HSBC TFS as servicer for the RAL Originator shall underwrite, service and administer the Participated Pool RALs and shall collect payments due under the Participated Pool RALs in accordance with its customary and usual servicing procedures for servicing RALs made by the RAL Originator through Block Offices or Major Franchisees or subfranchisees of Major Franchisees and in accordance with the RAL Guidelines, and in which HSBC TFS has purchased a Participation Interest. HSBC TFS as servicer for the RAL Originator shall, subject to the terms of this Section 3.1, have full power and authority, acting alone or through any party properly designated by it hereunder, to do any and all things in connection with such servicing and administration that it may deem necessary or desirable. Without limiting the generality of the foregoing, HSBC TFS as servicer for the RAL Originator is hereby authorized and empowered to execute and deliver, on behalf of BFC, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Participated Pool RALs and, after the delinquency of any Participated Pool RAL and to the extent permitted under and in compliance with applicable law and regulations, to commence enforcement proceedings with respect to such Participated Pool RALs. In addition, without limiting the generality of the foregoing, HSBC TFS as servicer for the RAL Originator is hereby authorized and empowered, in the ordinary course of collecting any Defaulted Pool RAL, to sell or transfer such Defaulted Pool RAL free and clear of any interest of BFC (proceeds of such sale or transfer being treated as Collections for purposes of Section 3.2). BFC shall furnish HSBC TFS with any documents necessary or appropriate to enable HSBC TFS to carry out its servicing and administrative duties hereunder. HSBC TFS shall not be obligated to use servicing procedures, offices, employees or accounts for servicing the Participated Pool RALs that are separate from the procedures, offices, employees and accounts used by HSBC TFS in connection with servicing other refund anticipation loans.

Section 3.2. Collections. On each Business Day not later than 4:00 p.m., New Jersey time, HSBC TFS as servicer for the RAL Originator shall distribute the Applicable Percentage in all Collections (except those payments received from the Internal Revenue Service ("IRS") in the normal processing of refunds designated for direct deposit) with respect to each Participated Pool RAL received by HSBC TFS as servicer for the RAL Originator (or any of its Affiliates) on the preceding Business Day (less collection fees payable by BFC to HSBC TFS or its Affiliates pursuant to Section 3.4). Such distribution shall be made to BFC at such domestic account designated by BFC by notice to HSBC TFS from time to time, in United States dollars and in funds immediately available at such office at such time, without setoff, withholding, counterclaim or other deduction of any nature whatsoever and regardless of the form of Collection received by HSBC TFS as servicer for the RAL Originator (or any of its Affiliates). Funds received from the IRS as part of the normal processing of refunds designated for direct deposit will be distributed to BFC in the manner provided herein on the day that RAL Originator receives such funds in its designated account(s) at the applicable United States Federal Reserve Bank; provided, that one day's interest shall be deducted by HSBC TFS as servicer for the RAL Originator from each such payment in order to reflect the fact that the fundings of Participated Pool RALs are on a one-day delayed basis. For the purpose of the above-referenced interest deduction, interest shall be calculated on the basis of a 365 day year (or a 366 day year in a leap year) at the 30 day dealer placed commercial paper rate as published in the Money Rates section of the Wall Street Journal for the previous Business Day.

Section 3.3. Reports; Records for BFC.

(a) Daily Reports. On each Business Day during an Applicable Tax Period, HSBC TFS as servicer for the RAL Originator shall prepare and forward to BFC a report setting forth (i) the aggregate amount of Collections processed by HSBC TFS as servicer for the RAL Originator (or any of its Affiliates) with respect to Participated Pool RALs on the preceding Business Day and BFC's share thereof, (ii) the number of, and aggregate outstanding amount of, Participated Pool RALs as of the close of business on the preceding Business Day and BFC's share thereof, and (iii) the number of Pool RACs made by the RAL Originator on the preceding Business Day and BFC's share of RAC fees pertaining thereto. HSBC TFS as servicer for the RAL Originator shall at all times maintain its computer files with respect to Pool RACs and Participated Pool RALs in such a manner so that Pool RACs and Participated Pool RALs may be specifically identified.

(b) Monthly Reports. On the 8th day of each calendar month, or if such day is not a Business Day, the immediately preceding Business Day, HSBC TFS as servicer for the RAL Originator shall forward to BFC a report setting forth (i) the aggregate amount of Collections processed with respect to Participated Pool RALs during the preceding calendar month and BFC's share thereof, (ii) the aggregate amount of Participated Pool RALs outstanding as of the end of the last day of the preceding calendar month and BFC's share thereof, (iii) an aging of Participated Pool RALs outstanding as of the end of the last day of the preceding calendar month, (iv) the aggregate Defaulted Pool RALs as of the end of the last day of the preceding calendar month and BFC's share thereof, (v) the number of Pool RACs made during the preceding calendar month and BFC's share of Collections pertaining thereto, and (vi) the aggregate Participated Pool RALs

that are not Defaulted Pool RALs but with respect to which payment has not been received within 30 days after such Participated Pool RALs were made by the RAL Originator and a participation interest therein was purchased by BFC, and BFC's share thereof. Such report shall be accompanied by an officer's certificate, stating that to the best of such officer's knowledge such report is complete and accurate.

(c) Independent Accountants' Reports. BFC may cause a firm of nationally recognized independent accountants (who may also render services to HSBC TFS) to furnish, at the expense of BFC, a report to BFC and HSBC TFS to the effect that such firm has made a study and evaluation of the RAL Originator's and HSBC TFS's internal accounting controls relative to the making of Pool RACs and servicing of Participated Pool RALs under this Agreement, and that, on the basis of such study and evaluation, such firm is of the opinion (assuming the accuracy of any reports generated by the RAL Originator's and HSBC TFS's third party agents) that the systems of internal accounting controls in effect on the date set forth in such report relating to making of Pool RALs by the RAL Originator and servicing procedures performed by HSBC TFS as servicer for the RAL Originator pursuant to the terms of this Agreement, taken as a whole, were sufficient for the prevention and detection of errors for such exceptions, errors or irregularities as such firm shall believe to be immaterial to the financial statements of the RAL Originator and HSBC TFS and such other exceptions, errors or irregularities as shall be set forth in such report.

Section 3.4. Collection Fee for Defaulted Pool RALs. BFC shall pay to HSBC TFS as servicer for the RAL Originator a collection fee in an amount equal to the Applicable Percentage with respect to a Defaulted Pool RAL, times 25% of the Principal Amount of each Defaulted Pool RAL collected by collection offices of HSBC TFS as servicer for the RAL Originator or any of its Affiliates. Such fee shall be paid in the form of a deduction from Collections remitted to HSBC TFS (or an Affiliate of HSBC TFS) pursuant to Section 3.2 pertaining to such Participated Pool RAL.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES

Section 4.1. General Representations and Warranties of HSBC TFS. HSBC TFS hereby represents and warrants to BFC as of the date hereof (which representations and warranties shall survive any purchase and sale of Participation Interests pursuant to this Agreement):

(a) Organization and Good Standing. HSBC Bank is a national bank duly organized and validly existing under the laws of the United States of America, has its principal banking office located in the State of Delaware. HSBC Bank has full corporate power and authority to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement. HSBC TFS is a corporation duly organized and validly existing under the laws of the State of Delaware and has full corporate power and authority to own its properties and conduct its business as such properties are

presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement.

(b) Due Authorization. The execution and delivery of this Agreement and the consummation of the transactions provided for in this Agreement have been duly authorized by HSBC TFS by all necessary corporate action on its part and this Agreement will remain, from the time of its execution, an official record of HSBC TFS.

(c) No Conflict. The execution and delivery of this Agreement, the performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof will not conflict with, result in any breach of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under, any indenture, contract, agreement mortgage, deed of trust, or other instrument to which HSBC TFS is a party or by which it or any of its properties are bound.

(d) HSBC Bank's Deposit Accounts. Deposits in HSBC Bank's deposit accounts are insured to the limits provided by law by the Bank Insurance Fund administered by the Federal Deposit Insurance Corporation.

Section 4.2. Representations and Warranties of HSBC TFS Relating to the Participated Pool RALs. HSBC TFS hereby represents and warrants to BFC as of each Closing Date (which representations and warranties shall survive any purchase and sale of Participation Interests pursuant to this Agreement):

(a) Eligible RAL. Each Participated Pool RAL is an Eligible RAL as of the Closing Date relating to the Participation Interest sold to BFC with respect to such Participated Pool RAL.

(b) Sale and Ownership; Title. Each sale of a Participation Interest by HSBC TFS to BFC on such Closing Date constitutes either (i) a valid sale, transfer, assignment, set over and conveyance to BFC of all right, title and interest of HSBC TFS in and to such Participation Interest (and the Applicable Percentage in the underlying Pool RALs), free and clear of any Lien of any Person claiming through or under HSBC TFS or any of its Affiliates, or (ii) if it is ultimately determined by a court of competent jurisdiction that a sale from HSBC TFS to BFC did not occur, then a grant of a security interest (as defined in the UCC as in effect in the applicable state) by HSBC TFS to BFC in each Participation Interest purportedly conveyed pursuant to such sale. On each Closing Date, immediately prior to any such sale of (or grant of a security interest in) a Participation Interest, HSBC TFS will be the sole legal and beneficial owner of, and will have marketable title to, the Participation Interest in the underlying Pool RALs, free and clear of any Lien, claim or encumbrance (other than the interests of BFC contemplated by this Agreement). Neither HSBC TFS nor any Person claiming through or under HSBC TFS shall have any claim to or interest in such Participation Interest, except for the interest of HSBC TFS therein as a "debtor" (specifically, as seller of payment intangibles) for purposes of Article 9 of the UCC.

Section 4.3. Remedy For Breach of Representations and Warranties. In the event of a breach of any of the representations and warranties set forth in Section 4.1, BFC may by notice then given in writing to HSBC TFS direct HSBC TFS to accept reassignment of the Participation Interests within 30 days of such notice (or within such longer period as may be specified in such notice but in no event later than 120 days), and HSBC TFS shall be obligated to accept reassignment of the Participation Interests on a date specified by BFC (the "Reassignment Date") occurring within such applicable period on the terms and conditions set forth below; provided, however, that no such reassignment shall be required to be made if, at any time during such applicable period, the representations and warranties contained in Section 4.1 shall then be true and correct in all material respects. In connection with such reassignment, HSBC TFS shall remit to BFC on the Reassignment Date an amount equal to the aggregate of the respective Applicable Percentages of the Repurchase Values of each Participated Pool RAL (the "Reassignment Amount"). Such remittance shall be made to BFC at such domestic account designated by BFC by notice to HSBC TFS, in United States dollars and in funds immediately available at such office at such time, without setoff, withholding, counterclaim or other deduction of any nature whatsoever. Except as provided in Section 5.1, the obligation of HSBC TFS to purchase the Participation Interests in accordance with this Section 4.3 shall constitute the sole remedy respecting any breach of the representations and warranties set forth in Section 4.1 available to BFC.

On the date on which the Reassignment Amount has been paid to BFC, the Participation Interests in the uncollected Participated Pool RALs, all monies due or to become due with respect thereto and all proceeds thereof shall be released to HSBC TFS, or its designee or assignee, and BFC shall execute and deliver such instruments of transfer or assignment, in each case without recourse, representation or warranty (except only for the warranty that since the date of sale by HSBC TFS to BFC, BFC has not sold, transferred or encumbered any such Participated Pool RALs or interest therein), as shall reasonably be requested by HSBC TFS to vest in HSBC TFS, or its designee or assignee, all right, title and interest of BFC in and to the Participation Interests in the uncollected Participated Pool RALs, all monies due or to become due with respect thereto and all proceeds thereof. BFC's right to resell and HSBC TFS's obligation to repurchase a Participation Interest pursuant to this Section 4.3 shall apply only to a Participation Interest that is adversely affected by or impaired as a result of a breach of a representation or warranty.

Section 4.4. Transfer of Ineligible RALs.

(a) Repurchase. In the event of a breach with respect to a Participated Pool RAL of any representations and warranties set forth in Section 4.2(b)(i), or in the event that a Participated Pool RAL is not an Eligible RAL as a result of the failure to satisfy the conditions set forth in clause (c) of the definition of Eligible RAL, and as a result of such breach of event such Participated Pool RAL is charged off as uncollectible or BFC's rights in, to or under the Participation Interest therein are materially impaired, then, upon the earlier to occur of the discovery by BFC of such breach or event, or receipt by BFC of written notice from HSBC TFS of such breach or event, BFC may by notice then given in writing to HSBC TFS direct HSBC TFS to repurchase the Participation Interest in each such Participated Pool RAL within 30 days of such notice (or within such longer period as may be specified in such notice but in no event later than 120 days) on a date specified

by BFC occurring within such applicable period on the terms and conditions set forth in Section 4.4(c).

(b) Repurchase After Cure Period. In the event of a breach of any of the representations and warranties set forth in Sections 4.2 and 2.1(a), or in the event that a Participated Pool RAL is not an Eligible RAL as a result of the failure to satisfy the conditions set forth in the definition of Eligible RAL or Pool RAL (contingent on that failure not being caused by (i) any misrepresentation or omission to state a material fact by a RAL Customer, or (ii) action or inaction of any Block Office, Major Franchisee, or subfranchisee of a Major Franchisee to perform its explicit obligations under this Agreement, or a corporate franchise agreement between Block Services and a Corporate Franchise a Major Franchisee RAL Agreement, or a subfranchisee agreement relating to the RAL Program between a Major Franchisee and a subfranchisee, as applicable (except for any action or inaction by such entities due to changes to the RAL Program required by the RAL Originator or HSBC TFS outside of the deadlines set forth in this Agreement for any such changes), other than a breach or event as set forth in Section 4.4(a), and as a result of such breach any Participated Pool RAL becomes a Defaulted Pool RAL or BFC's rights in, to or under the Participated Pool RAL or its proceeds are materially impaired, then, upon the expiration of 60 days (or such longer period as may be agreed to by BFC, but in not event later than 120 days) from the earlier to occur of the discovery of any such event by BFC or receipt by BFC of written notice from HSBC TFS of any such event, BFC may by notice then given in writing to HSBC TFS direct HSBC TFS to repurchase the Participation Interest in each such Participated Pool RAL within 30 days of such notice (or within such longer period as may be specified in such notice but in no event later than 120 days) on the terms and conditions set forth in Section 4.4(c); provided, however, that no such repurchase shall be required to be made if, on any day prior to such repurchase, such representations and warranties with respect to such Participated Pool RAL shall then be true and correct in all material respects as if such Participated Pool RAL had been created on such day.

(c) Procedures for Repurchase. When the provisions of Sections 4.4(a) or 4.4(b) require repurchase of a Participation Interest in a Participated Pool RAL (such Participated Pool RAL being hereinafter referred to as an "Ineligible RAL"), HSBC TFS shall accept reassignment of such Participation by remitting to BFC an amount equal to the Applicable Percentage of the Repurchase Value of the Ineligible RAL as of the date of such repurchase. Such remittance shall be made to BFC at such domestic account designated by BFC by notice to HSBC TFS, in United States dollars and in funds immediately available at such office at such time, without setoff, withholding, counterclaim or other deduction of any nature whatsoever. Upon such remittance, BFC shall automatically and without further action be deemed to transfer, assign, set over and otherwise convey to HSBC TFS, without recourse, representation or warranty (except for the warranty that since the date of conveyance by HSBC TFS to BFC, BFC has not sold, transferred or encumbered any such Participation Interest), all right, title and interest of BFC in and to such Participation Interest. BFC shall execute such documents and instruments of transfer or assignment and take other actions as shall reasonably be requested by HSBC TFS to evidence the conveyance of such Participation Interest in the Ineligible RALs, all monies due or to become due with respect thereto and all proceeds

thereof pursuant to this Section 4.4(c). The obligation of HSBC TFS to repurchase Participation Interests in Ineligible RALs in accordance with this Section 4.4(c) shall constitute the sole remedy respecting any breach of the representations and warranties set forth in Section 4.2 available to BFC.

(d) Impairment. For the purposes of Sections 4.4(a) and (b) above, proceeds of a Participated Pool RAL shall not be deemed to be impaired hereunder solely because such proceeds are held by HSBC TFS for more than the applicable period under Section 9-315(d) of the UCC as in effect in the State of Delaware.

ARTICLE V.
TERM

Section 5.1. Termination of Purchase and Sale Obligations. The obligations of HSBC TFS to sell Participation Interests in Pool RALs pursuant to Section 2.1 that are RALs described in paragraph (a) of the definition of "Principal Amount" in this Agreement and the obligations of BFC to purchase Participation Interests in such Pool RALs pursuant to Section 2.1, may be terminated:

(a) by the mutual written agreement of BFC and HSBC TFS;

(b) by either party, if the Second Amended and Restated RAL Operations Agreement has been terminated;

(c) by HSBC TFS, if (i) there is a failure by BFC to perform or observe any material term, covenant or agreement contained in this Agreement, and any such failure shall remain unremedied for 10 days after written notice of such failure shall have been given to BFC by HSBC TFS, (ii) there is an order or decree restraining, enjoining, prohibiting, invalidating or otherwise preventing the transactions contemplated by this Agreement or HSBC TFS's performance of any of its material obligations under this Agreement, (iii) there shall be pending, or any Governmental Authority shall have notified HSBC TFS of its intention to institute, any action, suit or proceeding against HSBC TFS to restrain, enjoin, prohibit, invalidate or otherwise prevent the transactions contemplated by this Agreement or HSBC TFS's performance of any of its material obligations under this Agreement, (iv) any Participated Pool RAL or purchase or sale of a Participation Interest in a Participated Pool RAL, or HSBC TFS's performance of any of its material obligations under this Agreement, would be illegal, and there are no reasonable steps that HSBC TFS could take to prevent such illegality; or (v) there is a dissolution, termination of existence, insolvency, appointment of a receiver of any part of the property of, or assignment for the benefit of creditors by, or the commencement of any proceeding by or against BFC under any bankruptcy or insolvency law;

(d) by BFC, if (i) there is a failure by HSBC TFS to perform or observe any material term, covenant or agreement contained in this Agreement and any such failure shall remain unremedied for 10 days after written notice of such failure shall have been given to HSBC TFS by BFC, (ii) there is an order or decree restraining, enjoining, prohibiting, invalidating or otherwise preventing BFC's performance of any of its

material obligations hereunder, (iii) there shall be pending, or any Governmental Authority shall have notified BFC of its intention to institute, any action, suit or proceeding against BFC to restrain, enjoin, prohibit, invalidate or otherwise prevent BFC's performance of any of its material obligations hereunder, (iv) BFC's performance of any of its material obligations hereunder would be illegal and there are no reasonable steps that BFC could take to prevent such illegality, or (v) there is a dissolution, termination of existence, insolvency, appointment of a receiver of any part of the property of, or assignment for the benefit of creditors by, or the commencement of any proceeding by or against HSBC TFS under any bankruptcy or insolvency law; or

(e) by BFC, if as of any September 15, any representation or warranty of HSBC TFS set forth in Section 4.1 would not be true, if repeated as of such date; provided that BFC gives notice of such termination not later than the September 30 next following such September 15.

HSBC TFS or BFC shall exercise a right of termination provided above by written notice to the other party. Upon such termination, all obligations of HSBC TFS to sell Participation Interests in Pool RALs pursuant to Section 2.1 that are RALs described in paragraph (a) of the definition of "Principal Amount" in this Agreement and all obligations of BFC to purchase Participation Interests in such Pool RALs pursuant to Section 2.1 shall automatically cease and BFC shall have no further obligation to purchase additional Participation Interests corresponding to such Participated Pool RALs. Termination pursuant to this Section shall not otherwise affect the rights or obligations of the parties hereto under this Agreement. Without limitation, such termination shall not affect the obligations of HSBC TFS to sell Participation Interests pursuant to Section 2.1 with respect to Pool RALs that are RALs described in paragraph (b) of the definition of "Principal Amount" in this Agreement to the extent that the Underlying RAL is itself a Participated Pool RAL with respect to which a Participation Interest was sold to BFC prior to such termination, and shall not affect the obligation of BFC to purchase a Participation Interest with respect to such Pool RAL pursuant to Section 2.1.

Section 5.2. Right to Exclude Certain RALs. If, from time to time, BFC or HSBC TFS believes in good faith that any specified RALs (of the type described in paragraph (a) of the definition of "Principal Amount" in this Agreement) that otherwise would constitute Pool RALs may violate or conflict with any requirement of law in any jurisdiction, such party (the "Notifying Party") may give notice to the other parties of such fact, specifying the applicable jurisdictions, and specifying such further actions on the part of BFC, Block Tax Services, the RAL Originator or other Persons, if any, as would in the opinion of the Notifying Party prevent such violation or conflict. Unless such steps have been taken within seven days after receipt of such notice, then, effective from and after such seventh day such RALs made after such day in such specified jurisdiction shall not constitute Pool RALs (such RALs being hereinafter referred to as "Excluded RALs"). If such steps subsequently are taken, and the other party gives notice to the Notifying Party of such fact, then the Notifying Party, shall, as promptly as practicable after such notice, by further notice to such other party, revoke its earlier designation of such RALs as Excluded RALs, and RALs of the specified type made after the date of such revocation shall not constitute Excluded RALs (and hence shall constitute Pool RALs).

ARTICLE VI.
CERTAIN RIGHTS OF HSBC TFS

Section 6.1. Certain Rights of HSBC TFS.

(a) Rescission. If any payment received or application of funds made by HSBC TFS on account of any Participated Pool RAL shall be rescinded or otherwise shall be required (or if HSBC TFS believes in good faith that such payment or application of funds is or may be required) to be returned or paid over by HSBC TFS at any time, BFC, promptly upon notice from HSBC TFS, shall pay to HSBC TFS an amount equal to the Applicable Percentage of the amount so rescinded or returned or paid over, together with the Applicable Percentage of any interest or penalties payable with respect thereto.

(b) Payover. If BFC receives any payment or makes any application on account of its Participation Interest in any Participated Pool RAL, BFC shall promptly pay over to HSBC TFS the amount in excess of the Applicable Percentage of the amount so received or applied and until so paid over, the same shall be held by BFC in trust for HSBC TFS.

Section 6.2. Indemnification. Immediately upon HSBC TFS's demand therefor, BFC shall reimburse and indemnify HSBC TFS for and against the Applicable Percentage share of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of every kind and nature whatsoever that may be imposed upon, incurred by or asserted against HSBC TFS, acting pursuant hereto, or in any way relating to or arising out of this Agreement or any Participated Pool RAL or the origination or servicing thereof, or any action taken or omitted by HSBC TFS under this Agreement or any Participated Pool RAL, including, without limitation, any amounts payable by HSBC TFS pursuant to the Second Amended and Restated RAL Operations Agreement (pursuant to indemnification provisions thereof or otherwise), and any amounts that HSBC TFS shall be required to pay or repay to any statutory representative of any Obligor or Originator Party or to creditors of any such Obligor or Originator Party acting as such statutory representative (all of the foregoing being referred to collectively as "Claims"); provided, however, that BFC shall not be liable under this Section 6.2 for its Applicable Percentage of (i) any obligation of HSBC TFS to repurchase Participation Interests in accordance with Sections 4.3 and 4.4, (ii) any out-of-pocket expenses of HSBC TFS on account of origination of ordinary and routine servicing of Participated Pool RALs, to the extent duplicative of amounts as to which BFC has paid its Applicable Percentage share pursuant to Article II, (iii) attorneys' fees and related litigation expenses incurred by HSBC TFS with respect to Claims (it being understood that each party shall be responsible for its own attorneys' fees and related litigation expenses with respect to Claims), (iv) any Claim attributable to a Participated Pool RAL failing to be an Eligible RAL, (v) any Claim attributable to a breach by HSBC TFS of an express obligation of HSBC TFS under this Agreement, or (vi) any Claim attributable to the gross negligence or willful misconduct of HSBC TFS. Notwithstanding any other provision herein, if BFC breaches any of its obligations hereunder and any such breach results in a claim for indemnification by the RAL Originator against HSBC TFS, HSBC TFS shall have the right to indemnification from BFC to the extent HSBC TFS is required to indemnify the RAL Originator.

Nothing in this Section 6.2 shall be construed to make BFC liable for (i) any portion of any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements imposed upon, incurred by or asserted against HSBC TFS or any of its Affiliates relating solely to or arising solely from any RAL other than a Participated Pool RAL or a RAC other than a Pool RAC or (ii) any Claim with respect to which HSBC TFS is indemnified by any third party (including, without limitation, Block Tax Services or any other Originator Party). HSBC TFS shall remit to BFC the Applicable Percentage of any amount received by HSBC TFS as indemnification from a third party to the extent such indemnification pertains to a Claim for which BFC previously indemnified HSBC TFS pursuant to this Section 6.2.

If different Applicable Percentages apply to Pool RALs with respect to which a Claim arises, then (A) to the extent the Claim is identifiable to a particular Pool RAL or to Pool RALs made in a particular Tax Period, the Applicable Percentage applicable to BFC's indemnification obligation with respect to such Claim shall be equal to the Applicable Percentage applicable to such particular Pool RAL or to such Tax Period, as the case may be and (B) otherwise, the Applicable Percentage applicable to BFC's indemnification obligation with respect to such Claim shall be a weighted average of the Applicable Percentages applicable to the Pool RALs or the Tax Period with respect to which such Claim arose.

Section 6.3. Survival. The obligations of BFC under this Article VI shall survive any termination under Section 5.1 and all other events and conditions whatever. If and to the extent that any obligation of BFC under this Article VI is unenforceable for any reason, BFC agrees to make the maximum contribution to the payment and satisfaction of such obligation which is permitted under applicable law.

ARTICLE VII.
MISCELLANEOUS

Section 7.1. Customer Lists. To the extent permitted by applicable law, HSBC TFS as servicer for the RAL Originator agrees to provide to BFC, or any Affiliate of BFC during the term of this Agreement, within a reasonable time after BFC's (or such Affiliate's) request but not more than twice during any calendar year, a list of all persons (and, their full mailing addresses) to whom the RAL Originator made and HSBC TFS purchased Pool RALs or Pool RACs during the most recently ended Tax Period. Such list shall be provided in electronic form and, to the extent reasonably practicable, in a form typical of mailing lists purchased in the open market. Neither BFC nor its Affiliates shall use, or permit the use of, such list for purposes of soliciting customers for credit related products. BFC and such Affiliates shall take appropriate action by agreement with third parties having access to such list to prohibit such third parties from using such list for purposes of soliciting customers for credit related products. HSBC TFS shall be designated a third-party beneficiary in any such agreement for purposes of enforcing such restricted use of such list.

Section 7.2. Independent Evaluation. BFC expressly acknowledges (i) that, except as provided in Sections 2.1(a), 4.1 and 4.2, HSBC TFS has not made any representation or warranty, express or implied, to BFC and no act by HSBC TFS heretofore or hereafter taken shall be deemed to constitute any representation or warranty by HSBC TFS to BFC; and (ii) that, in connection with its entry into and its performance of its obligations under this Agreement,

BFC has made and shall continue to make its own independent investigation of the economic and legal risks associated with the making of RALs and purchase of Participation Interests.

Section 7.3. Notices. All notices required or permitted to be given under this Agreement shall be in writing and shall be given by registered or certified mail, return receipt requested, or by nationally recognized overnight courier, addressed as follows:

If to BFC, to:

Block Financial Corporation
4400 Main Street
Kansas City, Missouri 64111
Attention: Jeffery A. Yabuki

If to HSBC TFS, to:

HSBC Taxpayer Financial Services, Inc.
200 Somerset Corporate Blvd.
Bridgewater, New Jersey 08807
Attention: Paul Creatura

Any party may change the address to which it desires notices to be sent by giving the other parties ten (10) days prior notice of any such change. Any notices shall be deemed given upon its receipt by the party to whom the notice is addressed.

Section 7.4. Modification; No Waiver. This Agreement shall not be modified or amended except by an instrument in writing signed by or on behalf of the parties hereto. No waiver of any breach of, or failure to perform or observe, any material term, covenant or agreement contained in this Agreement shall constitute or be construed as a waiver by BFC or HSBC TFS of any subsequent breach or failure or of any breach of or failure with respect to any of the other provisions of this Agreement.

Section 7.5. Prior Understandings. This Agreement supersedes all prior oral understandings between the parties hereto relating to the transactions provided herein.

Section 7.6. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of Delaware, without regard to choice of law rules thereof.

Section 7.7. Counterparts. This Agreement may be executed in as many counterparts as may be deemed necessary and convenient, and by the different parties hereto in separate counterparts, each of which, when so executed, shall be deemed to be an original, but all such counterparts together shall constitute one and the same instrument.

Section 7.8. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of BFC and HSBC TFS and their representative successors and assigns and shall not be assigned by either party hereto without the prior written consent of the other parties hereto, which consent shall not unreasonably be withheld, conditioned or delayed, and any purported assignment without such consent shall be void.

Section 7.9. Securitizations. HSBC TFS will use its reasonable efforts to assist BFC with respect to the negotiation and execution of all instruments and documents and to take all actions that are reasonably necessary, or as BFC may reasonably request, in order to facilitate the sale by BFC of the Participation Interests acquired by BFC pursuant to this Agreement and the assignment by BFC of BFC's rights under this Agreement to an Affiliate of BFC, and the resale of such Participation Interests and the reassignment of such rights by the Affiliate to one or more liquidity providers. Notwithstanding such assignment of its rights, BFC shall remain liable to perform all of its covenants and obligations under this Agreement. To the extent the terms and conditions of this Section 7.9 are inconsistent with the terms and conditions of the Second ICB Consent Letter, the terms and conditions of the Second ICB Consent Letter shall control.

Section 7.10. Headings. The Article, Section and any other headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any of the provisions hereof.

Section 7.11. Confidentiality. Without limitation of any other obligations of confidentiality contained in this Agreement, the Second Amended and Restated RAL Operations Agreement or otherwise arising (but subject to the provisions of Section 7.1), all information, materials and documents heretofore or hereafter furnished to BFC (or to its officers, directors, agents, representatives or advisors) by HSBC TFS, by Persons acting on behalf of HSBC TFS or at HSBC TFS's direction, or otherwise in connection with this Agreement, either orally, in writing or by inspection, regarding the Obligors, any RAL, any RAC, this Agreement or the Second Amended and Restated RAL Operations Agreement shall be deemed confidential and, except to the extent required by law, shall be kept in strict confidence under appropriate safeguards by BFC and its officers, directors, agents, representatives and advisors.

Section 7.12. Not a Joint Venture. Neither this Agreement nor the transactions contemplated by this Agreement shall be deemed to give rise to a partnership or joint venture between HSBC TFS and BFC.

Section 7.13. HSBC TFS Not Tax Preparer. Nothing in this Agreement or the Second Amended and Restated RAL Operations Agreement shall be construed to imply that HSBC TFS at any time is in any way responsible for the preparation, filing or contents of any tax return of any Obligor under a Pool RAL, and BFC shall indemnify HSBC TFS from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of every kind and nature whatsoever which may be imposed upon, incurred by or asserted against HSBC TFS arising from any claim, allegation or assertion that HSBC TFS is or may be in any way responsible for the preparation, filing or contents of any such tax return, or that HSBC TFS, by virtue of its participation in the transactions contemplated by this Agreement, is engaged in an activity that subjects HSBC TFS to any penalty on account of the negotiation of any tax refund check in violation of the Internal Revenue Code of 1986, as amended.

Section 7.14. Events Prior to Amendment. The parties affirm that they are responsible for performing all of their agreements, duties and obligations under the Third Amended and Restated RAL Participation Agreement arising out of events occurring prior to the effective date of this Agreement, and the provisions of the Third Amended and Restated RAL Participation

Agreement shall survive and continue to define the rights and obligations of the parties with respect to such prior events.

Section 7.15. Financial Privacy. HSBC TFS and BFC agree to comply with the financial privacy provisions of Section 7.2 of the Second Amended and Restated RAL Operations Agreement.

Section 7.16. Effective Date. This Agreement shall be effective as of the date of its execution.

Section 7.17. Acquisition of Major Franchisees. HSBC TFS acknowledges that Block Services and its Affiliates are in the process of repurchasing the major franchise agreements from certain of the Major Franchisees. The parties hereto expressly agree that, for purposes of this Agreement, (a) any Major Franchisee that is acquired by Block Services or an Affiliate of Block Services shall thereafter be considered a Block Office and shall cease to be considered a Major Franchisee, and (b) any Major Franchisee whose major franchise agreement is terminated and who enters into a corporate franchise agreement shall thereafter be treated as a Corporate Franchisee and shall cease to be treated as a Major Franchisee.

Section 7.18. Termination of HTMAC. The parties agree that HTMAC is hereby terminated as a party to this Agreement, effective as of the date of execution of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Amended and Restated Refund Anticipation Loan Participation Agreement to be executed by their respective officers thereunto duly authorized, effective as of the date set forth above.

BLOCK FINANCIAL CORPORATION

By: /s/ Mark Ciaramitaro
Name: Mark Ciaramitaro
Title: VP DTS

HSBC TAXPAYER FINANCIAL SERVICES INC.

By: /s/ Susan E. Artmann
Name: Susan E. Artmann
Title: Vice President

Solely for purposes of Section 7.18:

HOUSEHOLD TAX MASTERS ACQUISITION CORPORATION

By: /s/ Susan E. Artmann
Name: Susan E. Artmann
Title: Treasurer & CFO

EXHIBIT 10.3

SECOND AMENDED AND RESTATED

LOAN PURCHASE AND CONTRIBUTION AGREEMENT

between

OPTION ONE LOAN WAREHOUSE CORPORATION
as Depositor

and

OPTION ONE MORTGAGE CORPORATION
as Loan Originator

Dated as of November 14, 2003

MORTGAGE-BACKED NOTES

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SECOND AMENDED AND RESTATED
LOAN PURCHASE AND CONTRIBUTION AGREEMENT

SECOND AMENDED AND RESTATED LOAN PURCHASE AND CONTRIBUTION AGREEMENT, dated as of November 14, 2003 (this "Agreement"), between OPTION ONE MORTGAGE CORPORATION, a California corporation (the "Loan Originator"), and OPTION ONE LOAN WAREHOUSE CORPORATION, a Delaware corporation (the "Depositor").

W I T N E S S E T H

WHEREAS, the Loan Originator owns and from time to time originates and acquires certain loans (the "Loans") secured primarily by mortgages, deeds of trust and security deeds on certain Mortgaged Properties and the Loan Documents related thereto;

WHEREAS, the Loan Originator is the owner of 100% of the capital stock of the Depositor;

WHEREAS, the parties hereto desire that on each Transfer Date, the Loan Originator sell and contribute all its right, title and interest in and to the Loans and the related Loan Documents to Depositor pursuant to the terms of this Agreement; and

WHEREAS, the Depositor will sell, transfer, assign and otherwise convey all of its rights, title and interest in and to each of the Loans and related Loan Documents and its related rights under this Agreement to one of six trusts (each a "Trust" and collectively, the "Trusts"), in each case pursuant to the terms of either (i) the Sale and Servicing Agreement, dated as of April 1, 2001 (the "2001-1A Sale and Servicing Agreement"), among Option One Owner Trust 2001-1A, as Issuer (the "2001-lA Issuer" or the "2001-1A Trust"), the Depositor, the Loan Originator and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee on behalf of the related Noteholders (in such capacity, the "Indenture Trustee"), or (ii) the Sale and Servicing Agreement, dated as of April 1, 2001 (the "2001-1B Sale and Servicing Agreement"), among Option One Owner Trust 2001-1B, as Issuer (the "2001-1B Issuer" or the "2001-1B Trust"), the Depositor, the Loan Originator and the Indenture Trustee as Indenture Trustee on behalf of the related Noteholders, or (iii) the Sale and Servicing Agreement, dated as of April 1, 2001 (the "2001-2 Sale and Servicing Agreement"), among Option One Owner Trust 2001-2, as Issuer (the "2001-2 Issuer" or the "2001-2 Trust"), the Depositor, the Loan Originator and the Indenture Trustee, as Indenture Trustee on behalf of the related Noteholders; or, (iv) the Sale and Servicing Agreement, dated as of July 2, 2002, (the "2002-3 Sale and Serving Agreement"), among Option One Owner Trust 2002-3, as Issuer (the "2002-3 Issuer" or the "2002-3 Trust"), the Depositor, the Loan Originator and the Indenture Trustee, as Indenture Trustee on behalf of the related Noteholders, or (v) the Sale and Servicing Agreement, dated as of August 8, 2003, (the "2003-4 Sale and Servicing Agreement"), among Option One Owner Trust 2003-4, as Issuer (the "2003-4 Issuer" or the "2003-4 Trust"), the Depositor, the Loan Originator and the Indenture Trustee, as Indenture Trustee on behalf of the related Noteholders, or (vi) the Sale and Servicing Agreement, dated as of November 1, 2003, (the "2003-5 Sale and Servicing Agreement"), among Option One Owner Trust 2003-5, as Issuer (the "2003-5 Issuer" or the "2003-5 Trust"), the Depositor, the Loan Originator and the Indenture Trustee, as Indenture Trustee on behalf of the related Noteholders.

WHEREAS, the parties hereto have entered into the First Amended and Restated Loan Purchase and Contribution Agreement, dated as of August 8, 2003 (the "First Amended and Restated Loan Purchase and Contribution Agreement").

WHEREAS, the parties to the First Amended and Restated Loan Purchase and Contribution Agreement now seek to amend the First Amended and Restated Loan Purchase and Contribution Agreement in its entirety as set forth in this Second Amended and Restated Loan Purchase and Contribution Agreement (this "Agreement");

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS; CONSTRUCTION

Section 1.01 Definitions. For purposes of this Agreement: (i) references to the Trust or the Issuer shall mean the Trust to which the Depositor sells the related Loans; (ii) references to the Sale and Servicing Agreement shall mean the Sale and Servicing Agreement pursuant to which the Depositor sells the related Loans; (iii) references to the Indenture Trustee shall mean Wells Fargo Bank Minnesota, National Association, or its successor, in its capacity as Indenture Trustee under the related Sale and Servicing Agreement; and (iv) references to the Noteholder shall mean the Initial Noteholder in connection with sales to the 2001-1A Trust, the 2001-1B Trust, the 2001-2 Trust, the 2003-4 Trust and the 2003-5 Trust and the Note Purchaser in connection with sales to the 2002-3 Trust. All other capitalized terms used but not defined herein shall have the meanings assigned thereto in the related Sale and Servicing Agreement.

Section 1.02 Construction. For purposes of this Agreement: (i) the singular includes the plural and the plural includes the singular; (ii) words importing any gender include the other genders; (iii) the words "and" and "or" are used in the conjunctive or disjunctive as the sense and circumstances may require, (iv) references to "writing" include printing, typing, lithography and other means of reproducing words in a visible form; (v) references to agreements and other contractual instruments include all subsequent amendments thereto or changes therein entered into in accordance with their respective terms and not prohibited by this Agreement or the Basic Documents; (vi) references to Persons include their permitted successors and assigns; (vii) any form of the word "include" shall be deemed to be followed by the words "without limitation"; (viii) the phrase "in and to" shall be deemed to include "under" and "with respect to" whenever appropriate; (ix) unless the context clearly requires otherwise, the word "finance" shall be deemed to include "refinance"; (x) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; and (xi) Article, Section, Schedule and Exhibit references, unless otherwise specified, refer to Articles and Sections of and Schedules and Exhibits to this Agreement. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

ARTICLE II

SALE OF LOANS; PAYMENT OF PURCHASE PRICE

Section 2.01 Sale of Loans to Depositor. (a) On the terms and conditions of this Agreement, on each Transfer Date, the Loan Originator agrees to offer for sale, and to sell, a portion of each of the Loans (equal to the Sales Price therefor) to the Depositor and to contribute to the capital stock of the Depositor the balance of each of the Loans and to deliver the related Loan Documents to or at the direction of the Depositor. To the extent the Depositor has or is able to obtain sufficient funds to pay the Sales Price thereof, the Depositor agrees to purchase such Loans offered for sale by the Loan Originator.

(b) The price paid by the Depositor for the portion of each of the Loans sold on each Transfer Date (the "Sales Price") shall be the sum of the Collateral Values as of the Transfer Date with respect to the Loans conveyed on such date (determined after giving effect to all payments of principal received thereon prior to the Transfer Cut-off Date as determined by the Servicer). The market value of each of the Loans in excess of the Sales Price therefor shall be a contribution to the capital of the Depositor.

(c) On each Transfer Date, the Loan Originator shall convey to the Depositor the Loans and the other property and rights related thereto described in the related LPA Assignment, and the Depositor, only upon the satisfaction of each of the conditions set forth below on or prior to such Transfer Date, shall cause the deposit of cash in the amount of the Sales Price in the Advance Account and shall cause the Servicer to, promptly after such deposit, withdraw the Sales Price deposited in respect of applicable Additional Note Principal Balance from the Advance Account and distribute such amount to or at the direction of the Loan Originator:

(i) the Loan Originator shall have delivered to the Issuer, the Depositor and the Noteholder a duly executed LPA Assignment with respect to all of the Loans conveyed on such Transfer Date, which shall have attached thereto a Loan Schedule setting forth the appropriate information with respect to all Loans conveyed on such Transfer Date and shall have delivered to the Noteholder a computer readable transmission of such Loan Schedule;

(ii) the Loan Originator shall have provided to the Servicer for deposit in the related Collection Account all collections received with respect to each of the Loans on or after the applicable Transfer Cut-off Date;

(iii) as of such date, neither the Loan Originator nor the Depositor shall (A) be insolvent, (B) be made insolvent by its respective sale of Loans or (C) have reason to believe that its insolvency is imminent;

(iv) the Revolving Period shall not have terminated and shall be in effect as of such Transfer Date;

(v) except in the case of Wet Funded Loans, the Loan Originator shall have delivered the Custodial Loan File to the Custodian in accordance with the Custodial

Agreement and the Noteholder shall have received a copy of the Loan Schedule and Exceptions Report and, where required under the Custodial Agreement, a copy of the Trust Receipt;

(vi) each of the representations and warranties made by the Loan Originator set forth in Exhibit E to each of the Sale and Servicing Agreements with respect to the Loans shall be true and correct as of the related Transfer Date with the same effect as if then made, and the Loan Originator shall have performed all obligations to be performed by it under each of the related Basic Documents on and prior to such Transfer Date;

(vii) the Loan Originator shall, at its own expense, within one Business Day of the Transfer Date, indicate in its computer files that the Loans identified in the related LPA Assignment have been sold to the Depositor pursuant to this Agreement;

(viii) the Loan Originator shall have taken any action requested by the Indenture Trustee, the Issuer or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate and the first perfected security interest therein of the Indenture Trustee;

(ix) the Loan Originator shall have used no selection procedures that identified any of the Loans identified in the related LPA Assignment as being less desirable or valuable than other comparable Loans originated or acquired by the Loan Originator; and such Loans collectively shall be representative of the Loan Originator's portfolio of fixed rate or adjustable rate Loans, as the case may be;

(x) the Loan Originator shall have provided the Depositor, the Trust and the Noteholder, no later than 1:00 p.m. Eastern time on the date that is two (2) Business Days prior to the issuance of Additional Note Principal Balance, a Notice of Additional Note Principal Balance in the form of Exhibit A to the related Sale and Servicing Agreement;

(xi) after giving effect to the Additional Note Principal Balance purchased on such date, the related Note Principal Balance will not exceed the related Maximum Note Principal Balance; and

(xii) all conditions precedent to the Noteholder's purchase of Additional Note Principal Balance pursuant to the related Note Purchase Agreement shall have been fulfilled as of such date.

(d) Subject to Section 6.07, the parties hereto intend that each of the conveyances contemplated hereby be sales from the Loan Originator to the Depositor of all of the Loan Originator's right, title and interest in and to the Loans and other property described above.

Section 2.02 Obligations of Loan Originator.

(a) Within ten days of the Closing Date and on or prior to each Transfer Date, the Noteholder shall have received evidence satisfactory to it of (i) the completion of all recordings, registrations and filings as may be necessary or, in the opinion of the Noteholder,

desirable to perfect or evidence the assignment by the Loan Originator to the Depositor of the Loan Originator's ownership interest in the Trust Estate including, without limitation, the Loans and related property and the proceeds thereof, (ii) the completion of all recordings, registrations and filings as may be necessary or, in the opinion of the Noteholder, desirable to perfect or evidence the assignment by the Depositor to the Issuer of the Depositor's ownership interest in the Trust Estate including, without limitation, the Loans and the proceeds thereof and (iii) the completion of all recordings, registrations and filings as may be necessary or, in the opinion of the Noteholder, desirable to perfect or evidence the grant of a first priority perfected security interest in the Trust's ownership interest in the Trust Estate including, without limitation, the Loans and the proceeds thereof, in favor of the Indenture Trustee. The Loan Originator agrees to file all necessary continuation statements and any amendments to the UCC financing statements required to reflect a change in the name or corporate structure of the Loan Originator and to file any additional UCC financing statements required due to a change in the legal name, chief executive office, state of incorporation or legal form of the Loan Originator as are necessary to perfect the interest of the Depositor, the Trust and the Indenture Trustee in and to the Trust Estate and to take such other action as may be necessary or, in the opinion of the Depositor or the Noteholder, desirable to perfect or evidence the Depositor's, the Trust's and Indenture Trustee's interest in the Loans and Loan Documents conveyed under the Basic Documents.

(b) In connection with each sale of a Loan hereunder, the Loan Originator shall deliver to, and deposit with the Custodian, on behalf of the Indenture Trustee, as assignee of the Depositor, the Custodial Loan File with respect to each Loan conveyed on such Transfer Date (i) in the case of each non-Wet Funded Loan, on or before the related Transfer Date or such earlier time as required by the related Sale and Servicing Agreement and (ii) in the case of each Wet Funded Loan, on or before the Wet Funded Custodial File Delivery Date.

It is understood and agreed that the obligations set forth in this Section 2.02(b) shall survive delivery of the respective Custodial Loan Files to the Custodian (as the agent of the Indenture Trustee) and shall inure to the benefit of the related Securityholders, the Depositor, the Servicer, the Indenture Trustee and the Issuer.

With respect to any Loans that are set forth as exceptions in the Loan Schedule and Exceptions Report, the Loan Originator shall cure such exceptions, repurchase such Loan or provide a Qualified Substitute Loan in accordance with Sections 2.05 and 3.06 of the related Sale and Servicing Agreement. The obligations of the Loan Originator set forth in this paragraph and in Sections 2.05 and 3.06 of the related Sale and Servicing Agreement to cure any breach or to substitute for or repurchase an affected Loan shall constitute the sole remedies available hereunder to the Depositor respecting a breach of the Loan Originator's obligations contained in this Section 2.02(b) and in Sections 2.05 and 3.06 of the related Sale and Servicing Agreement.

(c) In connection with each sale and contribution of a Loan hereunder, the Loan Originator shall deliver to, and deposit with the Servicer, as the designated agent of the Indenture Trustee, as assignee of the Depositor, on or before the related Transfer Date, the Servicer's Loan File with respect to each Loan conveyed on such Transfer Date.

(d) The Loan Originator hereby further confirms to the Depositor that, within one Business Day of each Transfer Date, it shall cause the portions of the Loan Originator's electronic ledger relating to the Loans to be clearly and unambiguously marked to indicate that the Loans have been sold and contributed to the Depositor hereunder and sold by the Depositor to the Issuer under the related Sale and Servicing Agreement.

(e) On and after each Transfer Date, the Depositor shall own the Loans which have been identified as being sold and contributed to the Depositor under Section 2.01 hereof and the Loan Originator shall not take any action inconsistent with such ownership and shall not claim any ownership interest in any such conveyed Loan.

Section 2.03 Dispositions; Transfer Obligation.

In consideration of the consideration received from the Depositor under this Agreement, in addition to the Loan Originator's performance of its obligations under this Agreement, the Loan Originator hereby agrees and covenants that in connection with each Disposition it shall perform such duties as specified in Section 3.07 of the related Sale and Servicing Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES; REMEDIES FOR BREACH

Section 3.01 Loan Originator's Representations and Warranties. (a) The Loan Originator makes each of the representations and warranties to the Depositor as of the Closing Date and as of each Transfer Date as are set forth in Section 3.02 of the related Sale and Servicing Agreement.

(b) The Loan Originator further makes each of the representations and warranties as of each Transfer Date as are set forth in Exhibit E to each of the Sale and Servicing Agreements with respect to the Loans conveyed on such Transfer Date.

(c) Except as otherwise expressly set forth in the Basic Documents, it is understood and agreed that the representations and warranties set forth in this Section 3.01 shall survive delivery of the respective Custodial Loan Files to the Custodian (as the agent of the Indenture Trustee) and shall inure to the benefit of the related Securityholders, the Depositor, the Servicer, the Indenture Trustee and the Issuer. Upon the discovery by the Servicer, the Custodian, the Indenture Trustee, the Loan Originator, the Depositor or any Securityholder of a breach of any of the representations and warranties of the Loan Originator set forth in Section 3.02 of the related Sale and Servicing Agreement or Exhibit E to the related Sale and Servicing Agreement that materially and adversely affects the value of any of the Loans, or the interests of the Securityholders in any Loan or the Securities with respect to which such representation or warranty is made, and the Loan Originator shall fail to cure such breach within the time period specified in Section 3.06 of the related Sale and Servicing Agreement, the Loan Originator shall be obligated to repurchase or substitute the affected Loan(s) in accordance with the provisions of Section 3.06 of the related Sale and Servicing Agreement promptly upon receipt of written

instructions from the Noteholder. The obligations of the Loan Originator set forth herein and in Section 3.06 of the related Sale and Servicing Agreement to cure any breach or to substitute for or repurchase an affected Loan shall constitute the sole remedies available hereunder to the Depositor respecting a breach of the representations and warranties contained in Sections 3.01 (a) and (b) hereof, in Section 3.02 of the related Sale and Servicing Agreement or in Exhibit E to the Sale and Servicing Agreements.

ARTICLE IV

LOAN ORIGINATOR COVENANTS

Section 4.01 Covenants of the Loan Originator. The Loan Originator hereby covenants that except for the sales and contributions hereunder, the Loan Originator will not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any lien on, any Loan, or any interest therein; and the Loan Originator will defend the right, title and interest of the Trust, as assignee of the Depositor, in, to and under the Loans, against all claims of third parties claiming through or under the Loan Originator.

Whenever and so often as requested by the Depositor or the Noteholder, the Loan Originator promptly will execute and deliver or cause to be executed and delivered all such other and further instruments, documents, or assurances, and promptly do or cause to be done all such other things, as may be necessary and reasonably required to vest more fully in the requesting party all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon it by this Agreement.

The Loan Originator further covenants that it will disclose on the Form 10-K filed on behalf of the Loan Originator with the Securities and Exchange Commission the following information: (i) the net effect that the transaction has on the Loan Originator's financial condition, (ii) the nature, amount and term of the material financial obligations incurred by the Loan Originator with respect to the transaction and (iii) a description of the events that may cause such a material financial obligation to arise, increase or become accelerated. The Loan Originator will also deliver to its chief financial officer, chief legal officer and independent accountants a complete set of final Basic Documents.

ARTICLE V

TERMINATION

Section 5.01 Termination. The respective obligations and responsibilities of the Loan Originator and Depositor created hereby shall terminate upon the termination of the last Trust to be terminated as provided in Article X of the related Sale and Servicing Agreement.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.01 Amendment. This Agreement may be amended from time to time with the prior written consent of the Noteholders with respect to each of the 2001-1 A Trust, the 2001-1B Trust, the 2001-2 Trust, the 2002-3 Trust, the 2003-4 Trust and the 2003-5 Trust, in their sole discretion, by a written agreement signed by the Loan Originator and the Depositor.

Section 6.02 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws. With respect to all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, each party irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan, City of New York, and each party irrevocably waives any objection which it may have at any time to the laying of venue of any suit, action or proceeding arising out of or relating hereto brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in any inconvenient forum and further irrevocably waives the right to object, with respect to such claim, suit, action or proceeding brought in any such court, that such court does not have jurisdiction over such party, provided that service of process is made by any lawful means. Nothing in this Section 6.02 shall affect the right of any party hereto or its assignees, or of the Noteholder or its assignees, to bring any other action or proceeding against any party hereto or its property in the courts of other jurisdictions.

Section 6.03 Notices. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given upon receipt thereof if (i) personally delivered or mailed by registered mail, postage prepaid, or (ii) transmitted by facsimile (with a copy delivered by overnight courier) upon telephone confirmation of receipt of such transmission, as follows:

(a) if to the Loan Originator:

Option One Mortgage Corporation
3 Ada Road
Irvine, California 92618
Attention: William O'Neill
Telecopy number: (949) 790-7504
Telephone number: (949) 790-7540

or, such other addresses, facsimile numbers and confirmation numbers as may hereafter be furnished to the Depositor in writing by the Loan Originator.

(b) if to the Depositor:

Option One Loan Warehouse Corporation
3 Ada Road

Irvine, California 92618
Attention: William O'Neill
Telecopy number: (949) 790-7504
Telephone number: (949) 790-7540

or such other addresses, facsimile numbers and confirmation numbers as may hereafter be furnished to the Loan Originator in writing by the Depositor.

Section 6.04 Severability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held invalid for any reason whatsoever, then such covenants, agreements, provisions or terms shall he deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement.

Section 6.05 Counterparts. This Agreement may be executed in one or more counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original and such counterparts, together, shall constitute one and the same agreement.

Section 6.06 Further Agreements. The Loan Originator and the Depositor each agree to execute and deliver to the other such amendments to documents and such additional documents, instruments or agreements as may be necessary or appropriate to effectuate the purposes of this Agreement or in connection with the offering of securities representing interests in the Loans.

Section 6.07 Intention of the Parties; Security Interest.

(a) Each transfer and assignment contemplated by this Agreement shall constitute a sale in part, and a contribution to capital in part, of the Loans from the Loan Originator to the Depositor. Upon the consummation of those transactions the Loans shall be owned by and the property of the Depositor, and not owned by or otherwise the property of, the Loan Originator for any purpose including without limitation any bankruptcy, receivership, insolvency, liquidation, conservatorship or similar proceeding relating to either the Loan Originator or the Depositor or any property of either. The parties hereto hereby acknowledge that the Depositor and its creditors are relying, and its subsequent transferees and their creditors will rely, on such sales and contributions being recognized as such. If (A) any transfer and assignment contemplated hereby is subsequently determined for any reason under any circumstances to constitute a transfer to secure a loan rather than a sale in part, and a contribution in part, of the Loans or (B) any Loan is otherwise held to be property of the Loan Originator, then this Agreement (i) is and shall be a security agreement within the meaning of Articles 8 and 9 of the applicable Uniform Commercial Code and (ii) shall constitute a grant by the Loan Originator to the Depositor of a security interest in all of the Loan Originator's right, title and other ownership interest in and to the Loans and the proceeds and other distributions and payments and general intangibles and other rights and benefits in respect thereof. For purposes of perfecting that security interest under any applicable Uniform Commercial Code, the possession by, and notices and other communications with respect thereto to and from, the Depositor or any agent thereof, of money, notes and other documents evidencing ownership of

and other rights with respect to the Loans shall be "possession" by the secured party or purchaser and required notices and other communications to and from applicable financial intermediaries, bailees and other agents.

(b) The Loan Originator at its expense shall take such actions as may be necessary or reasonably requested by the Depositor to ensure the perfection, and priority to all other security interests, of the security interest described in the preceding paragraph including without limitation the execution and delivery of such financing statements and amendments thereto, continuation statements and other documents as the Depositor may reasonably request.

Section 6.08 Successors and Assigns; Assignment of Agreement. This Agreement shall bind and inure to the benefit of and be enforceable by the Loan Originator, the Depositor, the Indenture Trustee and the Noteholder. The obligations of the Loan Originator under this Agreement cannot be assigned or delegated to a third party without the consent of each of the Depositor and the Noteholder, which consent shall be at each such Person's sole discretion. The parties hereto acknowledge that the Depositor is acquiring the Loans for the purpose of contributing them to the Trust that will issue the related Notes, which will be secured by such Loans. As an inducement to the Depositor to purchase the Loans and to the Noteholder to purchase the Note, the Loan Originator acknowledges and consents to the assignment by the Depositor to the Trust of all of the Depositor's rights against the Loan Originator pursuant to this Agreement and to the enforcement or exercise of any right or remedy against the Loan Originator pursuant to this Agreement by the Owner Trustee, for the benefit of the Issuer and the Noteholders, under the related Sale and Servicing Agreement. Such enforcement of a right or remedy by the Owner Trustee, for the benefit of the Issuer and the Noteholders, shall have the same force and effect as if the right or remedy had been enforced or exercised by the Depositor directly.

Section 6.09 Survival. The representations and warranties set forth in Article III and the provisions of Articles II, IV, V and VI shall survive the purchase of the Loans hereunder.

Section 6.10 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

IN WITNESS WHEREOF, the Loan Originator and the Depositor have caused this Loan Purchase and Contribution Agreement to be duly executed on their behalf by their respective officers thereunto duly authorized as of the day and year first above written.

OPTION ONE LOAN WAREHOUSE CORPORATION,
as Depositor

By: /s/ Bob Fulton

Name: Bob Fulton
Title: Vice President

OPTION ONE MORTGAGE CORPORATION,
as Loan Originator

By: /s/ Bob Fulton

Name: Bob Fulton
Title: Vice President

EXHIBIT A

FORM OF LPA ASSIGNMENT

ASSIGNMENT NO. __ OF LOANS ("LPA Assignment"), dated _____ (the "Transfer Date"), by OPTION ONE MORTGAGE CORPORATION (the "Loan Originator") to OPTION ONE LOAN WAREHOUSE CORPORATION, (the "Depositor") pursuant to the Loan Purchase and Contribution Agreement referred to below.

WITNESSETH:

WHEREAS, the Loan Originator and the Depositor are the parties to the Second Amended and Restated Loan Purchase and Contribution Agreement, dated as of November 14, 2003 (the "Agreement"), hereinafter as such agreement may have been, or may from time to time be, amended, supplemented or otherwise modified;

WHEREAS, pursuant to the Agreement, the Loan Originator wishes to sell, contribute, convey, transfer and assign Loans to the Depositor in exchange for cash consideration and other good and valid consideration the receipt and sufficiency of which is hereby acknowledged; and

WHEREAS, the Depositor is willing to acquire such Loans subject to the terms and conditions hereof and of the Agreement;

NOW THEREFORE, the Loan Originator and the Depositor hereby agree as follows:

1. Defined Terms. All capitalized terms defined in the Agreement and used herein shall have such defined meanings when used herein, unless otherwise defined herein.

2. Designation of Loans. The Loan Originator does hereby deliver herewith a Loan Schedule containing a true and complete list of each Loan to be conveyed on the Transfer Date. Such list is marked as Schedule A to this LPA Assignment and is hereby incorporated into and made a part of this LPA Assignment.

3. Conveyance of Loans. The Loan Originator hereby sells, contributes, transfers, assigns and conveys to the Depositor, without recourse and on a servicing released basis, all of the right, title and interest of the Loan Originator in and to the Loans (and all proceeds thereof and collections thereon) listed on the Loan Schedule attached hereto, including all interest, principal and prepayment fees received by the Loan Originator, or the Servicer on or with respect to the Loans on or after the related Transfer Cut-off Date, together with all right, title and interest in and to the proceeds of any related Mortgage Insurance Policies.

4. Depositor's Acknowledge Assignment. As of the Transfer Date, pursuant to this LPA Assignment and Section 2.01 (a) of the Agreement, the Depositor acknowledges its receipt of the Loans listed on the attached Loan Schedule and all other related property in the Trust Estate.

5. Acceptance of Rights But Not Obligations. The foregoing sale, contribution, transfer, assignment, set over and conveyance does not, and is not intended to, result in a creation

or an assumption by the Depositor of any obligation of the Loan Originator or any other Person in connection with this LPA Assignment or under any agreement or instrument relating thereto except as specifically set forth herein.

6. Loan Originator Acknowledges Receipt of Sales Price. The Loan Originator hereby acknowledges receipt of the Sales Price or that it has otherwise been distributed at its direction.

[To be inserted when applicable] [7. Assignment of Certain Swap Agreements. The Loan Originator hereby sells, contributes, transfers and assigns all of its right title and interest in, to, and under, its rights and obligations and the Depositor hereby accepts and assumes all of the Loan Originator's rights and obligations under the following confirmation(s) issued under that certain master agreement between the Loan Originator and [_____] (the "Swap Agreement"); provided, that it is understood by the parties hereto that the Issuer, as ultimate owner of the Loans, shall assume and shall be delegated all of Depositor's rights and obligations under the Swap Agreement.]

[7./8.] Conditions Precedent. The conditions precedent in Section 2.01(c) of the Agreement have been satisfied.

[8./9.] Amendment of the Agreement. The Agreement is hereby amended by providing that all references to the "Agreement", "this Agreement" and "herein" shall be deemed from and after the Transfer Date to be a dual reference to the Agreement as supplemented by this LPA Assignment. Except as expressly amended hereby, all of the representations, warranties, terms, covenants and conditions of the Agreement shall remain unamended and the Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms and except as expressly provided herein, this LPA Assignment shall not constitute or be deemed to constitute a waiver of compliance with or consent to noncompliance with any term or provision of the Agreement.

[9./10.] Counterparts. This LPA Assignment may be executed in any number of counterparts all of which taken together shall constitute one and the same instrument.

Schedule A

[Loan Schedule]

Exhibit 10.4

AMENDED AND RESTATED SALE AND SERVICING AGREEMENT
among

OPTION ONE OWNER TRUST 2003-5
as Issuer

and

OPTION ONE LOAN WAREHOUSE CORPORATION
as Depositor

and

OPTION ONE MORTGAGE CORPORATION
as Loan Originator and Servicer

and

WELLS FARGO BANK, N.A.
as Indenture Trustee

Dated as of November 12, 2004

OPTION ONE OWNER TRUST 2003-5
MORTGAGE-BACKED NOTES

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AMENDED AND RESTATED SALE AND SERVICING AGREEMENT

This Amended and Restated Sale and Servicing Agreement is entered into effective as of November 12, 2004, among OPTION ONE OWNER TRUST 2003-5, a Delaware statutory trust (the "Issuer" or the "Trust"), OPTION ONE LOAN WAREHOUSE CORPORATION, a Delaware corporation, as Depositor (in such capacity, the "Depositor"), OPTION ONE MORTGAGE CORPORATION, a California corporation ("Option One"), as Loan Originator (in such capacity, the "Loan Originator") and as Servicer (in such capacity, the "Servicer"), and WELLS FARGO BANK, N.A. (formerly known as Wells Fargo Bank Minnesota, National Association), a national banking association, as Indenture Trustee on behalf of the Noteholders (in such capacity, the "Indenture Trustee").

W I T N E S S E T H:

In consideration of the mutual agreements herein contained, the Issuer, the Depositor, the Loan Originator, the Servicer and the Indenture Trustee hereby agree as follows for the benefit of each of them and for the benefit of the holders of the Securities:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the meanings specified in this Article. Unless otherwise specified, all calculations of interest described herein shall be made on the basis of a 360-day year and the actual number of days elapsed in each Accrual Period.

Accepted Servicing Practices: The Servicer's normal servicing practices in servicing and administering similar mortgage loans for its own account, which in general will conform to the mortgage servicing practices of prudent mortgage lending institutions which service for their own account mortgage loans of the same type as the Loans in the jurisdictions in which the related Mortgaged Properties are located and will give due consideration to the Noteholders' reliance on the Servicer.

Accrual Period: With respect to the Notes, the period commencing on and including the preceding Payment Date (or, in the case of the first Payment Date, the period commencing on and including the first Transfer Date (which first Transfer Date is the first date on which the Note Principal Balance is greater than zero)) and ending on the day preceding the related Payment Date.

Act or Securities Act: The Securities Act of 1933, as amended.

Additional Note Principal Balance: With respect to each Transfer Date, the aggregate Sales Prices of all Loans conveyed on such date.

Adjustment Date: With respect to each ARM, the date set forth in the related Promissory Note on which the Loan Interest Rate on such ARM is adjusted in accordance with the terms of the related Promissory Note.

Administration Agreement: The Administration Agreement, dated as of November 1, 2003, between the Issuer and the Administrator.

Administrator: Option One Mortgage Corporation, in its capacity as Administrator under the Administration Agreement.

Advance Account: The account established and maintained pursuant to Section 5.04.

Affiliate: With respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Agreement: This Agreement, as the same may be amended and supplemented from time to time.

ALTA: The American Land Title Association and its successors in interest.

Appraised Value: With respect to any Loan, and the related Mortgaged Property, the lesser of:

(i) the lesser of (a) the value thereof as determined by an appraisal made for the originator of the Loan at the time of origination of the Loan by an appraiser who met the minimum requirements of Fannie Mae or Freddie Mac, and (b) the value thereof as determined by a review appraisal conducted by the Loan Originator in the event any such review appraisal determines an appraised value more than 10% lower than the value thereof, in the case of a Loan with a Loan-to-Value Ratio less than or equal to 80%, or more than 5% lower than the value thereof, in the case of a Loan with a Loan-to-Value Ratio greater than 80%, as determined by the appraisal referred to in clause (i)(a) above; and

(ii) the purchase price paid for the related Mortgaged Property by the Borrower with the proceeds of the Loan; provided, however, that in the case of a refinanced Loan (which is a Loan the proceeds of which were not used to purchase the related Mortgaged Property) or a Loan originated in connection with a "lease option purchase" if the "lease option purchase price" was set 12 months or more prior to origination, such value of the Mortgaged Property is based solely upon clause (i) above.

ARM: Any Loan, the Loan Interest Rate with respect to which is subject to adjustment during the life of such Loan.

Assignment: An LPA Assignment or S&SA Assignment.

Assignment of Mortgage: With respect to any Loan, an assignment of the related Mortgage in blank or to Wells Fargo Bank, N.A. (formerly known as Wells Fargo Bank Minnesota, National Association), as custodian or trustee under the applicable custodial agreement or trust agreement, and notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect the assignment and pledge of such Mortgage.

Basic Documents: This Agreement, the Administration Agreement, the Custodial Agreement, the Indenture, the Loan Purchase and Contribution Agreement, the Master Disposition Confirmation Agreement, the Note Purchase Agreement, the Trust Agreement, each Hedging Instrument and, as and when required to be executed and delivered, the Assignments.

Borrower: The obligor or obligors on a Promissory Note.

Business Day: Any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in New York City, California, Maryland, Minnesota, Pennsylvania, Delaware or in the city in which the corporate trust office of the Indenture Trustee is located or the city in which the Servicer's servicing operations are located are authorized or obligated by law or executive order to be closed.

Certificateholder: A holder of a Trust Certificate.

Change of Control: As defined in the Indenture.

Clean-up Call Date: The first Payment Date occurring after the end of the Revolving Period and the date on which the Note Principal Balance declines to 10% or less of the aggregate Note Principal Balance as of the end of the Revolving Period.

Closing Date: November 14, 2003.

Code: The Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated by the United States Treasury thereunder.

Collateral Percentage: As defined in the Pricing Letter.

Collateral Value: As defined in the Pricing Letter.

Collateral Value Increase Date: Shall have the meaning provided in Section 2.01 (c) hereof.

Collection Account: The account designated as such, established and maintained by the Servicer in accordance with Section 5.01(a)(1) hereof.

Combined LTV or CLTV: With respect to any Second Lien Loan, the ratio of the outstanding Principal Balance on the related date of origination of (a) (i) such Loan plus (ii) the loan constituting the first lien, to (b) the lesser of (x) the Appraised Value of the Mortgaged Property at origination or (y) if the Mortgaged Property was purchased within 12 months of the origination of the Loan, the purchase price of the Mortgaged Property, expressed as a percentage.

Commission: The Securities and Exchange Commission.

Convertible Loan: A Loan that by its terms and subject to certain conditions contained in the related Mortgage or Promissory Note allows the Borrower to convert the adjustable Loan Interest Rate on such Loan to a fixed Loan Interest Rate.

Credit Score: With respect to each Borrower, the credit score for such Borrower from a nationally recognized credit repository; provided, however, in the event that a credit score for such Borrower was obtained from two repositories, the "Credit Score" shall be the lower of the two scores; provided, further, in the event that a credit score for such Borrower was obtained from three repositories, the "Credit Score" shall be the middle score of the three scores.

Custodial Agreement: The custodial agreement dated as of November 1, 2003, among the Issuer, the Servicer, the Indenture Trustee and the Custodian, providing for the retention of the Custodial Loan Files by the Custodian on behalf of the Indenture Trustee.

Custodial Loan File: As defined in the Custodial Agreement.

Custodian: The custodian named in the Custodial Agreement, which custodian shall not be affiliated with the Servicer, the Loan Originator, the Depositor or any Subservicer. Wells Fargo Bank Minnesota, National Association, a national banking association, shall be the initial Custodian pursuant to the terms of the Custodial Agreement.

Custodian Fee: For any Payment Date, the fee payable to the Custodian on such Payment Date as set forth in the Custodian Fee Notice for such Payment Date, which fee shall be calculated in accordance with the separate fee letter between the Custodian and the Servicer.

Custodian Fee Notice: For any Payment Date, the written notice provided by the Custodian to the Servicer and the Indenture Trustee pursuant to Section 6.01, which notice shall specify the amount of the Custodian Fee payable on such Payment Date.

Daily Interest Accrual Amount: With respect to each day and the related Accrual Period, interest accrued at the Note Interest Rate with respect to such Accrual Period on the Note Principal Balance as of the preceding Business Day after giving effect to all changes to the Note Principal Balance on or prior to such preceding Business Day.

Deemed Cured: With respect to the occurrence of a Rapid Amortization Trigger, when the condition that originally gave rise to the occurrence of such trigger has not continued for 20 consecutive days, or if the occurrence of such Rapid Amortization Trigger has been waived in writing by the Majority Noteholder.

Default: Any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

Defaulted Loan: With respect to any Determination Date, any Loan, including, without limitation, any Liquidated Loan with respect to which any of the following has occurred as of the end of the related Remittance Period: (a) foreclosure or similar proceedings have been commenced; or (b) the Servicer or any Subservicer has determined in good faith and in

accordance with the servicing standard set forth in Section 4.01 of the Servicing Addendum that such Loan is in default or imminent default.

Default LIBOR Margin: As defined in the Pricing Letter.

Deleted Loan: A Loan replaced or to be replaced by one or more Qualified Substitute Loans.

Delinquent: A Loan is "Delinquent" if any Monthly Payment due thereon is not made by the close of business on the day such Monthly Payment is required to be paid. A Loan is "30 days Delinquent" if any Monthly Payment due thereon has not been received by the close of business on the corresponding day of the month immediately succeeding the month in which such Monthly Payment was required to be paid or, if there is no such corresponding day (e.g., as when a 30-day month follows a 31-day month in which a payment was required to be paid on the 31st day of such month), then on the last day of such immediately succeeding month. The determination of whether a Loan is "60 days Delinquent," "90 days Delinquent", etc., shall be made in like manner.

Delivery: When used with respect to Trust Account Property means:

(a) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "instruments" within the meaning of Section 9-102(a)(47) of the UCC and are susceptible of physical delivery (except with respect to Trust Account Property consisting of certificated securities (as defined in Section 8-102(a)(4) of the UCC)), physical delivery to the Indenture Trustee or its custodian (or the related Securities Intermediary) endorsed to the Indenture Trustee or its custodian (or the related Securities Intermediary) or endorsed in blank (and if delivered and endorsed to the Securities Intermediary, by continuous credit thereof by book-entry to the related Trust Account);

(b) with respect to a certificated security (i) delivery of such certificated security endorsed to, or registered in the name of, the Indenture Trustee or endorsed in blank to its custodian or the related Securities Intermediary and the making by such Securities Intermediary of appropriate entries in its records identifying such certificated securities as credited to the related Trust Account, or (ii) by delivery thereof to a "clearing corporation" (as defined in Section 8-102(a)(5) of the UCC) and the making by such clearing corporation of appropriate entries in its records crediting the securities account of the related Securities Intermediary by the amount of such certificated security and the making by such Securities Intermediary of appropriate entries in its records identifying such certificated securities as credited to the related Trust Account (all of the Trust Account Property described in Subsections (a) and (b), "Physical Property");

and, in any event, any such Physical Property in registered form shall be in the name of the Indenture Trustee or its nominee or custodian (or the related Securities Intermediary); and such additional or alternative procedures as may hereafter become appropriate to effect the complete transfer of ownership of any such Trust Account Property to the Indenture Trustee or its nominee or custodian, consistent with changes in applicable law or regulations or the interpretation thereof;

(c) with respect to any security issued by the U.S. Treasury, Fannie Mae or Freddie Mac that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations, the following procedures, all in accordance with applicable law, including applicable federal regulations and Articles 8 and 9 of the UCC: the making by a Federal Reserve Bank of an appropriate entry crediting such Trust Account Property to an account of the related Securities Intermediary or the securities intermediary that is (x) also a "participant" pursuant to applicable federal regulations and (y) is acting as securities intermediary on behalf of the Securities Intermediary with respect to such Trust Account Property; the making by such Securities Intermediary or securities intermediary of appropriate entries in its records crediting such book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations and Articles 8 and 9 of the UCC to the related Trust Account; and such additional or alternative procedures as may hereafter become appropriate to effect complete transfer of ownership of any such Trust Account Property to the Indenture Trustee or its nominee or custodian, consistent with changes in applicable law or regulations or the interpretation thereof; and

(d) with respect to any item of Trust Account Property that is an uncertificated security (as defined in Section 8-102(a)(18) of the UCC) and that is not governed by clause (c) above, registration in the records of the issuer thereof in the name of the related Securities Intermediary, and the making by such Securities Intermediary of appropriate entries in its records crediting such uncertificated security to the related Trust Account.

Designated Depository Institution: With respect to an Eligible Account, an institution whose deposits are insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the FDIC, the long-term deposits of which shall be rated A or better by S&P or A2 or better by Moody's and the short-term deposits of which shall be rated P-1 or better by Moody's and A-1 or better by S&P, unless otherwise approved in writing by the Initial Noteholder and which is any of the following: (A) a federal savings and loan association duly organized, validly existing and in good standing under the federal banking laws, (B) an institution duly organized, validly existing and in good standing under the applicable banking laws of any state, (C) a national banking association duly organized, validly existing and in good standing under the federal banking laws, (D) a principal subsidiary of a bank holding company or (E) approved in writing by the Initial Noteholder and, in each case acting or designated by the Servicer as the depository institution for the Eligible Account; provided, however, that any such institution or association shall have combined capital, surplus and undivided profits of at least $50,000,000.

Depositor: Option One Loan Warehouse Corporation, a Delaware corporation, and any successors thereto.

Determination Date: With respect to any Payment Date occurring on the 10th day of a month, the last calendar day of the month immediately preceding the month of such Payment Date, and with respect to any other Payment Date, as mutually agreed by the Servicer and the Noteholders.

Disposition: A Securitization, Whole Loan Sale transaction, or other disposition of Loans.

Disposition Agent: Citigroup Global Markets Inc. and its successors and assigns acting at the direction, and as agent, of the Majority Noteholders.

Disposition Participant: As applicable, with respect to a Disposition, any "depositor" with respect to such Disposition, the Disposition Agent, the Majority Noteholders, the Issuer, the Servicer, the related trustee and the related custodian, any nationally recognized credit rating agency, the related underwriters, the related placement agent, the related credit enhancer, the related whole-loan purchaser, the related purchaser of securities and/or any other party necessary or, in the good faith belief of any of the foregoing, desirable to effect a Disposition.

Disposition Proceeds: With respect to a Disposition, (x) the proceeds of the Disposition remitted to the Trust in respect of the Loans transferred on the date of and with respect to such Disposition, including without limitation, any cash and Retained Securities created in any related Securitization less all costs, fees and expenses incurred in connection with such Disposition, including, without limitation, all amounts deposited into any reserve accounts upon the closing thereof plus or minus (y) the net positive or net negative value of all Hedging Instruments terminated in connection with such Disposition minus (z) all other amounts agreed upon in writing by the Initial Noteholder, the Trust and the Servicer.

Distribution Account: The account established and maintained pursuant to Section 5.01(a)(2) hereof.

Due Date: The day of the month on which the Monthly Payment is due from the Borrower with respect to a Loan.

Due Diligence Fees: Shall have the meaning provided in Section 11.15 hereof.

Eligible Account: At any time, a deposit account or a securities account which is: (i) maintained with a Designated Depository Institution; (ii) fully insured by either the Bank Insurance Fund or the Savings Association Insurance Fund of the FDIC; (iii) a trust account (which shall be a "segregated trust account") maintained with the corporate trust department of a federal or state chartered depository institution or trust company with trust powers and acting in its fiduciary capacity for the benefit of the Indenture Trustee and the Issuer, which depository institution or trust company shall have capital and surplus of not less than $50,000,000; or (iv) with the prior written consent of the Majority Noteholders, any other deposit account or a securities account.

Eligible Servicer: (x) Option One or (y) any other Person that (a) (i) has been designated as an approved seller-servicer by Fannie Mae or Freddie Mac for first and second mortgage loans and (ii) has equity of not less than $15,000,000, as determined in accordance with GAAP or (b) any other Person to which the Majority Noteholders may consent in writing.

Escrow Payments: With respect to any Loan, the amounts constituting ground rents, taxes, assessments, water rates, sewer rents, municipal charges, fire, hazard, liability and other insurance premiums, condominium charges, and any other payments required to be escrowed by the related Borrower with the lender or servicer pursuant to the Mortgage or any other document.

Event of Default: Either a Servicer Event of Default or an Event of Default under the Indenture.

Exceptions Report: The meaning set forth in the Custodial Agreement.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Fannie Mae: The Federal National Mortgage Association and any successor thereto.

FDIC: The Federal Deposit Insurance Corporation and any successor thereto.

Fidelity Bond: As described in Section 4.10 of the Servicing Addendum.

Final Put Date: The Put Date following the end of the Revolving Period on which the Majority Noteholders exercise the Put Option with respect to the entire outstanding Note Principal Balance.

Final Recovery Determination: With respect to any defaulted Loan or any Foreclosure Property, a determination made by the Servicer that all Mortgage Insurance Proceeds, Liquidation Proceeds and other payments or recoveries which the Servicer, in its reasonable good faith judgment, expects to be finally recoverable in respect thereof have been so recovered. The Servicer shall maintain records, prepared by a servicing officer of the Servicer, of each Final Recovery Determination.

First Lien Loan: A Loan secured by the lien on the related Mortgaged Property, subject to no prior liens on such Mortgaged Property.

Foreclosed Loan: As of any Determination Date, any Loan that as of the end of the preceding Remittance Period has been discharged as a result of (i) the completion of foreclosure or comparable proceedings by the Servicer on behalf of the Issuer; (ii) the acceptance of the deed or other evidence of title to the related Mortgaged Property in lieu of foreclosure or other comparable proceeding; or (iii) the acquisition of title to the related Mortgaged Property by operation of law.

Foreclosure Property: Any real property securing a Foreclosed Loan that has been acquired by the Servicer on behalf of the Issuer through foreclosure, deed in lieu of foreclosure or similar proceedings in respect of the related Loan.

Freddie Mac: The Federal Home Loan Mortgage Corporation and any successor thereto.

GAAP: Generally Accepted Accounting Principles as in effect in the United States.

Gross Margin: With respect to each ARM, the fixed percentage amount set forth in the related Promissory Note.

Hedge Funding Requirement: With respect to any day, all amounts required to be paid or delivered by the Issuer under any Hedging Instrument, whether in respect of payments thereunder or in order to meet margin, collateral or other requirements thereof. Such amounts

shall be calculated by the Market Value Agent and the Indenture Trustee shall be notified of such amount by the Market Value Agent.

Hedge Value: With respect to any Business Day and a specific Hedging Instrument, the positive amount, if any, that is equal to the amount that would be paid to the Issuer in consideration of an agreement between the Issuer and an unaffiliated third party, that would have the effect of preserving for the Issuer the net economic equivalent, as of such Business Day, of all payment and delivery requirements payable to and by the Issuer under such Hedging Instrument until the termination thereof, as determined by the Market Value Agent in accordance with Section 6.03 hereof.

Hedging Counterparty: A Person (i) (A) the long-term and commercial paper or short-term deposit ratings of which are acceptable to the Majority Noteholders and (B) which shall agree in writing that, in the event that any of its long-term or commercial paper or short-term deposit ratings cease to be at or above the levels deemed acceptable by the Majority Noteholders, it shall secure its obligations in accordance with the request of the Majority Noteholders, (ii) that has entered into a Hedging Instrument and (iii) that is acceptable to the Majority Noteholders.

Hedging Instrument: Any interest rate cap agreement, interest rate floor agreement, interest rate swap agreement or other interest rate hedging agreement entered into by the Issuer with a Hedging Counterparty, and which requires the Hedging Counterparty to deposit all amounts payable thereby directly to the Collection Account. Each Hedging Instrument shall meet the requirements set forth in Article VII hereof with respect thereto.

Indenture: The Indenture dated as of November 1, 2003, between the Issuer and the Indenture Trustee and any amendments thereto.

Indenture Trustee: Wells Fargo Bank, N.A. (formerly known as Wells Fargo Bank Minnesota, National Association), a national banking association, as Indenture Trustee under the Indenture, or any successor indenture trustee under the Indenture.

Indenture Trustee Fee: An annual fee of $5,000 payable by the Servicer in accordance with a separate fee agreement between the Indenture Trustee and the Servicer and Section 5.01 hereof.

Independent: When used with respect to any specified Person, such Person (i) is in fact independent of the Loan Originator, the Servicer, the Depositor or any of their respective Affiliates, (ii) does not have any direct financial interest in, or any material indirect financial interest in, the Loan Originator, the Servicer, the Depositor or any of their respective Affiliates and (iii) is not connected with the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions; provided, however, that a Person shall not fail to be Independent of the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates merely because such Person is the beneficial owner of 1% or less of any class of securities issued by the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, as the case may be.

Independent Accountants: A firm of nationally recognized certified public accountants which is independent according to the provisions of SEC Regulation S-X, Article 2.

Index: With respect to each ARM, the index set forth in the related Promissory Note for the purpose of calculating the Loan Interest Rate thereon.

Initial Noteholder: Citigroup Global Markets Realty Corp. or an Affiliate thereof identified in writing by Citigroup Global Markets Realty Corp. to the Indenture Trustee and the other parties hereto.

Interest Carry-Forward Amount: With respect to any Payment Date, the excess, if any, of (A) the Interest Payment Amount for such Payment Date plus the Interest Carry-Forward Amount for the prior Payment Date over (B) the amount in respect of interest that is actually paid from the Distribution Account on such Payment Date in respect of the interest for such Payment Date.

Interest Payment Amount: With respect to any Payment Date, the sum of the Daily Interest Accrual Amounts for all days in the related Accrual Period.

LIBOR Business Day: Any day on which banks in the City of London are open and conducting transactions in United States dollars.

LIBOR Determination Date: With respect to each Accrual Period, the second LIBOR Business Day preceding the commencement of such Accrual Period.

LIBOR Margin: As defined in the Pricing Letter.

Lien: With respect to any asset, (a) any mortgage, lien, pledge, charge, security interest, hypothecation, option or encumbrance of any kind in respect of such asset or (b) the interest of a vendor or lessor under any conditional sale agreement, financing lease or other title retention agreement relating to such asset.

Lifetime Cap: The provision in the Promissory Note for each ARM which limits the maximum Loan Interest Rate over the life of such ARM.

Lifetime Floor: The provision in the Promissory Note for each ARM which limits the minimum Loan Interest Rate over the life of such ARM.

Liquidated Loan: As defined in Section 4.03(c) of the Servicing Addendum.

Liquidated Loan Losses: With respect to any Determination Date, the difference between (i) the aggregate Principal Balances as of such date of all Loans that became Liquidated Loans and (ii) all Liquidation Proceeds allocable to principal received on or prior to such date.

Liquidation Proceeds: With respect to a Liquidated Loan, any cash amounts received in connection with the liquidation of such Liquidated Loan, whether through trustee’s sale, foreclosure sale or other disposition, any cash amounts received in connection with the management of the Mortgaged Property from Defaulted Loans, any proceeds from Primary Insurance Policies and any other amounts required to be deposited in the Collection Account

pursuant to Section 5.01(b)(1) hereof, in each case other than Mortgage Insurance Proceeds and Released Mortgaged Property Proceeds. Liquidation Proceeds shall also include any awards or settlements in respect of the related Mortgage Property, whether permanent or temporary, partial or entire, by exercise of the power of eminent domain or condemnation.

Loan: Any loan sold to the Trust hereunder and pledged to the Indenture Trustee, which loan includes, without limitation, (i) a Promissory Note or Lost Note Affidavit and related Mortgage and (ii) all right, title and interest of the Loan Originator in and to the Mortgaged Property covered by such Mortgage. The term Loan shall be deemed to include the related Promissory Note or Lost Note Affidavit, related Mortgage and related Foreclosure Property, if any.

Loan Documents: With respect to a Loan, the documents comprising the Custodial Loan File for such Loan.

Loan File: With respect to each Loan, the Custodial Loan File and the Servicer's Loan File.

Loan Interest Rate: With respect to each Loan, the annual rate of interest borne by the related Promissory Note, as shown on the Loan Schedule, and, in the case of an ARM, as the same may be periodically adjusted in accordance with the terms of such Loan.

Loan Originator: Option One and its permitted successors and assigns.

Loan Pool: As of any date of determination, the pool of all Loans conveyed to the Issuer pursuant to this Agreement on all Transfer Dates up to and including such date of determination, which Loans have not been released from the Lien of the Indenture pursuant to the terms of the Basic Documents, together with the rights and obligations of a holder thereof, and the payments thereon and proceeds therefrom received on and after the applicable Transfer Cut-off Date, as identified from time to time on the Loan Schedule.

Loan Purchase and Contribution Agreement: The Second Amended and Restated Loan Purchase and Contribution Agreement, between Option One, as seller and the Depositor, as purchaser, dated as of November 14, 2003, and all supplements and amendments thereto.

Loan Schedule: The schedule of Loans conveyed to the Issuer on the Closing Date and on each Transfer Date and delivered to the Initial Noteholder and the Custodian in the form of a computer-readable transmission specifying the information set forth on Exhibit D hereto and, with respect to Wet Funded Loans, Exhibit C to the Custodial Agreement.

Loan-to-Value Ratio or LTV: With respect to any First Lien Loan, the ratio of the original outstanding principal amount of such Loan to the Appraised Value of the Mortgaged Property at origination.

Lost Note Affidavit: With respect to any Loan as to which the original Promissory Note has been permanently lost or destroyed and has not been replaced, an affidavit from the Loan Originator certifying that the original Promissory Note has been lost, misplaced or destroyed (together with a copy of the related Promissory Note and indemnifying the Issuer against any

loss, cost or liability resulting from the failure to deliver the original Promissory Note) in the form of Exhibit L attached to the Custodial Agreement.

LPA Assignment: The Assignment of Loans from Option One to the Depositor under the Loan Purchase and Contribution Agreement.

Majority Certificateholders: Has the meaning set forth in the Trust Agreement.

Majority Noteholders: The holder or holders of in excess of 50% of the Note Principal Balance. In the event of the release of the Lien of the Indenture in accordance with the terms thereof, the Majority Noteholders shall mean the Majority Certificateholders.

Market Value: The market value of a Loan as of any Business Day as determined by the Market Value Agent in accordance with Section 6.03 hereof.

Market Value Agent: Citigroup Global Markets Realty Corp. or an Affiliate thereof designated by Citigroup Global Markets Realty Corp. in writing to the parties hereto and, in either case, its successors in interest.

Master Disposition Confirmation Agreement: The Third Amended and Restated Master Disposition Confirmation Agreement, dated as of November 14, 2003, by and among Option One, the Depositor, Option One Owner Trust 2001-1A, Option One Owner Trust 2001-1 B, Option One Owner Trust 2001-2, Option One Owner Trust 2002-3, Option One Owner Trust 2003-4, Option One Owner Trust 2003-5, Wells Fargo Bank Minnesota, National Association, Bank of America, N.A., Greenwich Capital Financial Products, Inc. and Steamboat Funding Corporation, UBS Warburg Real Estate Securities Inc., Bank One, NA (Main Office Chicago) and Citigroup Global Markets Realty Corp.

Maturity Date: With respect to the Notes, as set forth in the Indenture or such later date as may be agreed in writing by the Majority Noteholders.

Maximum Note Principal Balance: As defined in Section 1.01 of the Note Purchase Agreement.

Monthly Advance: The aggregate of the advances made by the Servicer on any Remittance Date pursuant to Section 4.14 of the Servicing Addendum.

Monthly Payment: The scheduled monthly payment of principal and/or interest required to be made by a Borrower on the related Loan, as set forth in the related Promissory Note.

Monthly Remittance Amount: With respect to each Remittance Date, the sum, without duplication, of (i) the aggregate payments on the Loans collected by the Servicer pursuant to Section 5.01(b)(1)(i) during the immediately preceding Remittance Period and (ii) the aggregate of amounts deposited into the Collection Account pursuant to Section 5.01(b)(1)(ii) through 5.01(b)(1)(xi) during the immediately preceding Remittance Period.

Moody’s: Moody’s Investors Service, Inc., or any successor thereto.

Mortgage: With respect to any Loan, the mortgage, deed of trust or other instrument securing the related Promissory Note, which creates a first or second lien on the fee in real property and/or a first or second lien on the leasehold estate in real property securing the Promissory Note and the assignment of rents and leases related thereto.

Mortgage Insurance Policies: With respect to any Mortgaged Property or Loan, the insurance policies required pursuant to Section 4.08 of the Servicing Addendum.

Mortgage Insurance Proceeds: With respect to any Mortgaged Property, all amounts collected in respect of Mortgage Insurance Policies and not required either pursuant to applicable law or the related Loan Documents to be applied to the restoration of the related Mortgaged Property or paid to the related Borrower.

Mortgaged Property: With respect to a Loan, the related Borrower's fee and/or leasehold interest in the real property (and/or all improvements, buildings, fixtures, building equipment and personal property thereon (to the extent applicable) and all additions, alterations and replacements made at any time with respect to the foregoing) and all other collateral securing repayment of the debt evidenced by the related Promissory Note.

Net Liquidation Proceeds: With respect to any Payment Date, Liquidation Proceeds received during the prior Remittance Period, net of any reimbursements to the Servicer made from such amounts for any unreimbursed Servicing Compensation and Servicing Advances (including Nonrecoverable Servicing Advances) made and any other fees and expenses paid in connection with the foreclosure, inspection, conservation and liquidation of the related Liquidated Loans or Foreclosure Properties pursuant to Section 4.03 of the Servicing Addendum.

Net Loan Losses: With respect to any Defaulted Loan that is subject to a modification pursuant to Section 4.01 of the Servicing Addendum, an amount equal to the portion of the Principal Balance, if any, released in connection with such modification.

Net Worth: With respect to any Person, the excess of total assets of such Person, over total liabilities of such Person, determined in accordance with GAAP.

Non-performing Loan: Any Loan which is greater than 90 days Delinquent.

Nonrecoverable Monthly Advance: Any Monthly Advance previously made or proposed to be made with respect to a Loan or Foreclosure Property that, in the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Initial Noteholder, will not, or, in the case of a proposed Monthly Advance, would not be, ultimately recoverable from the related late payments, Mortgage Insurance Proceeds, Liquidation Proceeds or condemnation proceeds on such Loan or Foreclosure Property as provided herein.

Nonrecoverable Servicing Advance: With respect to any Loan or any Foreclosure Property, (a) any Servicing Advance previously made and not reimbursed from late collections, condemnation proceeds, Liquidation Proceeds, Mortgage Insurance Proceeds or the Released Mortgaged Property Proceeds on the related Loan or Foreclosure Property or (b) a Servicing Advance proposed to be made in respect of a Loan or Foreclosure Property either of which, in

the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Initial Noteholder, would not be ultimately recoverable.

Nonutilization Fee: With respect to any Payment Date occurring on a date specified in clause (i) of the definition thereof, a fee payable by the Issuer to the Initial Noteholder in an amount equal to (a) the product of (i) 0.125% and (ii) the average amount of the excess (if any) on each day during the related Remittance Period of $1,000,000,000 over the Note Principal Balance for such day and (iii) the number of days during the related Remittance Period divided by (b) 360; provided, however, that (1) for purposes of clauses (a)(ii) and (a)(iii) above there shall be disregarded any days occurring prior to the first Transfer Date and any days occurring on or after the expiration or termination of the Revolving Period and (2) should the amount calculated pursuant to clause (a)(ii) above not exceed $750,000,000, then the amount of the Nonutilization Fee with respect to the Payment Date shall be zero.

Note: The meaning assigned thereto in the Indenture.

Noteholder: The meaning assigned thereto in the Indenture.

Note Interest Rate: With respect to each Accrual Period, a per annum interest rate equal to One-Month LIBOR for the related LIBOR Determination Date plus the LIBOR Margin and, if applicable, the Default LIBOR Margin for such Accrual Period.

Note Principal Balance: With respect to the Notes, as of any date of determination (a) the sum of the Additional Note Principal Balances purchased on or prior to such date pursuant to the Note Purchase Agreement less (b) all amounts previously distributed in respect of principal of the Notes on or prior to such day.

Note Purchase Agreement: The Note Purchase Agreement among the Initial Noteholder, the Issuer and the Depositor, dated as of November 14, 2003 and any amendments thereto.

Note Redemption Amount: As of any Determination Date, an amount without duplication equal to the sum of (i) the then outstanding Note Principal Balance of the Notes, plus the Interest Payment Amount for the related Payment Date, (ii) any Trust Fees and Expenses due and unpaid on the related Payment Date, (iii) any Servicing Advance Reimbursement Amount as of such Determination Date and (iv) all amounts due to Hedging Counterparties in respect of the termination of all related Hedging Instruments.

Officer's Certificate: A certificate signed by a Responsible Officer of the Depositor, the Loan Originator, the Servicer or the Issuer, in each case, as required by this Agreement.

One-Month LIBOR: With respect to each Accrual Period, the rate determined by the Initial Noteholder on the related LIBOR Determination Date on the basis of the offered rate for one-month U.S. dollar deposits, as such rate appears on Telerate Page 3750 as of 11:00 a.m. (London time) on such LIBOR Determination Date; provided that if such rate does not appear on Telerate Page 3750, the rate for such date will be determined on the basis of the offered rates of the Reference Banks for one-month U.S. dollar deposits, as of 11:00 a.m. (London time) on such LIBOR Determination Date. In such event, the Initial Noteholder will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If on such

LIBOR Determination Date, two or more Reference Banks provide such offered quotations, One-Month LIBOR for the related Accrual Period shall be the arithmetic mean of all such offered quotations (rounded to the nearest whole multiple of 1/16%). If on such LIBOR Determination Date, fewer than two Reference Banks provide such offered quotations, One-Month LIBOR for the Accrual Period shall be the higher of (i) LIBOR as determined on the previous LIBOR Determination Date and (ii) the Reserve Interest Rate. Notwithstanding the foregoing, if, under the priorities described above, One-Month LIBOR for a LIBOR Determination Date would be based on One-Month LIBOR for the previous LIBOR Determination Date for the third consecutive LIBOR Determination Date, the Initial Noteholder shall select an alternative comparable index (over which the Initial Noteholder has no control), used for determining one-month Eurodollar lending rates that is calculated and published (or otherwise made available) by an independent party.

Opinion of Counsel: A written opinion of counsel who may be employed by the Servicer, the Depositor, the Loan Originator or any of their respective Affiliates.

Option One: Option One Mortgage Corporation, a California corporation.

Overcollateralization Shortfall: With respect to any Business Day, an amount equal to the positive difference, if any, between (a) the Note Principal Balance on such Business Day and (b) the aggregate Collateral Value of all Loans in the Loan Pool as of such Business Day; provided, however, that on (A) the termination of the Revolving Period, (B) the occurrence of a Rapid Amortization Trigger, (C) the Payment Date on which the Trust is to be terminated pursuant to Section 10.02 hereof, or (D) the Final Put Date, the Overcollateralization Shortfall shall be equal to the Note Principal Balance. Notwithstanding anything to the contrary herein, in no event shall the Overcollateralization Shortfall, with respect to any Business Day, exceed the Note Principal Balance as of such date. If as of such Business Day, no Rapid Amortization Trigger or Default under this Agreement or the Indenture shall be in effect, the Overcollateralization Shortfall shall be reduced (but in no event to an amount below zero) by all or any portion of the aggregate Hedge Value as of such Payment Date as the Majority Noteholders may, in their sole discretion, designate in writing.

Owner Trustee: means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as Owner Trustee under this Agreement, and any successor owner trustee under the Trust Agreement.

Owner Trustee Fee: The annual fee of $4,000 payable in equal monthly installments to the Servicer pursuant to Section 5.01(c)(3)(i) which shall in turn pay such amount annually to the Owner Trustee on the anniversary of the Closing Date occurring each year during the term of this Agreement.

Paying Agent: The meaning assigned thereto in the Indenture.

Payment Date: Each of, (i) the 10th day of each calendar month commencing on the first such 10th day to occur after the first Transfer Date, or if any such day is not a Business Day, the first Business Day immediately following such day, (ii) any day a Loan is sold pursuant to the terms hereof, (iii) a Put Date as specified by the Majority Noteholder pursuant to Section 10.05 of the Indenture and (iv) an additional Payment Date pursuant to Section 5.01(c)(4)(i) and

5.01(c)(4)(iii). From time to time, the Majority Noteholders and the Issuer may agree, upon written notice to the Owner Trustee and the Indenture Trustee, to additional Payment Dates in accordance with Section 5.01(c)(4)(ii).

Payment Statement: As defined in Section 6.01(b) hereof.

Percentage Interest: As defined in the Trust Agreement.

Periodic Cap: With respect to each ARM Loan and any Rate Change Date therefor, the annual percentage set forth in the related Promissory Note, which is the maximum annual percentage by which the Loan Interest Rate for such Loan may increase or decrease (subject to the Lifetime Cap or the Lifetime Floor) on such Rate Change Date from the Loan Interest Rate in effect immediately prior to such Rate Change Date.

Permitted Investments: Each of the following:

(a) Direct general obligations of the United States or the obligations of any agency or instrumentality of the United States fully and unconditionally guaranteed, the timely payment or the guarantee of which constitutes a full faith and credit obligation of the United States.

(b) Federal Housing Administration debentures rated Aa2 or higher by Moody's and AA or better by S&P.

(c) Freddie Mac senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(d) Federal Home Loan Banks' consolidated senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(e) Fannie Mae senior debt obligations rated Aa2 or higher by Moody's.

(f) Federal funds, certificates or deposit, time and demand deposits, and bankers' acceptances (having original maturities of not more than 365 days) of any domestic bank, the short-term debt obligations of which have been rated A-1 or better by S&P and P-1 or better by Moody's.

(g) Investment agreements approved by the Initial Noteholder provided:

(1) The agreement is with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated Aa2 or better by Moody's and AA or better by S&P, and

(2) Monies invested thereunder may be withdrawn without any penalty, premium or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

(3) The agreement is not subordinated to any other obligations of such insurance company or bank, and

(4) The same guaranteed interest rate will be paid on any future deposits made pursuant to such agreement, and

(5) The Indenture Trustee and the Initial Noteholder receive an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

(h) Commercial paper (having original maturities of not more than 365 days) rated A-1 or better by S&P and P-1 or better by Moody's.

(i) Investments in money market funds rated AAAM or AAAM-G by S&P and Aaa or P-1 by Moody's.

(j) Investments approved in writing by the Initial Noteholder;

provided that no instrument described above is permitted to evidence either the right to receive (a) only interest with respect to obligations underlying such instrument or (b) both principal and interest payments derived from obligations underlying such instrument and the interest and principal payments with respect to such instrument provided a yield to maturity at par greater than 120% of the yield to maturity at par of the underlying obligations; and provided, further, that no instrument described above may be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to stated maturity; and provided, further, that, with respect to any instrument described above, such instrument qualifies as a "permitted investment" within the meaning of Section 860G(a)(5) of the Code and the regulations thereunder.

Person: Any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, national banking association, unincorporated organization or government or any agency or political subdivision thereof.

Physical Property: As defined in clause (b) of the definition of "Delivery" above.

Points and Fees Loan: Any Loan identified on the related Loan Schedule as having points and fees of less than 4.85%.

Pool Principal Balance: With respect to any Determination Date, the aggregate Principal Balances of the Loans as of such Determination Date.

Premium Advance Loan: As defined in the Pricing Letter.

Prepaid Installment: With respect to any Loan, any installment of principal thereof and interest thereon received prior to the scheduled Due Date for such installment, intended by the Borrower as an early payment thereof and not as a Prepayment with respect to such Loan.

Prepayment: Any payment of principal of a Loan which is received by the Servicer in advance of the scheduled due date for the payment of such principal (other than the principal portion of any Prepaid Installment), and the proceeds of any Mortgage Insurance Policy which are to be applied as a payment of principal on the related Loan shall be deemed to be Prepayments for all purposes of this Agreement.

Preservation Expenses: Expenditures made by the Servicer in connection with a foreclosed Loan prior to the liquidation thereof, including, without limitation, expenditures for real estate property taxes, hazard insurance premiums, property restoration or preservation.

Pricing Letter: The pricing letter among the Issuer, the Depositor, Option One and the Indenture Trustee, dated the date hereof and any amendments thereto.

Primary Insurance Policy: A policy of primary mortgage guaranty insurance issued by a Qualified Insurer pursuant to Section 4.06 of the Servicing Addendum.

Principal Balance: With respect to any Loan or related Foreclosure Property, (i) at the Transfer Cut-off Date, the Transfer Cut-off Date Principal Balance and (ii) with respect to any other date of determination, the outstanding unpaid principal balance of the Loan as of the end of the preceding Remittance Period (after giving effect to all payments received thereon and the allocation of any Net Loan Losses with respect thereto for a Defaulted Loan prior to the end of such Remittance Period); provided, however, that any Liquidated Loan shall be deemed to have a Principal Balance of zero.

Proceeding: Means any suit in equity, action at law or other judicial or administrative proceeding.

Promissory Note: With respect to a Loan, the original executed promissory note or other evidence of the indebtedness of the related Borrower or Borrowers.

Put/Call Loan: Any (i) Loan that has become 30 or more days (but less than 60 days) Delinquent, (ii) Loan that has become 60 or more days (but less than 90 days) Delinquent, (iii) Loan that has become 90 or more days Delinquent, (iv) Loan that is a Defaulted Loan, (v) Loan that has been in default for a period of 30 days or more (other than a Loan referred to in clause (i), (ii), (iii) or (iv) hereof), (vi) Loan that does not meet criteria established by independent rating agencies or surety agency conditions for Dispositions which criteria have been established at the related Transfer Date and may be modified only to match changed criteria of independent rating agencies or surety agents, or (vii) Loan that is inconsistent with the intended tax status of a Securitization.

Put Date: Any date on which all or a portion of the Notes are to be purchased by the Issuer as a result of the exercise of the Put Option.

Put Option: The right of the Majority Noteholders to require the Issuer to repurchase all or a portion of the Notes in accordance with Section 10.04 of the Indenture.

QSPE Affiliate: Option One Owner Trust 2001-1A, Option One Owner Trust 2001-1 B, Option One Owner Trust 2001-2, Option One Owner Trust 2002-3, Option One Owner Trust 2003-4 or any other Affiliate which is a “qualified special purpose entity” in accordance with Financial Accounting Standards Board’s Statement No. 140 or 125.

Qualified Insurer: An insurance company duly qualified as such under the laws of the states in which the Mortgaged Property is located, duly authorized and licensed in such states to

transact the applicable insurance business and to write the insurance provided and that meets the requirements of Fannie Mae and Freddie Mac.

Qualified Substitute Loan: A Loan or Loans substituted for a Deleted Loan pursuant to Section 3.06 hereof, which (i) has or have been approved in writing by the Majority Noteholders and (ii) complies or comply as of the date of substitution with each representation and warranty set forth in Exhibit E and is or are not 30 or more days Delinquent as of the date of substitution for such Deleted Loan or Loans.

Rapid Amortization Trigger: Shall exist, as of any Determination Date, if the aggregate Principal Balance of all Loans that are Delinquent greater than 59 days (including Defaulted Loans and Foreclosed Loans) as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 3%; provided, however, that a Rapid Amortization Trigger shall not occur if such percentage is reduced to less than 3% within 5 Business Days of such Determination Date as a result of the exercise of a Servicer Call. A Rapid Amortization Trigger shall continue to exist until it is Deemed Cured.

Rate Change Date: The date on which the Loan Interest Rate of each ARM is subject to adjustment in accordance with the related Promissory Note.

Rating Agencies: S&P and Moody's or such other nationally recognized credit rating agencies as may from time to time be designated in writing by the Majority Noteholders in their sole discretion.

Record Date: With respect to each Payment Date, the close of business of the immediately preceding Business Day.

Reference Banks: Bankers Trust Company, Barclay's Bank PLC, The Tokyo Mitsubishi Bank and National Westminster Bank PLC and their successors in interest; provided, however, that if the Initial Noteholder determines that any of the foregoing banks are not suitable to serve as a Reference Bank, then any leading banks selected by the Initial Noteholder with the approval of the Issuer, which approval shall not be unreasonably withheld, which are engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London and (ii) which have been designated as such by the Initial Noteholder with the approval of the Issuer, which approval shall not be unreasonably withheld.

Refinanced Loan: A Loan the proceeds of which were not used to purchase the related Mortgaged Property.

Released Mortgaged Property Proceeds: With respect to any Loan, proceeds received by the Servicer in connection with (i) a taking of an entire Mortgaged Property by exercise of the power of eminent domain or condemnation or (ii) any release of part of the Mortgaged Property from the lien of the related Mortgage, whether by partial condemnation, sale or otherwise; which proceeds in either case are not released to the Borrower in accordance with applicable law and/or Accepted Servicing Practices.

Remittance Date: The Business Day immediately preceding each Payment Date.

Remittance Period: With respect to any Payment Date, the period commencing immediately following the Determination Date for the preceding Payment Date (or, in the case of the initial Payment Date, commencing immediately following the initial Transfer Cut-off Date) and ending on and including the related Determination Date.

Repurchase Price: With respect to a Loan the sum of (i), the Principal Balance thereof as of the date of purchase or repurchase, plus (ii) all accrued and unpaid interest on such Loan to the date of purchase or repurchase computed at the applicable Loan Interest Rate, plus (iii) the amount of any unreimbursed Servicing Advances made by the Servicer with respect to such Loan (after deducting therefrom any amounts received in respect of such purchased or repurchased Loan and being held in the Collection Account for future distribution to the extent such amounts represent recoveries of principal not yet applied to reduce the related Principal Balance or interest (net of the Servicing Fee) for the period from and after the date of repurchase). The Repurchase Price shall be (i) increased by the net negative value or (ii) decreased by the net positive value of all Hedging Instruments terminated with respect to the purchase of such Loan. To the extent the Servicer does not reimburse itself for amounts, if any, in respect of the Servicing Advance Reimbursement Amount pursuant to Section 5.01(c)(1) hereof, with respect to such Loan, the Repurchase Price shall be reduced by such amounts.

Reserve Interest Rate: With respect to any LIBOR Determination Date, the rate per annum that the Initial Noteholder determines to be either (i) the arithmetic mean (rounded to the nearest whole multiple of 1/16%) of the one-month U.S. dollar lending rates which New York City banks selected by the Initial Noteholder are quoting on the relevant LIBOR Determination Date to the principal London offices of leading banks in the London interbank market or (ii) in the event that the Initial Noteholder can determine no such arithmetic mean, the lowest one-month U.S. dollar lending rate which New York City banks selected by the Initial Noteholder are quoting on such LIBOR Determination Date to leading European banks.

Responsible Officer: When used with respect to the Indenture Trustee or Custodian, any officer within the corporate trust office of such Person, including any Vice President, Assistant Vice President, Secretary, Assistant Secretary or any other officer of such Person customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject. When used with respect to the Issuer, any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Owner Trustee to the Indenture Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Responsible Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter). When used with respect to the Depositor, the Loan Originator or the Servicer, the President, any Vice President, or the Treasurer.

Retained Securities: With respect to a Securitization, any subordinated securities issued or expected to be issued, or excess collateral value retained or expected to be retained, in

connection therewith to the extent the Depositor, the Loan Originator or an Affiliate thereof retains, instead of sell, such securities.

Retained Securities Value: With respect to any Business Day and a Retained Security, the market value thereof as determined by the Market Value Agent in accordance with Section 6.03(d) hereof.

Revolving Period: With respect to the Notes, the period commencing on November 12, 2004 and ending on the earlier of (i) 364 days after such date, and (ii) the date on which the Revolving Period is terminated pursuant to Section 2.07.

Sales Price: For any Transfer Date, the sum of the Collateral Values with respect to each Loan conveyed on such Transfer Date as of such Transfer Date.

S&SA Assignment: An Assignment, in the form of Exhibit C hereto, of Loans and other property from the Depositor to the Issuer pursuant to this Agreement.

Second Lien Loan: A Loan secured by the lien on the Mortgaged Property, subject to one Senior Lien on such Mortgaged Property.

Securities: The Notes and the Trust Certificates.

Securities Intermediary: A "securities intermediary" as defined in Section 8-102(a)(14) of the UCC that is holding a Trust Account for the Indenture Trustee as the sole "entitlement holder" as defined in Section 8-102(a)(7) of the UCC.

Securitization: A sale or transfer of Loans by the Issuer at the direction of the Majority Noteholders to any other Person in order to effect one or a series of structured-finance securitization transactions, including but not limited to transactions involving the issuance of securities which may be treated for federal income tax purposes as indebtedness of Option One or one or more of its wholly-owned subsidiaries.

Securityholder: Any Noteholder or Certificateholder.

Senior Lien: With respect to any Second Lien Loan, the mortgage loan having a senior priority lien on the related Mortgaged Property.

Servicer: Option One, in its capacity as the servicer hereunder, or any successor appointed as herein provided.

Servicer Call: The optional repurchase by the Servicer of a Loan pursuant to Section 3.08(b) hereof.

Servicer Event of Default: As described in Section 9.01 hereof.

Servicer Put: The mandatory repurchase by the Servicer, at the option of the Majority Noteholders, of a Loan pursuant to Section 3.08(a) hereof.

Servicer's Fiscal Year: May 1st of each year through April 30th of the following year.

Servicer's Loan File: With respect to each Loan, the file held by the Servicer, consisting of all documents (or electronic images thereof) relating to such Loan, including, without limitation, copies of all of the Loan Documents included in the related Custodial Loan File.

Servicer's Remittance Report: A report prepared and computed by the Servicer in substantially the form of Exhibit B attached hereto.

Servicing Addendum: The terms and provisions set forth in Exhibit F attached hereto relating to the administration and servicing of the Loans.

Servicing Advance Reimbursement Amount: With respect to any Determination Date, the amount of any Servicing Advances that have not been reimbursed as of such date, including Nonrecoverable Servicing Advances.

Servicing Advances: As defined in Section 4.14(b) of the Servicing Addendum.

Servicing Compensation: The Servicing Fee and other amounts to which the Servicer is entitled pursuant to Section 4.15 of the Servicing Addendum.

Servicing Fee: As to each Loan (including any Loan that has been foreclosed and for which the related Mortgaged Property has become a Foreclosure Property, but excluding any Liquidated Loan), the fee payable monthly to the Servicer, which shall be the product of 0.50% (50 basis points), or such other lower amount as shall be mutually agreed to in writing by the Majority Noteholders and the Servicer, and the Principal Balance of such Loan as of the beginning of the related Remittance Period, divided by 12. The Servicing Fee shall only be payable to the extent interest is collected on a Loan.

Servicing Officer: Any officer of the Servicer or Subservicer involved in, or responsible for, the administration and servicing of the Loans whose name and specimen signature appears on a list of servicing officers annexed to an Officer's Certificate furnished by the Servicer or the Subservicer, respectively, on the date hereof to the Issuer and the Indenture Trustee, on behalf of the Noteholders, as such list may from time to time be amended.

S&P: Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

State: Means any one of the states of the United States of America or the District of Columbia.

Sub-performing Loan: Any Loan which is 31 to 90 days Delinquent.

Subservicer: Any Person with which the Servicer has entered into a Subservicing Agreement and which is an Eligible Servicer and satisfies any requirements set forth in Section 4.22 of the Servicing Addendum in respect of the qualifications of a Subservicer.

Subservicing Account: An account established by a Subservicer pursuant to a Subservicing Agreement, which account must be an Eligible Account.

Subservicing Agreement: Any agreement between the Servicer and any Subservicer relating to subservicing and/or administration of any or all Loans as provided in Section 4.22 in the Servicing Addendum.

Subsidiary: With respect to any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

Substitution Adjustment: As to any date on which a substitution occurs pursuant to Section 2.05 or Section 3.06 hereof, the amount, if any, by which (a) the aggregate principal balance of any Qualified Substitute Loans (after application of principal payments received on or before the related Transfer Cut-off Date) is less than (b) the aggregate of the Principal Balances of the related Deleted Loans as of the first day of the month in which such substitution occurs.

Tangible Net Worth: With respect to any Person, as of any date of determination, the consolidated Net Worth of such Person and its Subsidiaries, less the consolidated net book value of all assets of such Person and its Subsidiaries (to the extent reflected as an asset in the balance sheet of such Person or any Subsidiary at such date) which will be treated as intangibles under GAAP, including, without limitation, such items as deferred financing expenses, net leasehold improvements, good will, trademarks, trade names, service marks, copyrights, patents, licenses and unamortized debt discount and expense; provided, that residual securities issued by such Person or its Subsidiaries shall not be treated as intangibles for purposes of this definition.

Termination Price: As of any Determination Date, an amount without duplication equal to the greater of (A) the Note Redemption Amount and (B) the sum of (i) the Principal Balance of each Loan included in the Trust as of the end of the preceding Remittance Period; (ii) all unpaid interest accrued on the Principal Balance of each such Loan at the related Loan Interest Rate to the end of the preceding Remittance Period; and (iii) the aggregate fair market value of each Foreclosure Property included in the Trust as of the end of the preceding Remittance Period, as determined by an Independent appraiser acceptable to the Majority Noteholders as of a date not more than 30 days prior to such Payment Date.

Transfer Cut-off Date: With respect to each Loan, (i) the first day of the month in which the Transfer Date with respect to such Loan occurs or if originated in such month, the date of origination or (ii) in the case of a purchase from a QSPE Affiliate, unless otherwise specified in the confirmation delivered in accordance with the Master Disposition Confirmation Agreement in connection with such purchase, the related Transfer Date.

Transfer Cut-off Date Principal Balance: As to each Loan, its Principal Balance as of the opening of business on the Transfer Cut-off Date (after giving effect to any payments received on the Loan before the Transfer Cut-off Date).

Transfer Date: With respect to each Loan, the day such Loan is either (i) sold and conveyed to the Depositor by the Loan Originator pursuant to the Loan Purchase and Contribution Agreement and to the Issuer by the Depositor pursuant to Section 2.01 hereof or (ii) sold to the Issuer pursuant to the Master Disposition Confirmation Agreement, which results in an increase in the Note Principal Balance by the related Additional Note Principal Balance. With respect to any Qualified Substitute Loan, the Transfer Date shall be the day such Loan is conveyed to the Trust pursuant to Section 2.05 or 3.06.

Transfer Obligation: The obligation of the Loan Originator under Section 5.06 hereof to make certain payments in connection with Dispositions and other related matters.

Transfer Obligation Account: The account designated as such, established and maintained pursuant to Section 5.05 hereof.

Transfer Obligation Target Amount: With respect to any Payment Date, the cumulative total of all withdrawals pursuant to Section 5.05(e), 5.05(f), 5.05(g), and 5.05(h) hereof from the Transfer Obligation Account to but not including such Payment Date minus any amount withdrawn from the Transfer Obligation Account to return to the Loan Originator pursuant to Section 5.05(i)(i).

Trust: Option One Owner Trust 2003-5, the Delaware statutory trust created pursuant to the Trust Agreement.

Trust Agreement: The Trust Agreement dated as of November 1, 2003 between the Depositor and the Owner Trustee.

Trust Account Property: The Trust Accounts, all amounts and investments held from time to time in the Trust Accounts and all proceeds of the foregoing.

Trust Accounts: The Distribution Account, the Collection Account and the Transfer Obligation Account.

Trust Certificate: The meaning assigned thereto in the Trust Agreement.

Trust Estate: Shall mean the assets subject to this Agreement, the Trust Agreement and the Indenture and assigned to the Trust, which assets consist of: (i) such Loans as from time to time are subject to this Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the

obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments and (ix) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement and/or the Master Disposition Confirmation Agreement, and all proceeds of any of the foregoing.

Trust Fees and Expenses: As of each Payment Date, an amount equal to the Servicing Compensation, the Owner Trustee Fee, the Indenture Trustee Fee and the Custodian Fee, if any, and any expenses of the Servicer, the Owner Trustee, the Indenture Trustee or the Custodian.

UCC: The Uniform Commercial Code as in effect from time to time in the State of New York.

UCC Assignment: A form "UCC 2" or "UCC 3" statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction to reflect an assignment of a secured party's interest in collateral.

UCC-1 Financing Statement: A financing statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction.

Underwriting Guidelines: The underwriting guidelines (including the loan origination guidelines) of the Loan Originator, as the same may be amended from time to time with notice to the Initial Noteholder.

Unfunded Transfer Obligation: With respect to any date of determination, an amount equal to (x) the sum of (A) 10% of the aggregate Collateral Value (as of the related Transfer Date) of all Loans sold hereunder, plus (B) any amounts withdrawn from the Transfer Obligation Account for return to the Loan Originator pursuant to Section 5.05(i)(i) hereof prior to such Payment Date, less (y) the sum of (i) the aggregate amount of payments actually made by the Loan Originator in respect of the Transfer Obligation pursuant to Section 5.06, (ii) the amount obtained by multiplying (a) the Unfunded Transfer Obligation Percentage immediately prior to a Disposition by (b) the aggregate Collateral Value (as of the related date of such Disposition) of all Loans that have been subject to such Disposition and (iii) without duplication, the aggregate amount of the Repurchase Prices paid by the Servicer in respect of any Servicer Puts.

Unfunded Transfer Obligation Percentage: As of any date of determination, an amount equal to (x) the Unfunded Transfer Obligation as of such date, divided by (y) 100% of the aggregate Collateral Values as of the related Transfer Date of all Loans in the Loan Pool.

Unqualified Loan: As defined in Section 3.06(a) hereof.

Wet Funded Custodial File Delivery Date: With respect to a Wet Funded Loan, the fifteenth day after the related Transfer Date, provided that if a Default or Event of Default shall have occurred, the Wet Funded Custodial File Delivery Date shall be the earlier of (x) such fifteenth day and (y) the fifth day after the occurrence of such event.

Wet Funded Loan: A Loan for which the related Custodial Loan File shall not have been delivered to the Custodian as of the related Transfer Date.

Whole Loan Sale: A Disposition of Loans pursuant to a whole-loan sale.

Section 1.02 Other Definitional Provisions.

(a) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement or in any such certificate or other document shall control.

(d) The words “hereof,” “herein,” “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Article, Section, Schedule and Exhibit references contained in this Agreement are references to Articles, Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term “including” shall mean “including without limitation.”

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

ARTICLE II

CONVEYANCE OF THE TRUST ESTATE; ADDITIONAL NOTE PRINCIPAL BALANCES

Section 2.01 Conveyance of the Trust Estate; Additional Note Principal Balances.

(a) (i) On the terms and conditions of this Agreement, on each Transfer Date during the Revolving Period, the Depositor agrees to offer for sale and to sell a portion of each of the Loans and contribute to the capital stock of the Issuer the balance of each of the Loans and deliver the related Loan Documents to or at the direction of the Issuer. To the extent the Issuer has or is able to obtain sufficient funds under the Note Purchase Agreement and the Notes for the purchase thereof, the Issuer agrees to purchase such Loans offered for sale by the Depositor. On the terms and conditions of this Agreement and the Master Disposition Confirmation Agreement, on each Transfer Date during the Revolving Period, the Issuer may acquire Loans from another

QSPE Affiliate of the Loan Originator to the extent the Issuer has or is able to obtain sufficient funds for the purchase thereof.

(ii) In consideration of the payment of the Additional Note Principal Balance pursuant to Section 2.06 hereof and as a contribution to the assets of the Issuer, the Depositor as of the related Transfer Date and concurrently with the execution and delivery hereof, hereby sells, transfers, assigns, sets over and otherwise conveys to the Issuer, without recourse, but subject to the other terms and provisions of this Agreement, all of the right, title and interest of the Depositor in and to the Trust Estate.

(iii) During the Revolving Period, on each Transfer Date, subject to the conditions precedent set forth in Section 2.06 and in accordance with the procedures set forth in Section 2.01(c), the Depositor, pursuant to an S&SA Assignment, will assign to the Issuer without recourse all of its respective right, title and interest, in and to the Loans and all proceeds thereof listed on the Loan Schedule attached to such S&SA Assignment, including all interest and principal received by the Loan Originator, the Depositor or the Servicer on or with respect to the Loans on or after the related Transfer Cut-off Date, together with all right, title and interest in and to the proceeds of any related Mortgage Insurance Policies and all of the Depositor's rights, title and interest in and to (but none of its obligations under) the Loan Purchase and Contribution Agreement and all proceeds of the foregoing.

(iv) The foregoing sales, transfers, assignments, set overs and conveyances do not, and are not intended to, result in a creation or an assumption by the Issuer of any of the obligations of the Depositor, the Loan Originator or any other Person in connection with the Trust Estate or under any agreement or instrument relating thereto except as specifically set forth herein.

(b) As of the Closing Date and as of each Transfer Date, the Issuer acknowledges (or will acknowledge pursuant to the S&SA Assignment) the conveyance to it of the Trust Estate, including all rights, title and interest of the Depositor and any QSPE Affiliate in and to the Trust Estate, receipt of which is hereby acknowledged by the Issuer. Concurrently with such delivery, as of the Closing Date and as of each Transfer Date, pursuant to the Indenture the Issuer pledges the Trust Estate to the Indenture Trustee. In addition, concurrently with such delivery and in exchange therefor, the Owner Trustee, pursuant to the instructions of the Depositor, has executed (not in its individual capacity, but solely as Owner Trustee on behalf of the Issuer) and caused the Trust Certificates to be authenticated and delivered to or at the direction of the Depositor.

(c) (i) Pursuant to and subject to the Note Purchase Agreement, the Trust may, at its sole option, from time to time request that the Initial Noteholder advance on any Transfer Date Additional Note Principal Balances and the Initial Noteholder shall remit on such Transfer Date, to the Advance Account, an amount equal to the Additional Note Principal Balance. In addition, if the Issuer increases the Collateral Percentage of any Mortgage Loan to a percentage specified in the Pricing Letter pursuant to the definition of "Collateral Percentage" on any date following the related Transfer Date (any such date, a "Collateral Value Increase Date"),

the Issuer may request that the Initial Noteholder advance Additional Note Principal Balances equal to such increase in the Collateral Percentage of such Loan and the Initial Noteholder may, in its sole discretion, make such advance of Additional Note Principal Balances.

(ii) Notwithstanding anything to the contrary herein, in no event shall the Initial Noteholder be required to advance Additional Note Principal Balances on a Transfer Date or Collateral Value Increase Date if the conditions precedent to a transfer of the Loans under Section 2.06 and the conditions precedent to the purchase of Additional Note Principal Balances set forth in Section 3.01 of the Note Purchase Agreement have not been fulfilled.

(iii) The Servicer shall appropriately note such Additional Note Principal Balance (and the increased Note Principal Balance) in the next succeeding Payment Statement; provided, however, that failure to make any such notation in such Payment Statement or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest and principal payments in respect of the Note Principal Balance held by such Noteholder. The Initial Noteholder shall record on the schedule attached to such Noteholder's Note, the date and amount of any Additional Note Principal Balance advanced by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance held by such Noteholder.

(iv) Absent manifest error, the Note Principal Balance of each Note as set forth in the Initial Noteholder's records shall be binding upon the Noteholders and the Trust, notwithstanding any notation made by the Servicer in its Payment Statement pursuant to the preceding paragraph.

Section 2.02 Ownership and Possession of Loan Files.

With respect to each Loan, as of the related Transfer Date the ownership of the related Promissory Note, the related Mortgage and the contents of the related Servicer's Loan File and Custodial Loan File shall be vested in the Trust for the benefit of the Securityholders, although possession of the Servicer's Loan File on behalf of and for the benefit of the Securityholders shall remain with the Servicer, and the Custodian shall take possession of the Custodial Loan Files as contemplated in Section 2.05 hereof.

Section 2.03 Books and Records; Intention of the Parties.

(a) As of each Transfer Date, the sale of each of the Loans conveyed by the Depositor on such Transfer Date shall be reflected on the balance sheets and other financial statements of the Depositor and the Loan Originator, as the case may be, as a sale of assets and a contribution to capital by the Loan Originator and the Depositor, as applicable, under GAAP. Each of the Servicer and the Custodian shall be responsible for maintaining, and shall maintain, a complete set of books and records for each Loan which shall be clearly marked to reflect the

ownership of each Loan, as of the related Transfer Date, by the Issuer and for the benefit of the Securityholders.

(b) It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments of the Trust Estate on the initial Closing Date, on each Transfer Date and as otherwise contemplated by the Basic Documents and the Assignments shall constitute a sale of the Trust Estate including, without limitation, the Loans and all other property comprising the Trust Estate specified in Section 2.01(a) hereof, from the Depositor to the Issuer and such property shall not be property of the Depositor. The parties hereto shall treat the Notes as indebtedness for federal, state and local income and franchise tax purposes.

(c) Each transfer and assignment contemplated by this Agreement shall constitute a sale in part, and a contribution to capital in part, of the Loans from the Depositor to the Issuer. Upon the consummation of those transactions the Loans shall be owned by and the property of the Issuer, and not owned by or otherwise the property of, the Depositor for any purpose including without limitation any bankruptcy, receivership, insolvency, liquidation, conservatorship or similar proceeding relating to either the Depositor or the Issuer or any property of either. The parties hereto hereby acknowledge that the Issuer and its creditors are relying, and its subsequent transferees and their creditors will rely, on such sales and contributions being recognized as such. If (A) any transfer and assignment contemplated hereby is subsequently determined for any reason under any circumstances to constitute a transfer to secure a loan rather than a sale in part, and a contribution in part, of the Loans or (B) any Loan is otherwise held to be property of the Depositor, then this Agreement (i) is and shall be a security agreement within the meaning of Articles 8 and 9 of the applicable Uniform Commercial Code and (ii) shall constitute a grant by the Depositor to the Issuer of a security interest in all of the Depositor's right, title and other interest in and to the Loans and the proceeds and other distributions and payments and general intangibles and other rights and benefits in respect thereof. For purposes of perfecting that security interest under any applicable Uniform Commercial Code, the possession by, and notices and other communications with respect thereto to and from, the Issuer or any agent thereof, of money, notes and other documents evidencing ownership of and other rights with respect to the Loans shall be "possession" by the secured party or purchaser and required notices and other communications to and from applicable financial intermediaries, bailees and other agents.

(d) The Depositor at its expense shall take such actions as may be necessary or reasonably requested by the Issuer to ensure the perfection, and priority to all other security interests, of the security interest described in the preceding paragraph including without limitation the execution and delivery of such financing statements and amendments thereto, continuation statements and other documents as the Issuer may reasonably request.

Section 2.04 Delivery of Loan Documents.

(a) The Loan Originator shall, prior to the related Transfer Date (or, in the case of each Wet Funded Loan, the related Wet Funded Custodial File Delivery Date), in accordance with the terms and conditions set forth in the Custodial Agreement, deliver or cause to be delivered to the Custodian, as the designated agent of the Indenture Trustee, a Loan

Schedule and each of the documents constituting the Custodial Loan File with respect to each Loan. The Loan Originator shall assure that (i) in the event that any Wet Funded Loan is not closed and funded to the order of the appropriate Borrower on the day funds are provided to the Loan Originator by the Initial Noteholder on behalf of the Issuer, such funds shall be promptly returned to the Initial Noteholder on behalf of the Issuer and (ii) in the event that any Wet Funded Loan is subject to a recission, all funds received in connection with such recission shall be promptly returned to the Initial Noteholder on behalf of the Issuer.

(b) The Loan Originator shall, on the related Transfer Date (or in the case of a Wet Funded Loan, on or before the related Wet Funded Custodial File Delivery Date), deliver or cause to be delivered to the Servicer the related Servicer's Loan File (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders.

(c) The Indenture Trustee shall cause the Custodian to take and maintain continuous physical possession of the Custodial Loan Files in the State of California (or upon prior written notice from the Custodian to the Loan Originator and the Initial Noteholder and delivery of an Opinion of Counsel with respect to the continued perfection of the Indenture Trustee's security interest, in the State of Minnesota or Utah) and, in connection therewith, shall act solely as agent for the Noteholders in accordance with the terms hereof and not as agent for the Loan Originator, the Servicer or any other party.

Section 2.05 Acceptance by the Indenture Trustee of the Loans; Certain Substitutions and Repurchases; Certification by the Custodian.

(a) The Indenture Trustee declares that it will cause the Custodian to hold the Custodial Loan Files and any additions, amendments, replacements or supplements to the documents contained therein, as well as any other assets included in the Trust Estate and delivered to the Custodian, in trust, upon and subject to the conditions set forth herein. The Indenture Trustee further agrees to cause the Custodian to execute and deliver such certifications as are required under the Custodial Agreement and to otherwise direct the Custodian to perform all of its obligations with respect to the Custodial Loan Files in strict accordance with the terms of the Custodial Agreement.

(b) (i) With respect to any Loans which are set forth as exceptions in the Exceptions Report, the Loan Originator shall cure such exceptions by delivering such missing documents to the Custodian or otherwise curing the defect no later than, in the case of (x) a non-Wet Funded Loan, 5 Business Days, or (y) in the case of a Wet Funded Loan one Business Day after the Wet Funded Custodial File Delivery Date, in each case, following the receipt of the first Exceptions Report listing such exception with respect to such Loan.

(ii) In the event that, with respect to any Loan, the Loan Originator does not comply with the document delivery requirements of this Section 2.05 and such failure has a material adverse effect on the value or enforceability of any Loan or the interests of the Securityholders in any Loan, the Loan Originator shall repurchase such Loan within one Business Day of notice thereof from the

Indenture Trustee or the Initial Noteholder at the Repurchase Price thereof with respect to such Loan by depositing such Repurchase Price in the Collection Account. In lieu of such a repurchase, the Depositor and Loan Originator may comply with the substitution provisions of Section 3.06 hereof. The Loan Originator shall provide the Servicer, the Indenture Trustee, the Issuer and the Initial Noteholder with a certification of a Responsible Officer on or prior to such repurchase or substitution indicating that the Loan Originator intends to repurchase or substitute such Loan.

(iii) It is understood and agreed that the obligation of the Loan Originator to repurchase or substitute any such Loan pursuant to this Section 2.05(b) shall constitute the sole remedy with respect to such failure to comply with the foregoing delivery requirements.

(c) In performing its reviews of the Custodial Loan Files pursuant to the Custodial Agreement, the Custodian shall have no responsibility to determine the genuineness of any document contained therein and any signature thereon. The Custodian shall not have any responsibility for determining whether any document is valid and binding, whether the text of any assignment or endorsement is in proper or recordable form, whether any document has been recorded in accordance with the requirements of any applicable jurisdiction, or whether a blanket assignment is permitted in any applicable jurisdiction.

(d) The Servicer's Loan File shall be held in the custody of the Servicer (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders. It is intended that, by the Servicer's agreement pursuant to this Section 2.05(d), the Indenture Trustee shall be deemed to have possession of the Servicer's Loan Files for purposes of Section 9-313 of the Uniform Commercial Code of the state in which such documents or instruments are located. The Servicer shall promptly report to the Indenture Trustee any failure by it to hold the Servicer's Loan File as herein provided and shall promptly take appropriate action to remedy any such failure. In acting as custodian of such documents and instruments, the Servicer agrees not to assert any legal or beneficial ownership interest in the Loans or such documents or instruments. Subject to Section 8.01(d), the Servicer agrees to indemnify the Securityholders and the Indenture Trustee, their officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended for any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever which may be imposed on, incurred by or asserted against the Securityholders or the Indenture Trustee as the result of the negligence or willful misfeasance by the Servicer relating to the maintenance and custody of such documents or instruments which have been delivered to the Servicer; provided, however, that the Servicer will not be liable for any portion of any such amount resulting from the negligence or willful misconduct of any Securityholders or the Indenture Trustee; and provided, further, that the Servicer will not be liable for any portion of any such amount resulting from the Servicer's compliance with any instructions or directions consistent with this Agreement issued to the Servicer by the Indenture Trustee or the Majority Noteholders. The Indenture Trustee shall

have no duty to monitor or otherwise oversee the Servicer's performance as custodian of the Servicer Loan File hereunder.

Section 2.06 Conditions Precedent to Transfer Dates and Collateral Value Increase Dates.

Two (2) Business Days prior to each Transfer Date, the Issuer shall give notice to the Initial Noteholder of such upcoming Transfer Date and provide the Initial Noteholder (i) an estimate of the number of Loans and aggregate Principal Balance of such Loans to be transferred on such Transfer Date and (ii) a final Loan Schedule with respect to the Loans to be transferred on such Transfer Date. By no later than 12:00 noon New York City time on the Business Day preceding each Transfer Date, in the case of non-Wet Funded Loans, the Issuer shall have delivered the Custodial Loan File to the Custodian in accordance with the Custodial Agreement and the Initial Noteholder shall have received a copy of the Trust Receipt and Exceptions Report reflecting such delivery. On each Transfer Date, the Depositor or the applicable QSPE Affiliate shall convey to the Issuer, the Loans and the other property and rights related thereto described in the related S&SA Assignment, and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Transfer Date or Collateral Value Increase Date, shall deposit or cause to be deposited cash in the amount of the Additional Note Principal Balance received from the Initial Noteholder in the Advance Account in respect thereof, and the Servicer shall, promptly after such deposit, withdraw the amount deposited in respect of applicable Additional Note Principal Balance from the Advance Account, and distribute such amount to or at the direction of the Depositor or the applicable QSPE Affiliate.

As of the Closing Date, each Transfer Date and, as applicable, each Collateral Value Increase Date:

(i) the Depositor, the QSPE Affiliate and the Servicer, as applicable, shall have delivered to the Issuer and the Initial Noteholder duly executed Assignments, which shall have attached thereto a Loan Schedule setting forth the appropriate information with respect to all Loans conveyed on such Transfer Date and shall have delivered to the Initial Noteholder a computer readable transmission of such Loan Schedule;

(ii) the Depositor shall have deposited, or caused to be deposited, in the Collection Account all collections received with respect to each of the Loans on and after the applicable Transfer Cut-off Date;

(iii) as of such Transfer Date or Collateral Value Increase Date, neither the Loan Originator, the Depositor or the QSPE Affiliate, as applicable, shall (A) be insolvent, (B) be made insolvent by its respective sale of Loans or (C) have reason to believe that its insolvency is imminent;

(iv) the Revolving Period shall not have terminated;

(v) as of such Transfer Date or Collateral Value Increase Date (after giving effect to the sale of Loans on such Transfer Date), there shall be no Overcollateralization Shortfall;

(vi) Reserved;

(vii) each of the representations and warranties made by the Loan Originator contained in Exhibit E with respect to the Loans shall be true and correct in all material respects as of the related Transfer Date with the same effect as if then made and the proviso set forth in Section 3.05 with respect to Loans sold by a QSPE Affiliate shall not be applicable to any Loans, and the Depositor or the QSPE Affiliate, as applicable, shall have performed all obligations to be performed by it under the Basic Documents on or prior to such Transfer Date or Collateral Value Increase Date;

(viii) the Depositor or the QSPE Affiliate shall, at its own expense, within one Business Day following the Transfer Date, indicate in its computer files that the Loans identified in each S&SA Assignment have been sold to the Issuer pursuant to this Agreement and the S&SA Assignment;

(ix) the Depositor or the QSPE Affiliate shall have taken any action requested by the Indenture Trustee, the Issuer or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate;

(x) no selection procedures believed by the Depositor or the QSPE Affiliate to be adverse to the interests of the Noteholders shall have been utilized in selecting the Loans to be conveyed on such Transfer Date;

(xi) the Depositor shall have provided the Issuer, the Indenture Trustee and the Initial Noteholder no later than two Business Days prior to such date a notice of Additional Note Principal Balance in the form of Exhibit A hereto;

(xii) after giving effect to the Additional Note Principal Balance associated therewith, the Note Principal Balance will not exceed the Maximum Note Principal Balance;

(xiii) all conditions precedent to the Depositor's purchase of Loans pursuant to the Loan Purchase and Contribution Agreement shall have been fulfilled as of such Transfer Date and, in the case of purchases from a QSPE Affiliate, all conditions precedent to the Issuer's purchase of Loans pursuant to the Master Disposition Confirmation Agreement shall have been fulfilled as of such Transfer Date;

(xiv) all conditions precedent to the Noteholders' purchase of Additional Note Principal Balance pursuant to the Note Purchase Agreement shall have been fulfilled as of such Transfer Date or Collateral Value Increase Date; and

(xv) with respect to each Loan acquired from any QSPE Affiliate that has a limited right of recourse to the Loan Originator under the terms of the applicable loan purchase agreement, the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of the related loan purchase contract providing for recourse by that QSPE Affiliate to the Loan Originator.

Section 2.07 Termination of Revolving Period.

Upon the occurrence of (i) an Event of Default or Default or (ii) a Rapid Amortization Trigger or (iii) the Unfunded Transfer Obligation Percentage equals 4% or less or (iv) Option One or any of its Affiliates shall default under, or fail to perform as requested under, or shall otherwise materially breach the terms of any repurchase agreement, loan and security agreement or similar credit facility or agreement entered into by Option One or any of its Affiliates, including the Sale and Servicing Agreement, dated as of April 1, 2001, among the Option One Owner Trust 2001-1A, the Depositor, Option One and the Indenture Trustee, the Sale and Servicing Agreement, dated as of April 1, 2001, among the Option One Owner Trust 2001-1B, the Depositor, Option One and the Indenture Trustee, the Sale and Servicing Agreement, dated as of July 2, 2002, among the Option One Owner Trust 2002-3, the Depositor, Option One and the Indenture Trustee and the Sale and Servicing Agreement, dated as of August 8, 2003, among the Option One Owner Trust 2003-4, the Depositor, Option One and the Indenture Trustee, and such default, failure or breach shall entitle any counterparty to declare the Indebtedness thereunder to be due and payable prior to the maturity thereof or (v) the delivery of written notice by the Initial Noteholder to the Servicer on or before December 3, 2003 (or such other date to which the Servicer and the Initial Noteholder may agree) to the effect that the condition specified in Section 3.01(a)(viii) of the Note Purchase Agreement has not been met, the Initial Noteholder may, in any such case, in its sole discretion, terminate the Revolving Period.

Section 2.08 Correction of Errors.

The parties hereto who have relevant information shall cooperate to reconcile any errors in calculating the Sales Price from and after the Closing Date. In the event that an error in the Sales Price is discovered by either party, including without limitation, any error due to miscalculations of Market Value where insufficient information has been provided with respect to a Loan to make an accurate determination of Market Value as of any applicable Transfer Date, any miscalculations of Principal Balance, accrued interest, Overcollateralization Shortfall or aggregate unreimbursed Servicing Advances attributable to the applicable Loan, or any prepayments not properly credited, such party shall give prompt notice to the other parties hereto, and the party that shall have benefited from such error shall promptly remit to the other, by wire transfer of immediately available funds, the amount of such error with no interest thereon.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Depositor.

The Depositor hereby represents, warrants and covenants to the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Depositor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has, and had at all relevant times, full power to own its property, to carry on its business as currently conducted, to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance of and compliance with all of the terms thereof will not violate the Depositor's organizational documents or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material contract, agreement or other instrument to which the Depositor is a party or which are applicable to the Depositor or any of its assets;

(c) The Depositor has the full power and authority to enter into and consummate the transactions contemplated by each Basic Document to which the Depositor is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by the other party or parties thereto, constitutes a valid, legal and binding obligation of the Depositor, enforceable against it in accordance with the terms thereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Depositor is not in violation of, and the execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance and compliance with the terms of each Basic Document to which the Depositor is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Depositor or any of its properties or materially and adversely affect the performance of any of its duties hereunder;

(e) There are no actions or proceedings against, or investigations of, the Depositor currently pending with regard to which the Depositor has received service of process and no action or proceeding against, or investigation of, the Depositor is, to the knowledge of the Depositor, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Depositor, would prohibit its entering into any of the Basic Documents to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any of the Basic Documents to which it is a party or (C) if determined adversely to the Depositor, would prohibit or materially and adversely affect the performance by the Depositor of its obligations under, or the validity or enforceability of, any of the Basic Documents to which it is a party or the Securities;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Depositor of, or compliance by the Depositor with, any of the Basic Documents to which the Depositor is a party or the Securities, or for the consummation of the transactions contemplated by any of the Basic Documents to which the Depositor is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The Depositor is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations hereunder; it will not be rendered insolvent by the execution and delivery of any of the Basic Documents to which it is a party or the assumption of any of its obligations thereunder; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Depositor;

(h) The Depositor did not transfer the Loans sold thereon by the Depositor to the Trust with any intent to hinder, delay or defraud any of its creditors; nor will the Depositor be rendered insolvent as a result of such sale;

(i) The Depositor had good title to, and was the sole owner of, each Loan sold thereon by the Depositor free and clear of any lien other than any such lien released simultaneously with the sale contemplated herein, and, immediately upon each transfer and assignment herein contemplated, the Depositor will have delivered to the Trust good title to, and the Trust will be the sole owner of, each Loan transferred by the Depositor thereon free and clear of any lien;

(j) The Depositor acquired title to each of the Loans sold thereon by the Depositor in good faith, without notice of any adverse claim;

(k) None of the Basic Documents to which the Depositor is a party, nor any Officer's Certificate, statement, report or other document prepared by the Depositor and furnished or to be furnished by it pursuant to any of the Basic Documents to which it is a party or in connection with the transactions contemplated thereby contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading;

(l) The Depositor is not required to be registered as an "investment company," under the Investment Company Act of 1940, as amended;

(m) The transfer, assignment and conveyance of the Loans by the Depositor thereon pursuant to this Agreement is not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction;

(n) The Depositor's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto;

(o) The Depositor covenants that during the continuance of this Agreement it will comply in all respects with the provisions of its organizational documents in effect from time to time; and

(p) The representations and warranties set forth in (h), (i), (j) and (m) above were true and correct (with respect to the applicable QSPE Affiliate) with respect to each Loan transferred to the Trust by any QSPE Affiliate at the time such Loan was transferred to a QSPE Affiliate.

Section 3.02 Representations and Warranties of the Loan Originator.

The Loan Originator hereby represents and warrants to the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Loan Originator is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property related to a Loan sold by it is located and (ii) is in compliance with the laws of any such jurisdiction, in both cases, to the extent necessary to ensure the enforceability of such Loans in accordance with the terms thereof and had at all relevant times, full corporate power to originate such Loans, to own its property, to carry on its business as currently conducted and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Loan Originator of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Loan Originator's articles of organization or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any contract, agreement or other instrument to which the Loan Originator is a party or which may be applicable to the Loan Originator or any of its assets;

(c) The Loan Originator has the full power and authority to enter into and consummate all transactions contemplated by the Basic Documents to be consummated by it, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Loan Originator, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Loan Originator is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Loan Originator and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Loan Originator or its properties or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Loan Originator currently pending with regard to which the Loan Originator has received service of process and no action or proceeding against, or investigation of, the Loan Originator is, to the knowledge of the Loan Originator, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Loan Originator, would prohibit its entering into any Basic Document to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if

determined adversely to the Loan Originator, would prohibit or materially and adversely affect the sale of the Loans to the Depositor, the performance by the Loan Originator of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for: (1) the execution, delivery and performance by the Loan Originator of, or compliance by the Loan Originator with, any Basic Document to which it is a party, (2) the issuance of the Securities, (3) the sale and contribution of the Loans, or (4) the consummation of the transactions required of it by any Basic Document to which it is a party, except such as shall have been obtained before such date;

(g) Immediately prior to the sale of any Loan to the Depositor, the Loan Originator had good title to the Loans sold by it on such date without notice of any adverse claim;

(h) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Loan Originator to the Initial Noteholder in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Loan Originator to the Initial Noteholder in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(i) The Loan Originator is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations under each Basic Document to which it is a party; it will not be rendered insolvent by the execution and delivery of this Agreement or by the performance of its obligations under each Basic Document to which it is a party; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Loan Originator prior to the date hereof;

(j) The Loan Originator has transferred the Loans transferred by it on or prior to such Transfer Date without any intent to hinder, delay or defraud any of its creditors;

(k) The Loan Originator has received fair consideration and reasonably equivalent value in exchange for the Loans sold by it on such Transfer Date to the Depositor;

(l) The Loan Originator has not dealt with any broker or agent or other Person who might be entitled to a fee, commission or compensation in connection with the transaction contemplated by this Agreement;

(m) The Loan Originator is in compliance with each of its financial covenants set forth in Section 7.02; and

(n) The Loan Originator's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto.

It is understood and agreed that the representations and warranties set forth in this Section 3.02 shall survive delivery of the respective Custodial Loan Files to the Custodian (as the agent of the Indenture Trustee) and shall inure to the benefit of the Securityholders, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee or the Trust of a breach of any of the foregoing representations and warranties that materially and adversely affects the value of any Loan or the interests of the Securityholders in any Loan or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The obligations of the Loan Originator set forth in Sections 2.05 and 3.06 hereof to cure any breach or to substitute for or repurchase an affected Loan shall constitute the sole remedies available hereunder to the Securityholders, the Depositor, the Servicer, the Indenture Trustee or the Trust respecting a breach of the representations and warranties contained in this Section 3.02. The fact that the Initial Noteholder has conducted or has failed to conduct any partial or complete due diligence investigation of the Loan Files shall not affect the Securityholders rights to demand repurchase or substitution as provided under this Agreement.

Section 3.03 Representations, Warranties and Covenants of the Servicer.

The Servicer hereby represents and warrants to and covenants with the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Servicer is a corporation duly organized, validly existing and in good standing under the laws of the State of California and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property is located, and (ii) is in compliance with the laws of any such state, in both cases, to the extent necessary to ensure the enforceability of the Loans in accordance with the terms thereof and to perform its duties under each Basic Document to which it is a party and had at all relevant times, full corporate power to own its property, to carry on its business as currently conducted, to service the Loans and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Servicer of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Servicer's articles of incorporation or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material contract, agreement or other instrument to which the Servicer is a party or which are applicable to the Servicer or any of its assets;

(c) The Servicer has the full power and authority to enter into and consummate all transactions contemplated by each Basic Document to which it is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party. Each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Servicer,

enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Servicer is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Servicer and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Servicer or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Servicer currently pending with regard to which the Servicer has received service of process and no action or proceeding against, or investigation of, the Servicer is, to the knowledge of the Servicer, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Servicer, would prohibit its entering into any Basic Document to which it is a party, (B) seek to prevent the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Servicer, would prohibit or materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Servicer of, or compliance by the Servicer with, any Basic Document to which it is a party or the Securities, or for the consummation of the transactions contemplated by any Basic Document to which it is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Servicer to the Initial Noteholder in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Servicer to the Initial Noteholder in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(h) The Servicer is solvent and will not be rendered insolvent as a result of the performance of its obligations pursuant to under the Basic Documents to which it is a party;

(i) The Servicer acknowledges and agrees that the Servicing Compensation represents reasonable compensation for the performance of its services hereunder and that the

entire Servicing Compensation shall be treated by the Servicer, for accounting purposes, as compensation for the servicing and administration of the Loans pursuant to this Agreement;

(j) The Servicer is in compliance with each of its financial covenants set forth in Section 7.02; and

(k) The Servicer is an Eligible Servicer and covenants to remain an Eligible Servicer or, if not an Eligible Servicer, each Subservicer is an Eligible Servicer and the Servicer covenants to cause each Subservicer to be an Eligible Servicer.

It is understood and agreed that the representations, warranties and covenants set forth in this Section 3.03 shall survive delivery of the respective Custodial Loan Files to the Indenture Trustee or the Custodian on its behalf and shall inure to the benefit of the Depositor, the Securityholders, the Indenture Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee or the Issuer of a breach of any of the foregoing representations, warranties and covenants that materially and adversely affects the value of any Loan or the interests of the Securityholders therein or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The fact that the Initial Noteholder has conducted or has failed to conduct any partial or complete due diligence investigation shall not affect the Securityholders, rights to exercise their remedies as provided under this Agreement.

Section 3.04 Reserved.

Section 3.05 Representations and Warranties Regarding Loans.

The Loan Originator makes each of the representations and warranties set forth on Exhibit E hereto with respect to each Loan, provided, however, that with respect to each Loan transferred to the Issuer by a QSPE Affiliate, to the extent that the Loan Originator has at the time of such transfer actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator shall notify the Initial Noteholder of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty.

In addition, the Loan Originator represents and warrants with respect to each Loan sold by a QSPE Affiliate that the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of any loan purchase agreement providing for recourse by that QSPE Affiliate to the Loan Originator.

Section 3.06 Purchase and Substitution.

(a) It is understood and agreed that the representations and warranties set forth in Exhibit E hereto shall survive the conveyance of the Loans to the Indenture Trustee on behalf of the Issuer, and the delivery of the Securities to the Securityholders. Upon discovery by the Depositor, the Servicer, the Loan Originator, the Custodian, the Issuer, the Indenture Trustee

or any Securityholder of a breach of any of such representations and warranties or the representations and warranties of the Loan Originator set forth in Section 3.02 which materially and adversely affects the value or enforceability of any Loan or the interests of the Securityholders in any Loan (notwithstanding that such representation and warranty was made to the Loan Originator's best knowledge) or which constitutes a breach of the representations and warranties set forth in Exhibit E, the party discovering such breach shall give prompt written notice to the others. The Loan Originator shall within 5 Business Days of the earlier of the Loan Originator's discovery or the Loan Originator's receiving notice of any breach of a representation or warranty, promptly cure such breach in all material respects. If within 5 Business Days after the earlier of the Loan Originator's discovery of such breach or the Loan Originator's receiving notice thereof such breach has not been remedied by the Loan Originator and such breach materially and adversely affects the interests of the Securityholders in the related Loan (an "Unqualified Loan"), the Loan Originator shall promptly upon receipt of written instructions from the Majority Noteholders either (i) remove such Unqualified Loan from the Trust (in which case it shall become a Deleted Loan) and substitute one or more Qualified Substitute Loans in the manner and subject to the conditions set forth in this Section 3.06 or (ii) purchase such Unqualified Loan at a purchase price equal to the Repurchase Price with respect to such Unqualified Loan by depositing or causing to be deposited such Repurchase Price in the Collection Account.

Any substitution of Loans pursuant to this Section 3.06(a) shall be accompanied by payment by the Loan Originator of the Substitution Adjustment, if any, (x) if no Overcollateralization Shortfall exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i) or (y) otherwise to be deposited in the Collection Account pursuant to Section 5.01(b)(1) hereof.

(b) As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Indenture Trustee and Initial Noteholder a certification executed by a Responsible Officer of the Loan Originator to the effect that the Substitution Adjustment, if any, has been (x) if no Overcollateralization Shortfall exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i), or (y) otherwise deposited in the Collection Account. As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Custodian the documents constituting the Custodial Loan File for such Qualified Substitute Loan or Loans.

The Servicer shall deposit in the Collection Account all payments received in connection with each Qualified Substitute Loan after the date of such substitution. Monthly Payments received with respect to Qualified Substitute Loans on or before the date of substitution will be retained by the Loan Originator. The Trust will be entitled to all payments received on the Deleted Loan on or before the date of substitution and the Loan Originator shall thereafter be entitled to retain all amounts subsequently received in respect of such Deleted Loan. The Loan Originator shall give written notice to the Issuer, the Servicer (if the Loan Originator is not then acting as such), the Indenture Trustee and Initial Noteholder that such substitution has taken place and the Servicer shall amend the Loan Schedule to reflect (i) the removal of such Deleted Loan from the terms of this Agreement and (ii) the substitution of the

Qualified Substitute Loan. The Servicer shall promptly deliver to the Issuer, the Loan Originator, the Indenture Trustee and Initial Noteholder, a copy of the amended Loan Schedule. Upon such substitution, such Qualified Substitute Loan or Loans shall be subject to the terms of this Agreement in all respects, and the Loan Originator shall be deemed to have made with respect to such Qualified Substitute Loan or Loans, as of the date of substitution, the covenants, representations and warranties set forth in Exhibit E hereto. On the date of such substitution, the Loan Originator will (x) if no Overcollateralization Shortfall exists as of the date of substitution (after giving effect to such substitution), remit to the Noteholders as provided in Section 5.01(c)(4)(i) or (y) otherwise deposit into the Collection Account, in each case an amount equal to the related Substitution Adjustment, if any. In addition, on the date of such substitution, the Servicer shall cause the Indenture Trustee to release the Deleted Loan from the lien of the Indenture and the Servicer will cause such Qualified Substitute Loan to be pledged to the Indenture Trustee under the Indenture as part of the Trust Estate.

(c) With respect to all Unqualified Loans or other Loans repurchased by the Loan Originator pursuant to this Agreement, upon the deposit of the Repurchase Price therefor into the Collection Account or the conveyance of one or more Qualified Substitute Loans and payment of any Substitution Adjustment, (i) the Issuer shall assign to the Loan Originator, without representation or warranty, all of the Issuer's right, title and interest in and to such Unqualified Loan, which right, title and interest were conveyed to the Issuer pursuant to Section 2.01 hereof and (ii) the Indenture Trustee shall assign to the Loan Originator, without recourse, representation or warranty, all the Indenture Trustee's right, title and interest in and to such Unqualified Loans or Loans, which right, title and interest were conveyed to the Indenture Trustee pursuant to Section 2.01 hereof and the Indenture. The Issuer and the Indenture Trustee shall, at the expense of the Loan Originator, take any actions as shall be reasonably requested by the Loan Originator to effect the repurchase of any such Loans and to have the Custodian return the Custodial Loan File of the deleted Loan to the Servicer.

(d) It is understood and agreed that the obligations of the Loan Originator set forth in this Section 3.06 to cure, purchase or substitute for a Unqualified Loan constitute the sole remedies hereunder of the Depositor, the Issuer, the Indenture Trustee, the Owner Trustee and the Securityholders respecting a breach of the representations and warranties contained in Sections 3.02 hereof and in Exhibit E hereto. Any cause of action against the Loan Originator relating to or arising out of a defect in a Custodial Loan File or against the Loan Originator relating to or arising out of a breach of any representations and warranties made in Sections 3.02 hereof and in Exhibit E hereto shall accrue as to any Loan upon (i) discovery of such defect or breach by any party and notice thereof to the Loan Originator or notice thereof by the Loan Originator to the Indenture Trustee, (ii) failure by the Loan Originator to cure such defect or breach or purchase or substitute such Loan as specified above, and (iii) demand upon the Loan Originator, as applicable, by the Issuer or the Majority Noteholders for all amounts payable in respect of such Loan.

(e) Neither the Issuer nor the Indenture Trustee shall have any duty to conduct any affirmative investigation other than as specifically set forth in this Agreement as to the occurrence of any condition requiring the repurchase or substitution of any Loan pursuant to this Section or the eligibility of any Loan for purposes of this Agreement.

Section 3.07 Dispositions.

(a) The Majority Noteholders may at any time, and from time to time, require that the Issuer redeem all or any portion of the Note Principal Balance of the Notes by paying the Note Redemption Amount with respect to the Note Principal Balance to be redeemed in accordance with Section 10.04. In connection with any such redemption, the Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with this Agreement, including in accordance with this Section 3.07.

(b) (i) In consideration of the consideration received from the Depositor under the Loan Purchase and Contribution Agreement, the Loan Originator hereby agrees and covenants that in connection with each Disposition it shall effect the following:

(A) make such representations and warranties concerning the Loans as of the "cut-off date" of the related Disposition to the Disposition Participants as may be necessary to effect the Disposition and such additional representations and warranties as may be necessary, in the reasonable opinion of any of the Disposition Participants, to effect such Disposition; provided, that, to the extent that the Loan Originator has at the time of the Disposition actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator may notify the Disposition Participants of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty;

(B) supply such information, opinions of counsel, letters from law and/or accounting firms and other documentation and certificates regarding the origination of the Loans as any Disposition Participant shall reasonably request to effect a Disposition and enter into such indemnification agreements customary for such transaction relating to or in connection with the Disposition as the Disposition Participants may reasonably require;

(C) make itself available for and engage in good faith consultation with the Disposition Participants concerning information to be contained in any document, agreement, private placement memorandum, or filing with the Securities and Exchange Commission relating to the Loan Originator or the Loans in connection with a Disposition and shall use reasonable efforts to compile any information and prepare any reports and certificates, into a form, whether written or electronic, suitable for inclusion in such documentation;

(D) to implement the foregoing and to otherwise effect a Disposition, enter into, or arrange for its Affiliates to enter into insurance and indemnity agreements, underwriting or placement agreements, servicing agreements, purchase agreements and any other documentation which may reasonably be required of or reasonably deemed appropriate by the Disposition Participants in order to effect a Disposition; and

(E) take such further actions as may be reasonably necessary to effect the foregoing;

provided, that notwithstanding anything to the contrary, (a) the Loan Originator shall have no liability for the Loans arising from or relating to the ongoing ability of the related Borrowers to pay under the Loans; (b) none of the indemnities hereunder shall constitute an unconditional guarantee by the Loan Originator of collectability of the Loans; (c) the Loan Originator shall have no obligation with respect to the financial inability of any Borrower to pay principal, interest or other amount owing by such Borrower under a Loan; and (d) the Loan Originator shall only be required to enter into documentation in connection with Dispositions that is consistent with the prior public securitizations of affiliates of the Loan Originator, provided that to the extent an Affiliate of the Initial Noteholder acts as "depositor" or performs a similar function in a Securitization, additional indemnities and informational representations and warranties are provided which are consistent with those in the Basic Documents and may upon request of the Loan Originator be set forth in a separate agreement between an Affiliate of the Initial Noteholder and the Loan Originator.

(ii) In the event of any Disposition to the Loan Originator or any of its Affiliates (except in connection with a Securitization or a Disposition to a QSPE Affiliate), the purchase price paid by the Loan Originator or any such Affiliate shall be the "fair market value" of the Loans subject to such Disposition (as determined by the Market Value Agent based upon recent sales of comparable loans or such other objective criteria as may be approved for determining "fair market value" by a "Big Four" national accounting firm).

(iii) As long as no Event of Default or Default shall have occurred and be continuing under this Agreement or the Indenture, the Servicer may continue to service the Loans included in any Disposition subject to any applicable "term-to-term" servicing provisions in Section 9.01(c) and subject to any required amendments to the related servicing provisions as may be necessary to effect the related Disposition including but not limited to the obligation to make recoverable principal and interest advances on the Loans.

After the termination of the Revolving Period, the Loan Originator, the Issuer and the Depositor shall use commercially reasonable efforts to effect a Disposition at the direction of the Disposition Agent.

(c) The Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with the terms of this Agreement and the Basic Documents. In connection therewith, the Trust agrees to assist the Loan Originator in such Dispositions and accordingly it shall, at the request and direction of the Majority Noteholders:

(i) transfer, deliver and sell all or a portion of the Loans, as of the "cut-off dates" of the related Dispositions, to such Disposition Participants as may be necessary to effect the Dispositions; provided, that any such sale shall be for "fair market value," as determined by the Market Value Agent in its reasonable discretion;

(ii) deposit the cash Disposition Proceeds into the Distribution Account pursuant to Section 5.01(c)(2)(D);

(iii) to the extent that a Securitization creates any Retained Securities, to accept such Retained Securities as a part of the Disposition Proceeds in accordance with the terms of this Agreement; and

(iv) take such further actions, including executing and delivering documents, certificates and agreements, as may be reasonably necessary to effect such Dispositions.

(d) The Servicer hereby covenants that it will take such actions as may be reasonably necessary to effect Dispositions as the Disposition Participants may request and direct, including without limitation providing the Loan Originator such information as may be required to make representations and warranties required hereunder, and covenants that it will make such representations and warranties regarding its servicing of the Loans hereunder as of the Cut-off Date of the related Disposition as reasonably required by the Disposition Participants.

(e) [reserved]

(f) The Majority Noteholders may effect Whole Loan Sales upon written notice to the Servicer of its intent to cause the Issuer to effect a Whole Loan Sale at least 5 Business Days in advance thereof. The Disposition Agent shall serve as agent for Whole Loan Sales and will receive a reasonable fee for such services provided that no such fee shall be payable if (i) the Loan Originator or its Affiliates purchase such Loans and (ii) no Event of Default or Default shall have occurred. The Loan Originator or its Affiliates may concurrently bid to purchase Loans in a Whole Loan Sale; provided, however, that neither the Loan Originator nor any such Affiliates shall pay a price in excess of the fair market value thereof (as determined by the Market Value Agent based upon recent sales of comparable loans or such other objective criteria as may be approved for determining "fair market value" by a "Big Four" national accounting firm). In the event that the Loan Originator does not bid in any such Whole Loan Sale, it shall have a right of first refusal to purchase the Loans offered for sale at the price offered by the highest bidder. The Disposition Agent shall conduct any Whole Loan Sale subject to the Loan Originator's right of first refusal and shall promptly notify the Loan Originator of the amount of the highest bid. The Loan Originator shall have five (5) Business Days following its receipt of such notice to exercise its right of first refusal by notifying the Disposition Agent in writing.

(g) Except as otherwise expressly set forth under this Section 3.07, the parties' rights and obligations under this Section 3.07 shall continue notwithstanding the occurrence of an Event of Default.

(h) The Disposition Participants (and the Majority Noteholders to the extent directing the Disposition Participants) shall be independent contractors to the Issuer and shall have no fiduciary obligations to the Issuer or any of its Affiliates. In that connection, the Disposition Participants shall not be liable for any error of judgment made in good faith and shall not be liable with respect to any action they take or omits to take in good faith in the performance of their duties.

Section 3.08 Servicer Put; Servicer Call.

(a) Servicer Put. The Servicer shall promptly purchase, upon the written demand of the Majority Noteholders, any Put/Call Loan; provided, however, that the Servicer may, upon receipt of such demand, elect to repurchase such Put/Call Loan pursuant to (b) below, in which case such repurchase shall be deemed a Servicer Call.

(b) Servicer Call. The Servicer may repurchase any Put/Call Loan at any time. Such Servicer Calls shall be solely at the option of the Servicer. Prior to exercising a Servicer Call, the Servicer shall deliver written notice to the Majority Noteholders and the Indenture Trustee which notice shall identify each Loan to be purchased and the Repurchase Price therefor; provided, however, that the Servicer may irrevocably waive its right to repurchase any Put/Call Loan as soon as reasonably practicable following its receipt of notice of the occurrence of any event or events giving rise to such Loan being a Put/Call Loan.

(c) In connection with each Servicer Put, the Servicer shall remit for deposit into the Collection Account the Repurchase Price for the Loans to be repurchased. In connection with each Servicer Call, the Servicer shall deposit into the Collection Account the Repurchase Price for the Loans to be purchased. The aggregate Repurchase Price of all Loans transferred pursuant to Section 3.08(a) shall in no event exceed the Unfunded Transfer Obligation at the time of any Servicer Put.

Section 3.09 Modification of Underwriting Guidelines.

The Loan Originator shall give the Initial Noteholder prompt written notification of any modification or change to the Underwriting Guidelines. If the Noteholder objects in writing to any modification or change to the Underwriting Guidelines within 15 days after receipt of such notice, no Loans may be conveyed to the Issuer pursuant to this Agreement unless such Loans have been originated pursuant to the Underwriting Guidelines without giving effect to such modification or change. Notwithstanding anything contained in this Agreement to the contrary, any Loan conveyed to the Issuer pursuant to this Agreement pursuant to a modification or change to the Underwriting Guidelines that has been rejected by the Initial Noteholder or which the Initial Noteholder did not receive notice of, such Loan shall be deemed an Unqualified Loan and be repurchased or substituted for in accordance with Section 3.06.

ARTICLE IV

ADMINISTRATION AND SERVICING OF THE LOANS

Section 4.01 Servicer's Servicing Obligations.

The Servicer, as independent contract servicer, shall service and administer the Loans in accordance with the terms and provisions set forth in the Servicing Addendum, which Servicing Addendum is incorporated herein by reference.

Section 4.02 Financial Statements.

(a) So long as the Notes remain outstanding, the Servicer shall furnish to the Initial Noteholder:

(i) annual consolidated audited financial statements of the Servicer and its Affiliates no later than 105 days after the Servicer's Fiscal Year;

(ii) quarterly unaudited statements of the Servicer no later than 60 days after quarter-end;

(iii) monthly unaudited statements of the Servicer no later than 45 days after month-end;

(iv) on a timely basis, (i) quarterly and annual consolidating financial statements reflecting material intercompany adjustments, (ii) all form 10-K, registration statements and other "corporate finance" filings made with the SEC (other than 8-K filings), *provided, however*, that the Servicer shall provide the Initial Noteholder a copy of the Servicer's annual SEC Form 10-K filing no later than 105 days after year-end, and (iii) any other financial information that the Initial Noteholder may reasonably request; and

(v) monthly portfolio performance data with respect to the mortgage loans the Servicer services, including, without limitation, any outstanding delinquencies, prepayments in whole or in part, and repurchases by the Servicer.

(b) Any and all financial statements set forth in Section 4.02(a)(i)-(iv) above shall be prepared in accordance with GAAP.

ARTICLE V

ESTABLISHMENT OF TRUST ACCOUNTS; TRANSFER OBLIGATION

Section 5.01 Collection Account and Distribution Account.

(a) (1) Establishment of Collection Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained one or more Collection Accounts (collectively, the "Collection Account"), which shall be separate Eligible Accounts entitled "Option One Owner Trust 2003-5 Collection Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2003-5 Mortgage-Backed Notes." The Collection Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Collection Account shall be invested in accordance with Section 5.03 hereof. Net investment earnings shall not be considered part of funds available in the Collection Account.

(2) Establishment of Distribution Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained, one or more Distribution Accounts (collectively, the "Distribution Account"), which shall be separate Eligible Accounts, entitled "Option One Owner Trust 2003-5 Distribution Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2003-5 Mortgage-Backed Notes." The Distribution Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Distribution Account shall be invested in accordance with Section 5.03 hereof. The Servicer may, at its option, maintain one account to serve as both the Distribution Account and the Collection Account, in which case, the account shall be entitled "Option One Owner Trust 2003-5 Collection/Distribution Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2003-5 Mortgage-Backed Notes." If the Servicer makes such an election, all references herein or in any other Basic Document to either the Collection Account or the Distribution Account shall mean the Collection/Distribution Account described in the preceding sentence.

(3) The Servicer will inform the Indenture Trustee of the location of any accounts held in the Indenture Trustee's name, including any location to which an account is transferred.

(b) (1) Deposits to Collection Account. The Servicer shall deposit or cause to be deposited (without duplication):

(i) all payments on or in respect of each Loan collected on or after the related Transfer Cut- off Date (net, in each case, of any Servicing Compensation retained therefrom) within two (2) Business Days after receipt thereof;

(ii) all Net Liquidation Proceeds within two (2) Business Days after receipt thereof;

(iii) all Mortgage Insurance Proceeds within two (2) Business Days after receipt thereof;

(iv) all Released Mortgaged Property Proceeds within two (2) Business Days after receipt thereof;

(v) any amounts payable in connection with the repurchase of any Loan and the amount of any Substitution Adjustment pursuant to Sections 2.05 and 3.06 hereof concurrently with payment thereof;

(vi) any Repurchase Price payable in connection with a Servicer Call pursuant to Section 3.08 hereof concurrently with payment thereof;

(vii) the deposit of the Termination Price under Section 10.02 hereof concurrently with payment thereof;

(viii) Nonutilization Fees;

(ix) [reserved];

(x) any payments received under Hedging Instruments or the return of amounts by the Hedging Counterparty pledged pursuant to prior Hedge Funding Requirements in accordance with the last sentence of this Section 5.01(b)(1); and

(xi) any Repurchase Price payable in connection with a Servicer Put remitted by the Servicer pursuant to Section 3.08.

Except as otherwise expressly provided in Section 5.01(c)(4)(i), the Servicer agrees that it will cause the Loan Originator, Borrower or other appropriate Person paying such amounts, as the case may be, to remit directly to the Servicer for deposit into the Collection Account all amounts referenced in clauses (i) through (xi) to the extent such amounts are in excess of a Monthly Payment on the related Loan. To the extent the Servicer receives any such amounts, it will deposit them into the Collection Account on the same Business Day as receipt thereof.

(c) Withdrawals From Collection Account; Deposits to Distribution Account.

(1) Withdrawals From Collection Account — Reimbursement Items. The Paying Agent shall periodically but in any event on each Determination Date, make the following withdrawals from the Collection Account prior to any other withdrawals, in no particular order of priority:

(i) to withdraw any amount not required to be deposited in the Collection Account or deposited therein in error, including Servicing Compensation;

(ii) to withdraw the Servicing Advance Reimbursement Amount; and

(iii) to clear and terminate the Collection Account in connection with the termination of this Agreement.

(2) Deposits to Distribution Account — Payment Dates.

(A) On the Business Day prior to each Payment Date, the Paying Agent shall deposit into the Distribution Account such amounts as are required from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g) and 5.05(h).

(B) After making all withdrawals specified in Section 5.01(c)(1) above, on each Remittance Date, the Paying Agent (based on information provided by the Servicer for such Payment Date), shall withdraw the Monthly Remittance Amount (or, with respect to an additional Payment Date pursuant to Section 5.01(c)(4)(ii), all amounts on deposit in the Collection Account on such date up to the amount necessary to make the payments due on the related Payment Date in accordance with Section 5.01(c)(3)) from the Collection Account not later than 5:00 P.M., New York City time and deposit such amount into the Distribution Account.

(C) [Reserved]

(D) The Servicer shall deposit or cause to be deposited in the Distribution Account any cash Disposition Proceeds pursuant to Section 3.07. To the extent the Servicer receives such amounts, it will deposit them into the Distribution Account on the same Business Day as receipt thereof.

(3) Withdrawals From Distribution Account — Payment Dates. On each Payment Date, to the extent funds are available in the Distribution Account, the Paying Agent (based on the information provided by the Servicer contained in the Servicer's Remittance Report for such Payment Date) shall make withdrawals therefrom for application in the following order of priority:

(i) to distribute on such Payment Date the following amounts in the following order: (a) to the Indenture Trustee, an amount equal to the Indenture Trustee Fee and all unpaid Indenture Trustee Fees from prior Payment Dates and all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid by the Servicer or the Depositor up to an amount not to exceed $25,000 per annum, (b) to the Custodian, an

amount equal to the Custodian Fee and all unpaid Custodian Fees from prior Payment Dates, (c) to the Servicer, an amount equal to the Servicing Compensation and all unpaid Servicing Compensation from prior Payment Dates (to the extent not retained from collections or remitted to the Servicer pursuant to Section 5.01(c)) and (d) to the Servicer, in trust for the Owner Trustee, an amount equal to the Owner Trustee Fee and all unpaid Owner Trustee Fees from prior Payment Dates;

(ii) to distribute on such Payment Date, the Hedge Funding Requirement to the appropriate Hedging Counterparties;

(iii) to the holders of the Notes *pro rata*, the sum of the Interest Payment Amount for such Payment Date and the Interest Carry-Forward Amount for the preceding Payment Date;

(iv) to the holders of the Notes *pro rata*, the sum of the Overcollateralization Shortfall for such Payment Date; provided, however, that if (a) a Rapid Amortization Trigger shall have occurred and not been Deemed Cured or (b) an Event of Default under the Indenture or Default shall have occurred, the holders of the Notes shall receive, in respect of principal, all remaining amounts on deposit in the Distribution Account;

(v) to the Initial Noteholder, the Nonutilization Fee for such Payment Date, to the extent payable, together with any Nonutilization Fees unpaid from any prior Payment Dates;

(vi) to the appropriate Person, amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and Due Diligence Fees until such amounts are paid in full;

(vii) to the Transfer Obligation Account, all remaining amounts until the balance therein equals the Transfer Obligation Target Amount;

(viii) to the Indenture Trustee all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid pursuant to clause (i) above;

(ix) all Nonrecoverable Servicing Advances not previously reimbursed; and

(x) to the holders of the Trust Certificates, subject to Section 5.2(b) of the Trust Agreement, all amounts remaining therein; provided, however, if the Owner Trustee has notified the Paying Agent that any amounts are due and owing to it and remain unpaid, then first to the Owner Trustee, such amounts.

(4) (i) If the Loan Originator or the Servicer, as applicable, repurchases, purchases or substitutes a Loan pursuant to Section 2.05, 3.06, 3.08(a), 3.08(b) or 3.08(c), then the Noteholders and the Issuer shall deem such date to be an additional Payment Date and the

Issuer shall provide written notice to the Indenture Trustee and the Paying Agent of such additional Payment Date at least one Business Day prior to such Payment Date. On such additional Payment Date, the Loan Originator or the Servicer, in satisfaction of its obligations under 2.05, 3.06, 3.08(a) 3.08(b) or 3.08(c) and in satisfaction of the obligations of the Issuer and the Paying Agent to distribute such amounts to the Noteholders pursuant to Section 5.01(c), shall remit to the Noteholders, on behalf of the Issuer and the Paying Agent, an amount equal to the Repurchase Prices and any Substitution Adjustments (as applicable) to be paid by the Loan Originator or the Servicer by 12:00 p.m. New York City time, as applicable, under such Section, on such Payment Date, and the Note Principal Balance will be reduced accordingly. Such amounts shall be deemed deposited into the Collection Account and the Distribution Account, as applicable, and such amounts will be deemed distributed pursuant to the terms of Section 5.01(c). Upon notice of an additional Payment Date to the Paying Agent and the Indenture Trustee as provided above, the Paying Agent shall provide the Loan Originator or the Servicer (as applicable) information necessary so that remittances to the Noteholders pursuant to this clause (4)(i) may be made by the Loan Originator or the Servicer, as applicable, in compliance with Section 5.02(a) hereof.

(ii) To the extent that there is deposited in the Collection Account or the Distribution Account any amounts referenced in Section 5.01(b)(1)(vii) and 5.01(c)(2)(D), the Majority Noteholders and the Issuer may agree, upon reasonable written notice to the Paying Agent and the Indenture Trustee, to additional Payment Dates. The Issuer and the Majority Noteholder shall give the Paying Agent and the Indenture Trustee at least one (1) Business Day's written notice prior to such additional Payment Date and such notice shall specify each amount in Section 5.01(c) to be withdrawn from the Collection Account and Distribution Account on such day.

(iii) To the extent that there is deposited in the Distribution Account any amounts referenced in Section 5.05(f), the Majority Noteholders may, in their sole discretion, establish an additional Payment Date by written notice delivered to the Paying Agent and the Indenture Trustee at least one Business Day prior to such additional Payment Date. On such additional Payment Date, the Paying Agent shall pay the sum of the Overcollateralization Shortfall to the Noteholders in respect of principal on the Notes.

Notwithstanding that the Notes have been paid in full, the Indenture Trustee, the Paying Agent and the Servicer shall continue to maintain the Distribution Account hereunder until this Agreement has been terminated.

(D) [Reserved]

Section 5.02 Payments to Securityholders.

(a) All distributions made on the Notes on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made on a *pro rata* basis among the Noteholders of record of the Notes on the next preceding Record Date based on the Percentage Interest represented by their respective Notes, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of

immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest (as defined in the Indenture) of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee 5 Business Days prior to the related Record Date, and otherwise by check mailed to the address of such Noteholder appearing in the Notes Register. The final distribution on each Note will be made in like manner, but only upon presentment and surrender of such Note at the location specified in the notice to Noteholders of such final distribution.

(b) All distributions made on the Trust Certificates on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made in accordance with the Percentage Interest among the holders of the Trust Certificates of record on the next preceding Record Date based on their Percentage Interests (as defined in the Trust Agreement) on the date of distribution, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of each such holder, if such holder shall own of record a Trust Certificate in an original denomination aggregating at least 25% of the Percentage Interests and shall have so notified the Paying Agent and the Indenture Trustee 5 Business Days prior to the related Record Date, and otherwise by check mailed to the address of such Certificateholder appearing in the Certificate Register. The final distribution on each Trust Certificate will be made in like manner, but only upon presentment and surrender of such Trust Certificate at the location specified in the notice to holders of the Trust Certificates of such final distribution. Any amount distributed to the holders of the Trust Certificates on any Payment Date shall not be subject to any claim or interest of the Noteholders. In the event that at any time there shall be more than one Certificateholder, the Indenture Trustee shall be entitled to reasonable additional compensation from the Servicer for any increase in its obligations hereunder.

Section 5.03 Trust Accounts; Trust Account Property.

(a) Control of Trust Accounts. Each of the Trust Accounts established hereunder has been pledged by the issuer to the Indenture Trustee under the Indenture and shall be subject to the lien of the Indenture. Amounts distributed from each Trust Account in accordance with the terms of this Agreement shall be released for the benefit of the Securityholders from the Trust Estate upon such distribution thereunder or hereunder. The Indenture Trustee shall possess all right, title and interest in and to all funds on deposit from time to time in the Trust Accounts and in all proceeds thereof (including all income thereon) and all such funds, investments, proceeds and income shall be part of the Trust Account Property and the Trust Estate. If, at any time, any Trust Account ceases to be an Eligible Account, the Indenture Trustee shall, within ten Business Days (or such longer period, not to exceed 30 calendar days, with the prior written consent of the Majority Noteholders) (i) establish a new Trust Account as an Eligible Account, (ii) terminate the ineligible Trust Account, and (iii) transfer any cash and investments from such ineligible Trust Account to such new Trust Account.

With respect to the Trust Accounts, the Issuer and the Indenture Trustee agree, that each such Trust Account shall be subject to the “control” (in accordance with Section 9-104 of the Uniform Commercial Code) of the Indenture Trustee for the benefit of the Noteholders, and, except as may be consented to in writing by the Majority Noteholders, or provided in the

related Blocked Account Agreement, the Indenture Trustee shall have sole signature and withdrawal authority with respect thereto.

The Servicer (unless it is also the Paying Agent) shall not be entitled to make any withdrawals or payments from the Trust Accounts.

(b) (1) Investment of Funds. Funds held in the Collection Account, the Distribution Account and the Transfer Obligation Account may be invested (to the extent practicable and consistent with any requirements of the Code) in Permitted Investments, as directed by the Servicer prior to the occurrence of an Event of Default and by the Majority Noteholders thereafter, in writing or facsimile transmission confirmed in writing by the Servicer or Majority Noteholders, as applicable. In the event the Indenture Trustee has not received such written direction, such Funds shall be invested in any Permitted Investment described in clause (i) of the definition of Permitted Investments. In any case, funds in the Collection Account, the Distribution Account and the Transfer Obligation Account must be available for withdrawal without penalty, and any Permitted Investments must mature or otherwise be available for withdrawal, one Business Day prior to the next Payment Date and shall not be sold or disposed of prior to its maturity subject to Subsection (b)(2) of this Section. All interest and any other investment earnings on amounts or investments held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be paid to the Servicer immediately upon receipt by the Indenture Trustee. All Permitted Investments in which funds in the Collection Account, the Distribution Account or the Transfer Obligation Account are invested must be held by or registered in the name of "Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, in trust for the Option One Owner Trust 2003-5 Mortgage-Backed Notes."

(2) Insufficiency and Losses in Trust Accounts. If any amounts are needed for disbursement from the Collection Account, the Distribution Account or the Transfer Obligation Account held by or on behalf of the Indenture Trustee and sufficient uninvested funds are not available to make such disbursement, the Indenture Trustee shall cause to be sold or otherwise converted to cash a sufficient amount of the investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be. The Indenture Trustee shall not be liable for any investment loss or other charge resulting therefrom, unless such loss or charge is caused by the failure of the Indenture Trustee to perform in accordance with written directions provided pursuant to this Section 5.03.

If any losses are realized in connection with any investment in the Collection Account, the Distribution Account or the Transfer Obligation Account pursuant to this Agreement during a period in which the Servicer has the right to direct investments pursuant to Section 5.03(b), then the Servicer shall deposit the amount of such losses (to the extent not offset by income from other investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be) into the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be, immediately upon the realization of such loss. All interest and any other investment earnings on amounts held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be taxed to the Issuer and for federal and state income tax purposes the Issuer shall be deemed to be the owner of the Collection Account, the Distribution Account and/or the Transfer Obligation Account, as the case may be.

(c) Subject to Section 6.01 of the Indenture, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in any Trust Account held by the Indenture Trustee resulting from any investment loss on any Permitted Investment included therein.

(d) With respect to the Trust Account Property, the Indenture Trustee acknowledges and agrees that:

(1) any Trust Account Property that is held in deposit accounts or securities accounts shall be held solely in the Eligible Accounts, subject to the last sentence of Subsection (a) of this Section 5.03; and each such Eligible Account shall be subject to the "control" (in accordance with Section 9-104 of the Uniform Commercial Code) of the Indenture Trustee as provided in the Blocked Account Agreement; and, without limitation on the foregoing, the Indenture Trustee shall have sole signature authority with respect thereto;

(2) any Trust Account Property that constitutes Physical Property shall be delivered to the Indenture Trustee in accordance with paragraphs (a) and (b) of the definition of "Delivery" in Section 1.01 hereof and shall be held, pending maturity or disposition, solely by the Indenture Trustee or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Indenture Trustee;

(3) any Trust Account Property that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations shall be delivered in accordance with paragraph (c) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued book-entry registration of such Trust Account Property as described in such paragraph; and

(4) any Trust Account Property that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (3) above shall be delivered to the Indenture Trustee in accordance with paragraph (d) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued registration of the Indenture Trustee's (or its nominee's) ownership of such security.

Section 5.04 Advance Account.

(a) The Servicer shall cause to be established and maintained in its name, an Advance Account (the "Advance Account"), which need not be a segregated account. The Advance Account shall be maintained with any financial institution the Servicer elects.

(b) Deposits and Withdrawals. Amounts in respect of the transfer of Additional Note Principal Balances and Loans shall be deposited in and withdrawn from the Advance Account as provided in Sections 2.01(c) and 2.06 hereof and Section 3.01 of the Note Purchase Agreement.

Section 5.05 Transfer Obligation Account.

(a) The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained in the name of the Indenture Trustee a Transfer Obligation Account (the "Transfer Obligation Account"), which shall be a separate Eligible Account and may be interest-bearing, entitled "Option One Owner Trust 2003-5 Transfer Obligation Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, in trust for the Option One Owner Trust 2003-5 Mortgage-Backed Notes." The Indenture Trustee shall have no monitoring or calculation obligation with respect to withdrawals from the Transfer Obligation Account. Amounts in the Transfer Obligation Account shall be invested in accordance with Section 5.03.

(b) In accordance with Section 5.06, the Loan Originator shall deposit into the Transfer Obligation Account any amounts as may be required thereby.

(c) On each Payment Date, the Paying Agent will deposit in the Transfer Obligation Account any amounts required to be deposited therein pursuant to Section 5.01(c)(3)(vii).

(d) On the date of each Disposition, the Paying Agent shall withdraw from the Transfer Obligation Account such amount on deposit therein in respect of the payment of Transfer Obligations as may be requested by the Disposition Agent in writing to effect such Disposition.

(e) On each Payment Date, the Paying Agent shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account and (y) the Interest Carry-Forward Amount as of such date.

(f) If with respect to any Business Day there exists an Overcollateralization Shortfall, the Paying Agent, upon the written direction of the Initial Noteholder, shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Business Day the lesser of (x) the amount then on deposit in the Transfer Obligation Account and (y) the amount of such Overcollateralization Shortfall as of such date.

(g) If with respect to any Payment Date there shall exist a Hedge Funding Requirement, the Paying Agent, upon the written direction of the Servicer or the Initial Noteholder, shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on the Business Day prior to such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account (after making all other required withdrawals therefrom with respect to such Payment Date) and (y) the amount of such Hedge Funding Requirement as of such date.

(h) In the event of the occurrence of an Event of Default under the Indenture, the Paying Agent shall withdraw all remaining funds from the Transfer Obligation Account and apply such funds in satisfaction of the Notes as provided in Section 5.04(b) of the Indenture.

(i) (i) The Paying Agent shall return to the Loan Originator all amounts on deposit in the Transfer Obligation Account (after making all other withdrawals pursuant to this Section 5.05) until the Majority Noteholders provide written notice to the Indenture Trustee (with a copy to the Loan Originator and the Servicer) of the occurrence of a default or event of

default (however defined) under any Basic Document with respect to the Issuer, the Depositor, the Loan Originator or any of their Affiliates and (ii) upon the date of the termination of this Agreement pursuant to Article X, the Paying Agent shall withdraw any remaining amounts from the Transfer Obligation Account and remit all such amounts to the Loan Originator.

Section 5.06 Transfer Obligation.

(a) In consideration of the transactions contemplated by the Basic Documents, the Loan Originator agrees and covenants with the Depositor that:

(i) In connection with each Disposition it shall fund, or cause to be funded, reserve funds, pay credit enhancer fees, pay, or cause to be paid, underwriting fees, fund any negative difference between the cash Disposition Proceeds and the aggregate Note Principal Balance at the time of such Disposition, and make, or cause to be made, such other payments as may be, in the reasonable opinion of the Disposition Agent, commercially reasonably necessary to effect Dispositions, in each case to the extent that Disposition Proceeds are insufficient to pay such amounts;

(ii) In connection with Hedging Instruments, on the Business Day prior to each Payment Date, it shall deliver to the Servicer for deposit into the Transfer Obligation Account any Hedge Funding Requirement (to the extent amounts available on the related Payment Date pursuant to Section 5.01 are insufficient to make such payment), when, as and if due to any Hedging Counterparty;

(iii) If any Interest Carry-Forward Amount shall occur, it shall deposit into the Transfer Obligation Account any such Interest Carry-Forward Amount on or before the Business Day preceding such related Payment Date;

(iv) If on any Business Day there exists an Overcollateralization Shortfall, upon the written direction of the Initial Noteholder, it shall on such Business Day deposit into the Transfer Obligation Account the full amount of the Overcollateralization Shortfall as of such date, provided, that in the event that notice of such Overcollateralization Shortfall is provided to the Loan Originator after 3:00 p.m. New York City time, the Loan Originator shall make such deposit on the following Business Day; and

(v) Notwithstanding anything to the contrary herein, in the event of the occurrence of an Event of Default under the Indenture, the Loan Originator shall promptly deposit into the Transfer Obligation Account the entire amount of the Unfunded Transfer Obligation;

provided, that notwithstanding anything to the contrary contained herein, the Loan Originator's cumulative payments under or in respect of the Transfer Obligations (after subtracting therefrom any amounts returned to the Loan Originator pursuant to Section 5.05(i)(i)) together with the Servicer's payments in respect of any Servicer Puts shall not in the aggregate exceed the Unfunded Transfer Obligation.

(b) The Loan Originator agrees that the Noteholders, as ultimate assignee of the rights of the Depositor under this Agreement and the other Basic Documents, may enforce the rights of the Depositor directly against the Loan Originator.

ARTICLE VI

STATEMENTS AND REPORTS; SPECIFICATION OF TAX MATTERS

Section 6.01 Statements.

(a) No later than 12:00 noon (New York City time) on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Initial Noteholder by electronic transmission, the receipt and legibility of which shall be confirmed by telephone, and with hard copy thereof to be delivered no later than one (1) Business Day after such Remittance Date, the Servicer's Remittance Report, setting forth the date of such Report (day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2003-5"), and the date of this Agreement, all in substantially the form set out in Exhibit B hereto. Furthermore, on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Initial Noteholder a data file providing, with respect to each Loan in the Loan Pool as of the last day of the related Remittance Period (i) if such Loan is an ARM, the current Loan Interest Rate; (ii) the Principal Balance with respect to such Loan; (iii) the date of the last Monthly Payment paid in full; and (iv) such other information as may be reasonably requested by the Initial Noteholder and the Indenture Trustee. In addition, no later than 12:00 noon (New York City time) on the 15th day of each calendar month (or if such day is not a Business Day, the preceding Business Day), the Custodian shall prepare and provide to the Servicer and the Indenture Trustee by facsimile, the Custodian Fee Notice for the Payment Date falling in such calendar month.

(b) No later than 12:00 noon (New York City time) on each Remittance Date, the Servicer shall prepare (or cause to be prepared) and provide to the Indenture Trustee electronically or via fax, receipt confirmed by telephone, the Initial Noteholder and each Noteholder, a statement (the "Payment Statement"), stating each date and amount of a purchase of Additional Note Principal Balance (day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2003-5"), the date of this Agreement and the following information:

(1) the aggregate amount of collections in respect of principal of the Loans received by the Servicer during the preceding Remittance Period;

(2) the aggregate amount of collections in respect of interest on the Loans received by the Servicer during the preceding Remittance Period;

(3) all Mortgage Insurance Proceeds received by the Servicer during the preceding Remittance Period and not required to be applied to restoration or repair of the related Mortgaged Property or returned to the Borrower under applicable law or pursuant to the terms of the applicable Mortgage Insurance Policy;

(4) all Net Liquidation Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(5) all Released Mortgaged Property Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(6) the aggregate amount of all Servicing Advances made by the Servicer during the preceding Remittance Period;

(7) the aggregate of all amounts deposited into the Distribution Account in respect of the repurchase of Unqualified Loans and the repurchase of Loans pursuant to Section 2.05 hereof during the preceding Remittance Period;

(8) the aggregate Principal Balance of all Loans for which a Servicer Call was exercised during the preceding Remittance Period;

(9) the aggregate Principal Balance of all Loans for which a Servicer Put was exercised during the preceding Remittance Period;

(10) the aggregate amount of all payments received under Hedging Instruments during the preceding Remittance Period;

(11) the aggregate amount of all withdrawals from the Distribution Account pursuant to Section 5.01(c)(1)(i) hereof during the preceding Remittance Period;

(12) the aggregate amount of cash Disposition Proceeds received during the preceding Remittance Period;

(13) withdrawals from the Collection Account in respect of the Servicing Advance Reimbursement Amount with respect to the related Payment Date;

(14) [reserved];

(15) the number and aggregate Principal Balance of all Loans that are (i) 30-59 days Delinquent, (ii) 60- 89 days Delinquent, (iii) 90 or more days Delinquent as of the end of the related Remittance Period;

(16) the aggregate amount of Liquidated Loan Losses incurred (i) during the preceding Remittance Period, and (ii) during the preceding three Remittance Periods;

(17) the aggregate of the Principal Balances of all Loans in the Loan Pool as of the end of the related Remittance Period;

(18) the aggregate amount of all deposits into the Distribution Account from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g), and 5.05(h) on the related Payment Date;

(19) the aggregate amount of distributions in respect of Servicing Compensation to the Servicer, and unpaid Servicing Compensation from prior Payment Dates for the related Payment Date;

(20) the aggregate amount of distributions in respect of Indenture Trustee Fees and unpaid Indenture Trustee Fees from prior Payment Dates for the related Payment Date;

(21) the aggregate amount of distributions in respect of the Custodian Fee and unpaid Custodian Fees from prior Payment Dates for the related Payment Date;

(22) the aggregate amount of distributions in respect of the Owner Trustee Fees and unpaid Owner Trustee Fees from prior Payment Dates and for the related Payment Date;

(23) the Unfunded Transfer Obligation and Overcollateralization Shortfall on such Payment Date for the related Payment Date;

(24) the aggregate amount of distributions to the Transfer Obligation Account for the related Payment Date;

(25) the aggregate amount of distributions in respect of Trust/Depositor Indemnities for the related Payment Date;

(26) the aggregate amount of distributions to the holders of the Trust Certificates for the related Payment Date;

(27) the Note Principal Balance of the Notes as of the last day of the related Remittance Period (without taking into account any Additional Note Principal Balance between the last day of such Remittance Period and the related Payment Date) before and after giving effect to distributions made to the holders of the Notes for such Payment Date;

(28) the Pool Principal Balance as of the end of the preceding Remittance Period; and

(29) whether a Rapid Amortization Trigger shall exist with respect to such Payment Date.

Such Payment Statement shall also be provided on the Remittance Date to the Initial Noteholder and Indenture Trustee in the form of a data file in a form mutually agreed to by and between the Initial Noteholder, the Indenture Trustee and the Servicer. The Indenture Trustee shall have no duty to monitor the occurrence of a Rapid Amortization Trigger or any events resulting in withdrawals from the Transfer Obligation Account.

Section 6.02 Specification of Certain Tax Matters.

The Paying Agent shall comply with all requirements of the Code and applicable state and local law with respect to the withholding from any distributions made to any Securityholder of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith, giving due effect to any applicable exemptions from such withholding and effective certifications or forms provided by the recipient. Any amounts withheld pursuant to this Section 6.02 shall be deemed to have been

distributed to the Securityholders, as the case may be, for all purposes of this Agreement. The Indenture Trustee shall have no responsibility for preparing or filing any tax returns.

Section 6.03 Valuation of Loans, Hedge Value and Retained Securities Value; Market Value Agent.

(a) The Initial Noteholder hereby irrevocably appoints, and the Issuer hereby consents to the appointment of, the Market Value Agent as agent on behalf of the Noteholders to determine the Market Value of each Loan, the Hedge Value of each Hedging Instrument and the Retained Securities Value of all Retained Securities.

(b) Except as otherwise set forth in Section 3.07, the Market Value Agent shall determine the Market Value of each Loan, for the purposes of the Basic Documents, in its sole and reasonable discretion. In determining the Market Value of each Loan, the Market Value Agent may consider any information that it may deem relevant, including, without limitation, the expected proceeds of the sale of such Loan following the occurrence and continuation of an Event of Default. The Market Value Agent's determination, in its sole and reasonable discretion, of Market Value shall be conclusive and binding upon the parties hereto, absent manifest error (including without limitation, any error contemplated in Section 2.08).

(c) On each Business Day the Market Value Agent shall determine in its sole judgment the Hedge Value of each Hedging Instrument as of such Business Day. In making such determination the Market Value Agent may rely exclusively on quotations provided by the Hedging Counterparty, by leading dealers in instruments similar to such Hedging Instrument, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

(d) On each Business Day, the Market Value Agent shall determine in its sole judgment the Retained Securities Value of the Retained Securities, if any, expected to be issued pursuant to such Securitization as of the closing date of such Securitization. In making such determination the Market Value Agent may rely exclusively on quotations provided by leading dealers in instruments similar to such Retained Securities, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

ARTICLE VII

HEDGING; FINANCIAL COVENANTS

Section 7.01 Hedging Instruments.

(a) On each Transfer Date, the Trust shall enter into such Hedging Instruments as the Market Value Agent, on behalf of the Majority Noteholders, shall determine are necessary in order to hedge the interest rate risk with respect to the Collateral Value of the Loans being purchased on such Transfer Date. The Market Value Agent shall determine, in its sole discretion, whether any Hedging Instrument conforms to the requirements of Section 7.01(b), (c) and (d).

(b) Each Hedging Instrument shall expressly provide that in the event of a Disposition or other removal of the Loan from the Trust, such portion of the Hedging Instrument shall terminate as the Disposition Agent deems appropriate to facilitate the hedging of the risks specified in Section 7.01(a). In the event that the Hedging Instrument is not otherwise terminated, it shall contain provisions that allow the position of the Trust to be assumed by an Affiliate of the Trust upon the liquidation of the Trust. The terms of the assignment documentation and the credit quality of the successor to the Trust shall be subject to the Hedging Counterparty's approval.

(c) Any Hedging Instrument that provides for any payment obligation on the part of the Issuer must (i) be without recourse to the assets of the Issuer, (ii) contain a non-petition covenant provision in the form of Section 11.13, (iii) limit payment dates thereunder to Payment Dates and (iv) contain a provision limiting any cash payments due on any day under such Hedging Instrument solely to funds available therefor in the Collection Account on such day pursuant to Section 5.01(c)(3)(ii) hereof and funds available therefor in the Transfer Obligation Account.

(d) Each Hedging Instrument must (i) provide for the direct payment of any amounts thereunder to the Collection Account pursuant to Section 5.01(b)(1)(x), (ii) contain an assignment of all of the Issuer's rights (but none of its obligations) under such Hedging Instrument to the Indenture Trustee and shall include an express consent to the Hedging Counterparty to such assignment, (iii) provide that in the event of the occurrence of an Event of Default, such Hedging Instrument shall terminate upon the direction of the Majority Noteholders, (iv) prohibit the Hedging Counterparty from "setting-off" or "netting" other obligations of the Issuer or its Affiliates against such Hedging Counterparty's payment obligations thereunder, (v) provide that the appropriate portion of the Hedging Instrument will terminate upon the removal of the related Loans from the Trust Estate and (vi) have economic terms that are fixed and not subject to alteration after the date of assumption or execution.

(e) If agreed to by the Majority Noteholders, the Issuer may pledge its assets in order to secure its obligations in respect of Hedge Funding Requirements, provided that such right shall be limited solely to Hedging Instruments for which an Affiliate of the Initial Noteholder is a Hedging Counterparty.

(f) The aggregate notional amount of all Hedging Instruments shall not exceed the Note Principal Balance as of the date on which each Hedging Instrument is entered into by the Issuer and a Hedging Counterparty.

Section 7.02 Financial Covenants.

(a) Each of the Loan Originator and the Servicer shall maintain a minimum Tangible Net Worth of $425 million as of any day.

(b) Neither the Loan Originator nor the Servicer may exceed a maximum leverage ratio (the ratio of total liabilities (exclusive of non-recourse debt), determined in accordance with GAAP, to its Tangible Net Worth) of 6.0x as of any day.

(c) Neither the Loan Originator nor the Servicer may exceed a maximum non-warehouse leverage ratio (the ratio of (i) the sum of (A) all funded debt (excluding debt from H&R Block, Inc. or any of its Affiliates and all non-recourse debt) less (B) 100% of its mortgage loan inventory held for sale less (C) 80% of servicing advance receivables (determined and valued in accordance with GAAP) to (ii) Tangible Net Worth) of 0.50x at any time.

(d) Each of the Loan Originator and the Servicer shall maintain a minimum liquidity facility (defined as a committed, unsecured, non-amortizing liquidity facility from H&R Block, Inc. not to mature (scheduled or accelerated) prior to the Maturity Date) in an amount no less than $150 million. Such facility from H&R Block, Inc. cannot contain covenants or termination events more restrictive than the covenants or termination events contained in the Basic Documents.

(e) Each of the Loan Originator and the Servicer, on a quarterly basis, shall provide the Initial Noteholder with an Officer's Certificate stating that the Loan Originator or the Servicer, as the case may be, is in compliance with the financial covenants set forth in this Section 7.02 and the details of such compliance.

ARTICLE VIII

THE SERVICER

Section 8.01 Indemnification; Third Party Claims.

(a) The Servicer shall indemnify the Loan Originator, the Owner Trustee, the Trust, the Depositor, the Indenture Trustee and the Noteholders, their respective officers, directors, employees, agents and "control persons," as such term is used under the Act and under the Securities Exchange Act of 1934 as amended (each a "Servicer Indemnified Party") and hold harmless each of them against any and all claims, losses, damages, penalties, fines, forfeitures, reasonable legal fees and related costs, judgments, and other costs and expenses resulting from any claim, demand, defense or assertion based on or grounded upon, or resulting from, a breach of any of the Servicer's representations and warranties and covenants contained in this Agreement or in any way relating to the failure of the Servicer to perform its duties and service the Loans in compliance with the terms of this Agreement except to the extent such loss arises out of such Servicer Indemnified Party's gross negligence or willful misconduct; provided, however, that if the Servicer is not liable pursuant to the provisions of Section 8.01(b) hereof for its failure to perform its duties and service the Loans in compliance with the terms of this Agreement, then the provisions of this Section 8.01 shall have no force and effect with respect to such failure.

(b) None of the Loan Originator, the Depositor or the Servicer or any of their respective Affiliates, directors, officers, employees or agents shall be under any liability to the Owner Trustee, the Issuer, the Indenture Trustee or the Securityholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, directors, officers, employees,

agents against the remedies provided herein for the breach of any warranties, representations or covenants made herein, or against any expense or liability specifically required to be borne by such party without right of reimbursement pursuant to the terms hereof, or against any expense or liability which would otherwise be imposed by reason of misfeasance, bad faith or negligence in the performance of the respective duties of the Servicer, the Depositor or the Loan Originator, as the case may be. The Loan Originator, the Depositor, the Servicer and any of their respective Affiliates, directors, officers, employees, agents may rely in good faith on any document of any kind which, prima facie, is properly executed and submitted by any Person respecting any matters arising hereunder.

(c) The Loan Originator agrees to indemnify and hold harmless the Depositor and the Noteholders, as the ultimate assignees from the Depositor (each an "Originator Indemnified Party," together with the Servicer Indemnified Parties, the "Indemnified Parties"), from and against any loss, liability, expense, damage, claim or injury arising out of or based on (i) any breach of any representation, warranty or covenant of the Loan Originator, the Servicer or their Affiliates, in any Basic Document, including, without limitation, the origination or prior servicing of the Loans by reason of any acts, omissions, or alleged acts or omissions arising out of activities of the Loan Originator, the Servicer or their Affiliates, and (ii) any untrue statement by the Loan Originator, the Servicer or its Affiliates of any material fact or any such Person's failure to state a material fact necessary to make such statements not misleading with respect to any such Person's statements contained in any Basic Document, including, without limitation, any Officer's Certificate, statement, report or other document or information prepared by any such Person and furnished or to be furnished by it pursuant to or in connection with the transactions contemplated thereby and not corrected prior to completion of the relevant transaction including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the Loans or any such Person's business, operations or financial condition, including reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim; provided that the Loan Originator shall not indemnify an Originator Indemnified Party to the extent such loss, liability, expense, damage or injury is due to either an Originator Indemnified Party's willful misfeasance, bad faith or negligence or by reason of an Originator Indemnified Party's reckless disregard of its obligations hereunder; provided, further, that the Loan Originator shall not be so required to indemnify an Originator Indemnified Party or to otherwise be liable hereunder or under any provision of the Basic Documents to an Originator Indemnified Party for any losses in respect of the performance of the Loans, the insolvency, bankruptcy, delinquency, creditworthiness and similar characteristics of the Borrowers under the Loans, the uncollectability of any principal, interest, and any other charges (including late fees) under such loans, changes in the market value of the Loans or other similar investment risks associated with the Loans arising from a breach of any representation or warranty set forth in Exhibit E hereto, the sole remedy for the breach of which is provided in Section 3.06 hereof. The provisions of this indemnity shall run directly to and be enforceable by an Originator Indemnified Party subject to the limitations hereof.

(d) With respect to a claim subject to indemnity hereunder made by any Person against an Indemnified Party (a "Third Party Claim"), such Indemnified Party shall notify the related indemnifying parties (each an "Indemnifying Party") in writing of the Third Party Claim within a reasonable time after receipt by such Indemnified Party of written notice of the

Third Party Claim unless the Indemnifying Parties shall have previously obtained actual knowledge thereof. Thereafter, the Indemnified Party shall deliver to the Indemnifying Parties, within a reasonable time after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim. No failure to give such notice or deliver such documents shall effect the rights to indemnity hereunder. Each Indemnifying Party shall promptly notify the Indenture Trustee and the Indemnified Party (if other than the Indenture Trustee) of any claim of which it has been notified and shall promptly notify the Indenture Trustee and the Indemnified Party (if applicable) of its intended course of action with respect to any claim.

(e) If a Third Party Claim is made against an Indemnified Party, while maintaining control over its own defense, the Indemnified Party shall cooperate and consult fully with the Indemnifying Party in preparing such defense, and the Indemnified Party may defend the same in such manner as it may deem appropriate, including settling such claim or litigation after giving notice to the Indemnifying Party of such terms and the Indemnifying Party will promptly reimburse the Indemnified Party upon written request; provided, however, that the Indemnified Party may not settle any claim or litigation without the consent of the Indemnifying Party; provided, further, that the Indemnifying Party shall have the right to reject the selection of counsel by the Indemnified Party if the Indemnifying Party reasonably determines that such counsel is inappropriate in light of the nature of the claim or litigation and shall have the right to assume the defense of such claim or litigation if the Indemnifying Party determines that the manner of defense of such claim or litigation is unreasonable.

Section 8.02 Merger or Consolidation of the Servicer.

The Servicer shall keep in full effect its existence, rights and franchises as a corporation, and will obtain and preserve its qualification to do business as a foreign corporation and maintain such other licenses and permits in each jurisdiction necessary to protect the validity and enforceability of each Basic Document to which it is a party and each of the Loans and to perform its duties under each Basic Document to which it is a party; provided, however, that the Servicer may merge or consolidate with any other corporation upon the satisfaction of the conditions set forth in the following paragraph.

Any Person into which the Servicer may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Servicer shall be a party, or any Person succeeding to the business of the Servicer, shall be an Eligible Servicer and shall be the successor of the Servicer, as applicable hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. The Servicer shall send notice of any such merger, conversion, consolidation or succession to the Indenture Trustee and the issuer.

Section 8.03 Limitation on Liability of the Servicer and Others.

The Servicer and any director, officer, employee or agent of the Servicer may rely on any document of any kind which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper authorities respecting any matters arising hereunder. Subject to the terms of Section 8.01 hereof, the Servicer shall have no obligation to appear with

respect to, prosecute or defend any legal action which is not incidental to the Servicer's duty to service the Loans in accordance with this Agreement.

Section 8.04 Servicer Not to Resign; Assignment.

The Servicer shall not resign from the obligations and duties hereby imposed on it except (a) with the consent of the Majority Noteholders or (b) upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination pursuant to clause (b) of the preceding sentence permitting the resignation of the Servicer shall be evidenced by an Independent opinion of counsel to such effect delivered (at the expense of the Servicer) to the Indenture Trustee and the Majority Noteholders. No resignation of the Servicer shall become effective until a successor servicer, appointed pursuant to the provisions of Section 9.02 hereof shall have assumed the Servicer's responsibilities, duties, liabilities (other than those liabilities arising prior to the appointment of such successor) and obligations under this Agreement.

Except as expressly provided herein, the Servicer shall not assign or transfer any of its rights, benefits or privileges hereunder to any other Person, or delegate to or subcontract with, or authorize or appoint any other Person to perform any of the duties, covenants or obligations to be performed by the Servicer hereunder and any agreement, instrument or act purporting to effect any such assignment, transfer, delegation or appointment shall be void.

The Servicer agrees to cooperate with any successor Servicer in effecting the transfer of the Servicer's servicing responsibilities and rights hereunder pursuant to the first paragraph of this Section 8.04, including, without limitation, the transfer to such successor of all relevant records and documents (including any Loan Files in the possession of the Servicer) and all amounts received with respect to the Loans and not otherwise permitted to be retained by the Servicer pursuant to this Agreement. In addition, the Servicer, at its sole cost and expense, shall prepare, execute and deliver any and all documents and instruments to the successor Servicer including all Loan Files in its possession and do or accomplish all other acts necessary or appropriate to effect such termination and transfer of servicing responsibilities.

Section 8.05 Relationship of Servicer to Issuer and the Indenture Trustee.

The relationship of the Servicer (and of any successor to the Servicer as servicer under this Agreement) to the Issuer, the Owner Trustee and the Indenture Trustee under this Agreement is intended by the parties hereto to be that of an independent contractor and not of a joint venturer, agent or partner of the issuer, the Owner Trustee or the Indenture Trustee.

Section 8.06 Servicer May Own Securities.

Each of the Servicer and any Affiliate of the Servicer may in its individual or any other capacity become the owner or pledgee of Securities with the same rights as it would have if it were not the Servicer or an Affiliate thereof except as otherwise specifically provided herein; provided, however, that at any time that Option One or any of its Affiliates is the Servicer, neither the Servicer nor any of its Affiliates (other than an Affiliate which is a corporation whose purpose is limited to holding securities and related activities and which cannot incur recourse debt) may be a Noteholder. Securities so owned by or pledged to the Servicer or such Affiliate shall have an equal and proportionate benefit under the provisions of this Agreement, without

preference, priority, or distinction as among all of the Securities; provided, however, that any Securities owned by the Servicer or any Affiliate thereof, during the time such Securities are owned by them, shall be without voting rights for any purpose set forth in this Agreement unless the Servicer or such Affiliate owns all outstanding Securities of the related class. The Servicer shall notify the Indenture Trustee promptly after it or any of its Affiliates becomes the owner or pledgee of a Security.

Section 8.07 Indemnification of the Indenture Trustee and Initial Noteholder.

The Servicer agrees to indemnify the Indenture Trustee and its employees, officers, directors and agents, and reimburse its reasonable out-of-pocket expenses in accordance with Section 6.07 of the Indenture as if it was a signatory thereto. The Servicer agrees to indemnify the Initial Noteholder in accordance with Section 9.01 of the Note Purchase Agreement as if it were signatory thereto.

ARTICLE IX

SERVICER EVENTS OF DEFAULT

Section 9.01 Servicer Events of Default.

(a) In case one or more of the following Servicer Events of Default shall occur and be continuing, that is to say:

(1) any failure by the Servicer to deposit into the Collection Account or the Distribution Account any amounts required to be deposited therein or any failure by the Servicer to make any of the required payments therefrom; or

(2) any failure on the part of the Servicer duly to observe or perform in any material respect any other of the material covenants or agreements on the part of the Servicer, contained in any Basic Document to which it is a party, which continues unremedied for a period of 30 days (or, in the case of payment of insurance premiums, for a period of 15 days) after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by Holders of 25% of the Percentage Interests of the Notes or the Trust Certificates; or

(3) any breach on the part of the Servicer of any representation or warranty contained in any Basic Document to which it is a party that materially and adversely affects the interests of any of the parties hereto or any Securityholder and which continues unremedied for a period of 30 days after the date on which notice of such breach, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by the Initial Noteholder or Holders of 25% of the Percentage Interests (as defined in the Indenture) of the Notes; or

(4) there shall have been commenced before a court or agency or supervisory authority having jurisdiction in the premises an involuntary proceeding against the

Servicer under any present or future federal or state bankruptcy, insolvency or similar law for the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, which action shall not have been dismissed for a period of 60 days; or

(5) the Servicer shall consent to the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to it or of or relating to all or substantially all of its property; or

(6) the Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy, insolvency or reorganization statute, make an assignment for the benefit of its creditors, voluntarily suspend payment of its obligations, or take any corporate action in furtherance of the foregoing; or

(7) Reserved; or

(8) the Servicer or the Loan Originator fails to comply with any of its financial covenants set forth in Section 7.02; or

(9) a Change of Control of the Servicer; or

(10) the occurrence of an Event of Default under the Indenture as a result of the action or inaction of the Issuer.

(b) Then, and in each and every such case, so long as a Servicer Event of Default shall not have been remedied, the Indenture Trustee or the Majority Noteholders, by notice in writing to the Servicer may, in addition to whatever rights such Person may have at law or in equity to damages, including injunctive relief and specific performance, may terminate all the rights and obligations of the Servicer under this Agreement and in and to the Loans and the proceeds thereof, as servicer under this Agreement. Upon receipt by the Servicer of such written notice, all authority and power of the Servicer under this Agreement, whether with respect to the Loans or otherwise, shall, subject to Section 9.02 hereof, pass to and be vested in a successor servicer, and the successor servicer is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments and do or cause to be done all other acts or things necessary or appropriate to effect the purposes of such notice of termination, including, but not limited to, the transfer and endorsement or assignment of the Loans and related documents. The Servicer agrees to cooperate with the successor servicer in effecting the termination of the Servicer's responsibilities and rights hereunder, including, without limitation, the transfer to the successor servicer for administration by it of all amounts which shall at the time be credited by the Servicer to each Collection Account or thereafter received with respect to the Loans.

(c) Upon the occurrence of (i) an Event of Default or Default under any of the Basic Documents, (ii) a Servicer Event of Default under this Agreement or (iii) a Rapid Amortization Trigger (each, a "Term Event"), the Servicer's right to service the Loans pursuant

to the terms of this Agreement shall be in effect for an initial period commencing on the date on which such Term Event occurred and shall automatically terminate at 5:00 p.m. (New York City time), on the last Business Day of the calendar month in which such Term Event occurred (the "Initial Term"). Thereafter, the Initial Term shall be extendible in the sole discretion of the Initial Noteholder by written notice (each, a "Servicer Extension Notice") of the Initial Noteholder for successive one-month terms (each such term ending at 5:00 p.m. (New York City time), on the last Business Day of the related month). Following a Term Event, the Servicer hereby agrees that the Servicer shall be bound for the duration of the Initial Term and the term covered by any such Servicer Extension Notice to act as the Servicer pursuant to this Agreement. Following a Term Event, the Servicer agrees that if, as of 3:00 p.m. (New York City time) on the last Business Day of any month, the Servicer shall not have received a Servicer Extension Notice from the Initial Noteholder, the Servicer shall give written notice of such non-receipt to the Initial Noteholder by 4:00 p.m. (New York City time). Following a Term Event, the failure of the Initial Noteholder to deliver a Servicer Extension Notice by 5:00 p.m. (New York City time) shall result in the automatic and immediate termination of the Servicer (the "Termination Date"). Notwithstanding these time frames, the Servicer and the Initial Noteholder shall comply with all applicable laws in connection with such transfer and the Servicer shall continue to service the Loans until completion of such transfer.

Section 9.02 Appointment of Successor.

On and after the date the Servicer receives a notice of termination pursuant to Section 9.01 hereof or is automatically terminated pursuant to Section 9.01(c) hereof, or the Owner Trustee receives the resignation of the Servicer evidenced by an Opinion of Counsel or accompanied by the consents required by Section 8.04 hereof, or the Servicer is removed as servicer pursuant to this Article IX or Section 4.01 of the Servicing Addendum, then, the Majority Noteholders shall appoint a successor servicer to be the successor in all respects to the Servicer in its capacity as Servicer under this Agreement and the transactions set forth or provided for herein and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof; provided, however, that the successor servicer shall not be liable for any actions of any servicer prior to it.

The successor servicer shall be obligated to make Servicing Advances hereunder. As compensation therefor, the successor servicer appointed pursuant to the following paragraph, shall be entitled to all funds relating to the Loans which the Servicer would have been entitled to receive from the Collection Account pursuant to Section 5.01 hereof as if the Servicer had continued to act as servicer hereunder, together with other Servicing Compensation in the form of assumption fees, late payment charges or otherwise as provided in Section 4.15 of the Servicing Addendum. The Servicer shall not be entitled to any termination fee if it is terminated pursuant to Section 9.01 hereof but shall be entitled to any accrued and unpaid Servicing Compensation to the date of termination.

Any collections received by the Servicer after removal or resignation shall be endorsed by it to the Indenture Trustee and remitted directly to the successor servicer. The compensation of any successor servicer appointed shall be the Servicing Fee, together with other Servicing Compensation provided for herein. The Indenture Trustee, the Issuer, any Custodian, the Servicer and any such successor servicer shall take such action, consistent with this Agreement, as shall be reasonably necessary to effect any such succession. Any costs or

expenses incurred by the Indenture Trustee in connection with the termination of the Servicer and the succession of a successor servicer shall be an expense of the outgoing Servicer and, to the extent not paid thereby, an expense of such successor servicer. The Servicer agrees to cooperate with the Indenture Trustee and any successor servicer in effecting the termination of the Servicer's servicing responsibilities and rights hereunder and shall promptly provide the successor servicer all documents and records reasonably requested by it to enable it to assume the Servicer's functions hereunder and shall promptly also transfer to the successor servicer all amounts which then have been or should have been deposited in any Trust Account maintained by the Servicer or which are thereafter received with respect to the Loans. Upon the occurrence of an Event of Default, the Majority Noteholders shall have the right to order the Servicer's Loan Files and all other files of the Servicer relating to the Loans and all other records of the Servicer and all documents relating to the Loans which are then or may thereafter come into the possession of the Servicer or any third party acting for the Servicer to be delivered to such custodian or servicer as it selects and the Servicer shall deliver to such custodian or servicer such assignments as the Majority Noteholders shall request. No successor servicer shall be held liable by reason of any failure to make, or any delay in making, any distribution hereunder or any portion thereof caused by (i) the failure of the Servicer to deliver, or any delay in delivering, cash, documents or records to it or (ii) restrictions imposed by any regulatory authority having jurisdiction over the Servicer hereunder. No appointment of a successor to the Servicer hereunder shall be effective until written notice of such proposed appointment shall have been provided to the Initial Noteholder, the Indenture Trustee, the Issuer and the Depositor, the Majority Noteholders and the Issuer shall have consented in writing thereto.

In connection with such appointment and assumption, the Majority Noteholder may make such arrangements for the compensation of such successor servicer out of payments on the Loans as they and such successor servicer shall agree.

Section 9.03 Waiver of Defaults.

The Majority Noteholders may waive any events permitting removal of the Servicer as servicer pursuant to this Article IX. Upon any waiver of a past default, such default shall cease to exist and any Servicer Event of Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto except to the extent expressly so waived.

Section 9.04 Accounting Upon Termination of Servicer.

Upon termination of the Servicer under this Article IX, the Servicer shall, at its own expense:

(a) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee the funds in any Trust Account maintained by the Servicer;

(b) deliver to its successor or, if none shall yet have been appointed, to the Custodian all Loan Files and related documents and statements held by it hereunder and a Loan portfolio computer tape;

(c) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee and to the Issuer and the Securityholders a full accounting of all funds, including a statement showing the Monthly Payments collected by it and a statement of monies held in trust by it for payments or charges with respect to the Loans; and

(d) execute and deliver such instruments and perform all acts reasonably requested in order to effect the orderly and efficient transfer of servicing of the Loans to its successor and to more fully and definitively vest in such successor all rights, powers, duties, responsibilities, obligations and liabilities of the Servicer under this Agreement.

ARTICLE X

TERMINATION; PUT OPTION

Section 10.01 Termination.

(a) This Agreement shall terminate upon either: (A) the later of (i) the satisfaction and discharge of the Indenture and the provisions thereof, to the Noteholders of all amounts due and owing in accordance with the provisions hereof or (ii) the disposition of all funds with respect to the last Loan and the remittance of all funds due hereunder and the payment of all amounts due and payable, including, in both cases, without limitation, indemnification payments payable pursuant to any Basic Document to the Indenture Trustee, the Owner Trustee, the Issuer, the Servicer and the Custodian, written notice of the occurrence of either of which shall be provided to the Indenture Trustee by the Servicer; or (B) the mutual consent of the Servicer, the Depositor and all Securityholders in writing and delivered to the Indenture Trustee by the Servicer.

(b) The Securities shall be subject to an early redemption or termination at the option of the Servicer and the Majority Noteholders in the manner and subject to the provisions of Section 10.02 and 10.04 of this Agreement.

(c) Except as provided in this Article X, none of the Depositor, the Servicer nor any Certificateholder or Noteholder shall be entitled to revoke or terminate the Trust.

Section 10.02 Optional Termination.

(a) The Servicer may, at its option, effect an early termination of the Trust on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans at a purchase price, payable in cash, equal to or greater than the Termination Price. The expense of any Independent appraiser required in connection with the calculation and payment of the Termination Price under this Section 10.02 shall be a nonreimbursable expense of the Servicer.

Any such early termination by the Servicer shall be accomplished by depositing into the Collection Account on the third Business Day prior to the Payment Date on which the purchase is to occur the amount of the Termination Price to be paid. The Termination Price and any amounts then on deposit in the Collection Account (other than any amounts withdrawable

pursuant to Section 5.01(c)(1) hereof) shall be deposited in the Distribution Account and distributed by the Indenture Trustee pursuant to Section 5.01(c)(3) of this Agreement and Section 9.1 of the Trust Agreement on the next succeeding Payment Date; and any amounts received with respect to the Loans and Foreclosure Properties subsequent to the final Payment Date shall belong to the purchaser thereof.

Section 10.03 Notice of Termination.

Notice of termination of this Agreement or of early redemption and termination of the Issuer pursuant to Section 10.01 shall be sent by the Indenture Trustee to the Noteholders in accordance with Section 10.02 of the Indenture.

Section 10.04 Put Option.

The Majority Noteholders may, at their option, effect a put of the entire outstanding Note Principal Balance, or any portion thereof, to the Trust on any date by exercise of the Put Option. The Majority Noteholders shall effect such put by providing notice thereof in accordance with Section 10.05 of the Indenture.

Unless otherwise agreed by the Majority Noteholders, on the third Business Day prior to the Put Date, the Issuer shall deposit the Note Redemption Amount into the Distribution Account and, if the Put Date occurs after the termination of the Revolving Period and constitutes a put of the entire outstanding Note Principal Balance, any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c)(1) hereof) shall be deposited in the Distribution Account and distributed by the Paying Agent pursuant to section 5.01(c)(3) of this Agreement on the Put Date; and any amounts received with respect to the Loans and Foreclosure Properties subsequent to the Put Date shall belong to the Issuer.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.01 Acts of Securityholders.

Except as otherwise specifically provided herein and except with respect to Section 11.02(b), whenever action, consent or approval of the Securityholders is required under this Agreement, such action, consent or approval shall be deemed to have been taken or given on behalf of, and shall be binding upon, all Securityholders if the Majority Noteholders agree to take such action or give such consent or approval.

Section 11.02 Amendment.

(a) This Agreement may be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement with notice thereof to the Securityholders, without the consent of any of the Securityholders, to cure any error or ambiguity, to correct or supplement any provisions hereof which may be defective or inconsistent with any other provisions hereof or to add any other provisions with respect to matters or questions arising under this Agreement; provided, however, that such action will not adversely affect in any material respect the interests of the Securityholders, as evidenced by an

Opinion of Counsel to such effect provided at the expense of the party requesting such Amendment.

(b) This Agreement may also be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement, with the prior written consent of the Majority Noteholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, or of modifying in any manner the rights of the Securityholders; provided, however, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, collections of payments on Loans or distributions which are required to be made on any Security, without the consent of the holders of 100% of the Securities, (ii) adversely affect in any material respect the interests of any of the holders of the Securities in any manner other than as described in clause (i), without the consent of the holders of 100% of the Securities, or (iii) reduce the percentage of the Securities, the consent of which is required for any such amendment, without the consent of the holders of 100% of the Securities.

(c) It shall not be necessary for the consent of Securityholders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the execution of any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment which affects the Issuer's own rights, duties or immunities of the Issuer or the Indenture Trustee, as the case may be, under this Agreement.

Section 11.03 Recordation of Agreement.

To the extent permitted by applicable law, this Agreement, or a memorandum thereof if permitted under applicable law, is subject to recordation in all appropriate public offices for real property records in all of the counties or other comparable jurisdictions in which any or all of the Mortgaged Property is situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Servicer at the Securityholders' expense on direction of the Majority Noteholders but only when accompanied by an Opinion of Counsel to the effect that such recordation materially and beneficially affects the interests of the Securityholders or is necessary for the administration or servicing of the Loans.

Section 11.04 Duration of Agreement.

This Agreement shall continue in existence and effect until terminated as herein provided.

Section 11.05 Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN

ACCORDANCE WITH SUCH LAWS (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW BUT OTHERWISE WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW).

Section 11.06 Notices.

All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered personally, mailed by overnight mail, certified mail or registered mail, postage prepaid, or (ii) transmitted by telecopy, upon telephone confirmation of receipt thereof, as follows: (I) in the case of the Depositor, to Option One Loan Warehouse Corporation, 3 Ada, Irvine, California 92618, or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Depositor; (II) in the case of the Trust, to Option One Owner Trust 2003-5, c/o Wilmington Trust Company, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, telecopy number: (302) 636-4144, telephone number: (302) 636-1000, or such other address or telecopy or telephone numbers as may hereafter be furnished to the Noteholders and the other parties hereto in writing by the Trust; (III) in the case of the Loan Originator, to Option One Mortgage Corporation, 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Loan Originator; (IV) in the case of the Servicer, to Option One Mortgage Corporation 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Servicer; and (V) in the case of the Indenture Trustee, at P.O. Box 98, Columbia, Maryland 21046, Attention: Option One Owner Trust 2003-5, with a copy to it at the Corporate Trust Office, as defined in the Indenture, any such notices shall be deemed to be effective with respect to any party hereto upon the receipt of such notice or telephone confirmation thereof by such party, except; provided, that notices to the Securityholders shall be effective upon mailing or personal delivery.

Section 11.07 Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held invalid for any reason whatsoever, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other covenants, agreements, provisions or terms of this Agreement.

Section 11.08 No Partnership.

Nothing herein contained shall be deemed or construed to create any partnership or joint venture between the parties hereto and the services of the Servicer shall be rendered as an independent contractor.

Section 11.09 Counterparts.

This Agreement may be executed in one or more counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original; such counterparts, together, shall constitute one and the same Agreement.

Section 11.10 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the Servicer, the Loan Originator, the Depositor, the Indenture Trustee, the Issuer and the Securityholders and their respective successors and permitted assigns.

Section 11.11 Headings.

The headings of the various Sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

Section 11.12 Actions of Securityholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Depositor, the Servicer, the Loan Originator or the Issuer. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and conclusive in favor of the Depositor, the Servicer, the Loan Originator and the Issuer if made in the manner provided in this Section 11.12.

(b) The fact and date of the execution by any Securityholder of any such instrument or writing may be proved in any reasonable manner which the Depositor, the Servicer, the Loan Originator or the Issuer may deem sufficient.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Securityholder shall bind every holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, or omitted to be done, by the Depositor, the Servicer, the Loan Originator or the Issuer in reliance thereon, whether or not notation of such action is made upon such Security.

(d) The Depositor, the Servicer, the Loan Originator or the Issuer may require additional proof of any matter referred to in this Section 11.12 as it shall deem necessary.

Section 11.13 Non-Petition Agreement.

Notwithstanding any prior termination of any Basic Document, the Loan Originator, the Servicer, the Depositor and the Indenture Trustee each severally and not jointly covenants that it shall not, prior to the date which is one year and one day after the payment in

full of the all of the Notes, acquiesce, petition or otherwise, directly or indirectly, invoke or cause the Trust or the Depositor to invoke the process of any governmental authority for the purpose of commencing or sustaining a case against the Issuer or Depositor under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or Depositor or any substantial part of their respective property or ordering the winding up or liquidation of the affairs of the Issuer or the Depositor.

Section 11.14 Holders of the Securities.

(a) Any sums to be distributed or otherwise paid hereunder or under this Agreement to the holders of the Securities shall be paid to such holders *pro rata* based on their Percentage Interests;

(b) Where any act or event hereunder is expressed to be subject to the consent or approval of the holders of the Securities, such consent or approval shall be capable of being given by the holder or holders evidencing in the aggregate not less than 51% of the Percentage Interests.

Section 11.15 Due Diligence Fees, Due Diligence.

The Loan Originator acknowledges that the Initial Noteholder has the right to perform continuing due diligence reviews with respect to the Loans, for purposes of verifying compliance with the representations, warranties and specifications made hereunder, or otherwise, and the Loan Originator agrees that upon reasonable prior notice (with no notice being required upon the occurrence of an Event of Default) to the Loan Originator, the Initial Noteholder, the Indenture Trustee and Custodian or its authorized representatives will be permitted during normal business hours to examine, inspect, and make copies and extracts of, the Loan Files and any and all documents, records, agreements, instruments or information relating to such Loans in the possession or under the control of the Servicer and the Indenture Trustee. The Loan Originator also shall make available to the Initial Noteholder a knowledgeable financial or accounting officer for the purpose of answering questions respecting the Loan Files and the Loans and the financial condition of the Loan Originator. Without limiting the generality of the foregoing, the Loan Originator acknowledges that the Initial Noteholder may purchase Notes based solely upon the information provided by the Loan Originator to the Initial Noteholder in the Loan Schedule and the representations, warranties and covenants contained herein, and that the Initial Noteholder, at its option, has the right at any time to conduct a partial or complete due diligence review on some or all of the Loans securing such purchase, including without limitation ordering new credit reports and new appraisals on the related Mortgaged Properties and otherwise re-generating the information used to originate such Loan. The Initial Noteholder may underwrite such Loans itself or engage a mutually agreed upon third party underwriter to perform such underwriting. The Loan Originator agrees to cooperate with the Initial Noteholder and any third party underwriter in connection with such underwriting, including, but not limited to, providing the Initial Noteholder and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such Loans in the possession, or under the control, of the Servicer. The Loan Originator further agrees that the Loan Originator shall reimburse the Initial Noteholder for any and all reasonable out-of-pocket costs and expenses incurred by the Initial Noteholder in connection with the Initial Noteholder’s

activities pursuant to this Section 11.15 hereof , not to exceed $15,000 per quarter (the "Due Diligence Fees"). In addition to the obligations set forth in Section 11.17 of this Agreement, the Initial Noteholder agrees (on behalf of itself and its Affiliates, directors, officers, employees and representatives) to use reasonable precaution to keep confidential, in accordance with its customary procedures for handling confidential information and in accordance with safe and sound practices, and not to disclose to any third party, any non-public information supplied to it or otherwise obtained by it hereunder with respect to the Loan Originator or any of its Affiliates (including, but not limited to, the Loan File); provided, however, that nothing herein shall prohibit the disclosure of any such information to the extent required by statute, rule, regulation or judicial process; provided, further that, unless specifically prohibited by applicable law or court order, the Initial Noteholder shall, prior to disclosure thereof, notify the Loan Originator of any request for disclosure of any such non-public information. The Initial Noteholder further agrees not to use any such non-public information for any purpose unrelated to this Agreement and that the Initial Noteholder shall not disclose such non-public information to any third party underwriter in connection with a potential Disposition without obtaining a written agreement from such third party underwriter to comply with the confidentiality provisions of this Section 11.15.

Section 11.16 No Reliance.

Each of the Loan Originator, the Depositor, the Servicer and the Issuer hereby acknowledges that it has not relied on the Initial Noteholder or any of its officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended, for any tax, accounting, legal or other professional advice in connection with the transactions contemplated by the Basic Documents, that each of the Loan Originator, the Depositor, the Servicer and the Issuer has retained and been advised by such tax, accounting, legal and other professionals as it has deemed necessary in connection with the transactions contemplated by the Basic Documents and that the Initial Noteholder makes no representation or warranty, and shall have no liability with respect to, the tax, accounting or legal treatment or implications relating to the transactions contemplated by the Basic Documents.

Section 11.17 Confidential Information.

In addition to the confidentiality requirements set forth in Section 11.15 of the Agreement, each Noteholder, as well as the Indenture Trustee and the Disposition Agent (each of said parties singularly referred to herein as a "Receiving Party" and collectively referred to herein as the "Receiving Parties"), agrees to hold and treat all Confidential Information (as defined below) in confidence and in accordance with this Section. Such Confidential Information will not, without the prior written consent of the Servicer and the Loan Originator, be disclosed or used by such Receiving Parties or its subsidiaries, Affiliates, directors, officers, members, employees, agents or controlling persons (collectively, the "Information Recipients") other than for the purpose of making a decision to purchase or sell Notes or taking any other permitted action under this Agreement and or any other Basic Document. Each Receiving Party agrees to disclose Confidential Information only to its Information Recipients who need to know it for the purpose of making a decision to purchase or sell Notes or the taking of any other permitted action under this Agreement and or any other Basic Document (including in connection with the servicing of the Loans and in connection with any servicing transfers) and who are informed by

such Receiving Party of its confidential nature and who agree to be bound by the terms of this Section 11.17. Disclosure that is not in violation of the Right to Financial Privacy Act, the Gramm-Leach-Bliley Act or other applicable law by such Receiving Party of any Confidential Information at the request of its outside auditors or governmental regulatory authorities in connection with an examination of a Receiving Party by any such authority shall not constitute a breach of its obligations under this Section 11.17 and shall not require the prior consent of the Servicer and the Loan Originator.

Each Receiving Party shall be responsible for any breach of this Section 11.17 by its Information Recipients. The Initial Noteholder may use Confidential Information for internal due diligence purposes in connection with its analysis of the transactions contemplated by the Basic Documents. The Disposition Agent may disclose Confidential Information to the Disposition Participants as required to effect Dispositions. This Section 11.17 shall terminate upon the occurrence of an Event of Default; provided, however, that such termination shall not relieve the Receiving Parties or their respective Information Recipients from the obligation to comply with the Gramm-Leach-Bliley Act or other applicable law with respect to their use or disclosure of Confidential Information following the occurrence of an Event of Default.

As used herein, "Confidential Information" means non-public personal information (as defined in the Gramm-Leach-Bliley Act and its enabling regulations issued by the Federal Trade Commission) regarding Borrowers. Confidential information shall not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by a Receiving Party or any Information Recipients; (ii) was available to a Receiving Party on a non-confidential basis prior to its disclosure to Receiving Party by the Servicer or the Loan Originator; (iii) is required to be disclosed by a governmental authority or related governmental agencies or as otherwise required by law; or (iv) becomes available to a Receiving Party on a non-confidential basis from a person other than the Servicer or the Loan Originator who, to the best knowledge of such Receiving Party, is not otherwise bound by a confidentiality agreement with the Servicer or the Loan Originator and is not otherwise prohibited from transmitting the information to such Receiving Party.

Section 11.18 Conflicts.

Notwithstanding anything contained in the Basic Documents to the contrary, in the event of the conflict between the terms of this Agreement and any other Basic Document, the terms of this Agreement shall control.

Section 11.19 Limitation on Liability.

It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2003-5, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by

the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Agreement or any other related documents.

Section 11.20 No Agency.

Nothing contained herein or in the Basic Documents shall be construed to create an agency or fiduciary relationship between the Initial Noteholder or the Majority Noteholders or any of their Affiliates and the Issuer, the Depositor, the Loan Originator or the Servicer. None of the Initial Noteholder, the Majority Noteholders or any of their Affiliates shall be liable for any acts or actions affected in connection with a disposition of Loans, including without limitation, any Securitization pursuant to Section 3.06, any Servicer Put or Servicer Call pursuant to Section 3.08 hereof nor any Whole Loan Sale pursuant to Section 3.10 hereof.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the Issuer, the Depositor, the Servicer, the Indenture Trustee and the Loan Originator have caused their names to be signed by their respective officers thereunto duly authorized, as of the day and year first above written, to this SALE AND SERVICING AGREEMENT.

OPTION ONE OWNER TRUST 2003-5,
By: Wilmington Trust Company
not in its individual capacity
but solely as Owner Trustee

By: /s/ Mary Kay Pupillo
Name: Mary Kay Pupillo
Title: Assistant Vice President

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

By: /s/ C R Fulton
Name: Charles R. Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION, as Loan Originator and Servicer

By: /s/ C R Fulton
Name: Charles R. Fulton
Title: Vice President

WELLS FARGO BANK, N.A., as Indenture Trustee

By: /s/ Reid Denny
Name: Reid Denny
Title: Vice President

EXHIBIT 10.5

NOTE PURCHASE AGREEMENT

among

OPTION ONE OWNER TRUST 2003-5
as Issuer

and

OPTION ONE LOAN WAREHOUSE CORPORATION
as Depositor

and

CITIGROUP GLOBAL MARKETS REALTY CORP.
as Purchaser

Dated as of November 14, 2003

OPTION ONE OWNER TRUST 2003-5
MORTGAGE-BACKED NOTES

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NOTE PURCHASE AGREEMENT

NOTE PURCHASE AGREEMENT dated as of November 14, 2003 (the "Note Purchase Agreement"), among OPTION ONE OWNER TRUST 2003-5 (the "Issuer"), OPTION ONE LOAN WAREHOUSE CORPORATION (the "Depositor"), and CITIGROUP GLOBAL MARKETS REALTY CORP. ("Citigroup," and in its capacity as Purchaser hereunder, the "Purchaser").

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Certain Defined Terms. Capitalized terms used herein without definition shall have the meanings set forth in the Indenture and the Sale and Servicing Agreement (as defined below). Additionally, the following terms shall have the following meanings:

"Closing" shall have the meaning set forth in Section 2.02.

"Closing Date" shall have the meaning set forth in Section 2.02.

"Commitment" means the commitment of the Purchaser to purchase Additional Note Principal Balances pursuant to Section 2.01.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Governmental Actions" means any and all consents, approvals, permits, orders, authorizations, waivers, exceptions, variances, exemptions or licenses of, or registrations, declarations or filings with, any Governmental Authority required under any Governmental Rules.

"Governmental Authority" means the United States of America, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and having jurisdiction over the applicable Person.

"Governmental Rules" means any and all laws, statutes, codes, rules, regulations, ordinances, orders, writs, decrees and injunctions, of any Governmental Authority and any and all legally binding conditions, standards, prohibitions, requirements and judgments of any Governmental Authority.

"Indemnified Party" means the Purchaser and any of its officers, directors, employees, agents, representatives, assignees and Affiliates and any Person who controls the Purchaser or its Affiliates within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act.

"Indenture" means the Indenture dated as of October 1, 2003 between the Issuer as Issuer and Wells Fargo Bank Minnesota, National Association as Indenture Trustee.

"Investment Company Act" shall have the meaning provided in Section 5.01(i).

"Lien" means, with respect to any asset, (a) any mortgage, lien, pledge, charge, security interest, hypothecation, option or encumbrance of any kind in respect of such asset or (b) the interest of a vendor or lessor under any conditional sale agreement, financing lease or other title retention agreement relating to such asset.

"Loan Originator" means Mortgage Corporation, a California corporation.

"Maximum Note Principal Balance" means an amount equal to $1,000,000,000.

"Purchaser" means the Purchaser and its permitted successors and assigns.

"Purchased Note" means the Option One Owner Trust 2003-5 Mortgage-Backed Note issued by the Issuer pursuant to the Indenture.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement dated as of November 1, 2003, among the Issuer, the Depositor, the Loan Originator, the Servicer and Wells Fargo Bank Minnesota, National Association as the Indenture Trustee, as the same may be amended, modified or supplemented from time to time.

"Servicer" means Option One Mortgage Corporation or its permitted successors and assigns.

SECTION 1.02. Other Definitional Provisions.

(a) All terms defined in this Note Purchase Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) As used herein and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in Section 1.01, and accounting terms partially defined in Section 1.01 to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms herein are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained herein shall control.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Note Purchase Agreement shall refer to this Note Purchase Agreement as a whole and not to any particular provision of this Note Purchase Agreement; and Section, subsection, Schedule and Exhibit references contained in this Note Purchase Agreement are references to Sections, subsections, schedules and Exhibits in or to this Note Purchase Agreement unless otherwise specified.

ARTICLE II

COMMITMENT; CLOSING AND PURCHASES OF
ADDITIONAL NOTE PRINCIPAL BALANCES

SECTION 2.01. Commitment; Collateral Value Increase Dates.

(a) At any time during the Revolving Period at least two Business Days prior to a proposed Transfer Date, to the extent that the aggregate outstanding Note Principal Balance (after giving effect to the proposed purchase) is less than the Maximum Note Principal Balance, and subject to the terms and conditions hereof and in accordance with the other Basic Documents, the Issuer may request that the Purchaser purchase Additional Note Principal Balances (each such request, a "Purchase Request"). Each Purchase Request shall identify the proposed Transfer Date and an estimate of the number of Loans and aggregate Principal Balance of such Loans to be purchased by the Issuer on such Transfer Date. On the identified Transfer Date, the Purchaser agrees to purchase the Additional Note Principal Balances requested in the Purchase Request, subject to the terms and conditions and in reliance upon the covenants, representations and warranties set forth herein and in the other Basic Documents.

(b) On any Collateral Value Increase Date during the Revolving Period, to the extent that the Note Principal Balance (after giving effect to the proposed increase in the Note Principal Balance) is less than the Maximum Note Principal Balance, and subject to the terms and conditions hereof and in accordance with the other Basic Documents, the Issuer may request that the Purchaser purchase Additional Note Principal Balances equal to the related increase in the Collateral Percentage of the related Loans. The Purchaser may in its sole discretion agree to purchase such Additional Note Principal Balances.

SECTION 2.02. Closing. The closing (the "Closing") of the execution of the Basic Documents and Purchased Note shall take place at 10:00 a.m. at the offices of Thacher Proffitt & Wood, Two World Financial Center, New York, New York 10281 on November 14, 2003, or if the conditions to closing set forth in Article IV of this Note Purchase Agreement shall not have been satisfied or waived by such date, as soon as practicable after such conditions shall have been satisfied or waived, or at such other time, date and place as the parties shall agree upon (the date of the Closing being referred to herein as the "Closing Date").

ARTICLE III

TRANSFER DATES

SECTION 3.01. Transfer Dates.

(a) Subject to the conditions and terms set forth herein and in Section 2.06 of the Sale and Servicing Agreement with respect to each Transfer Date, the Issuer may request, and the Purchaser agrees to purchase Additional Note Principal Balances from the Issuer from time to time in accordance with, and upon the satisfaction, as of the applicable Transfer Date, of each of the following additional conditions:

(i) With respect to each Transfer Date, each condition set forth in Section 2.6 of the Sale and Servicing Agreement shall have been satisfied;

(ii) Each of the representations and warranties of the Issuer, the Servicer, the Loan Originator and the Depositor made in the Basic Documents shall be true and correct in all material respects as of such date (except to the extent they expressly relate to an earlier or later time);

(iii) The Issuer, the Servicer, the Loan Originator and the Depositor shall be in material compliance with all of their respective covenants contained in the Basic Documents and the Purchased Note; occurring;

(iv) No Event of Default and no Default shall have occurred or shall be

(v) With respect to each Transfer Date, the Purchaser shall have received evidence reasonably satisfactory to it of the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignments required to be effected on such Transfer Date in accordance with the Sale and Servicing Agreement including, without limitation, the assignment of the Loans and the proceeds thereof required to be assigned pursuant to the related LPA Assignment, S&SA Assignment and the Indenture;

(vi) Each Loan (i) has been originated in accordance with the Underwriting Guidelines and (ii) is not "abusive" or "predatory"; and

(vii) With respect to the first Transfer Date, the Purchaser shall have completed its initial due diligence review with respect to the Loans and the Loan Originator and determined, in the Purchaser's sole discretion, that both the Loans and the origination, servicing and business practices of the Loan Originator are reasonably acceptable to the Purchaser. Unless otherwise agreed by the parties, the Purchaser shall make such determination, and shall deliver written notice of such determination to the Loan Originator, by the close of business on November 21, 2003. Should the Purchaser fail to deliver such notice to the Loan Originator by the close of business on November 21, 2003, this condition shall be deemed satisfied.

(viii) With respect to any Transfer Date after the first Transfer Date and on or before December 3, 2003 (unless otherwise agreed by the parties), the Purchaser shall not have delivered to the Loan Originator a written notice to the effect that it has completed its final due diligence review with respect to the Loans and the Loan Originator and has determined, in its sole discretion, that either the Loans or the origination, servicing or business practices of the Loan Originator or both are not reasonably acceptable to the Purchaser. Should the Purchaser fail to deliver such notice to the Loan Originator by the close of business on December 3, 2003, this condition shall be deemed satisfied.

(b) The Purchaser shall determine in its reasonable discretion whether each of the above conditions have been met in accordance with the Sale and Servicing Agreement and its determination shall be binding on the parties hereto.

(c) The price paid by the Purchaser on each Transfer Date for the Additional Note Principal Balance purchased on such Transfer Date shall be equal to the amount of such Additional Note Principal Balance and shall be remitted not later than 4:00 p.m. New York City time on the Transfer Date by wire transfer of immediately available funds to the Advance Account.

(d) The Purchaser shall record on the schedule attached to the Purchased Note, the date and amount of any Additional Note Principal Balance purchased by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect the Purchaser's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance actually held. Absent manifest error, the Note Principal Balance of the Purchased Note as set forth in the Purchaser's records shall be binding upon the parties hereto, notwithstanding any notation or record made or kept by any other party hereto.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS OF COMMITMENT

SECTION 4.01. Closing Subject to Conditions Precedent. The effectiveness of the Commitment hereunder is subject to the satisfaction at the time of the Closing of the following conditions (any or all of which may be waived by the Purchaser in its sole discretion):

(a) Performance by the Issuer, the Depositor, the Servicer and the Loan Originator. All the terms, covenants, agreements and conditions of the Basic Documents to be complied with and performed by the Issuer, the Depositor, the Servicer and the Loan Originator on or before the Closing Date shall have been complied with and performed in all material respects.

(b) Representations and Warranties. Each of the representations and warranties of the Issuer, the Depositor, the Servicer and the Loan Originator made in the Basic Documents shall be true and correct in all material respects as of the Closing Date (except to the extent they expressly relate to an earlier or later time).

(c) Officer's Certificate. The Purchaser shall have received in form and substance reasonably satisfactory to the Purchaser an Officer's Certificate from the Loan Originator, the Depositor and the Servicer and a certificate of an Authorized Officer of the Issuer, dated the Closing Date, certifying to the satisfaction of the conditions set forth in the preceding paragraphs (a) and (b).

(d) Opinions of Counsel to the Issuer, the Loan Originator, the Servicer and the Depositor. Counsel to the Issuer, the Loan Originator, the Servicer and the Depositor shall have delivered to the Purchaser favorable opinions, dated as of the Closing Date and reasonably satisfactory in form and substance to the Purchaser and its counsel. In addition to the foregoing, the Loan Originator shall have caused its counsel to deliver to the Purchaser a favorable opinion to the

effect that the Issuer will not be treated as an association (or publicly traded partnership) taxable as a corporation or as a taxable mortgage pool, for federal income tax purposes.

(e) Opinions of Counsel to the Indenture Trustee. Counsel to the Indenture Trustee shall have delivered to the Purchaser a favorable opinion, dated as of the Closing Date and reasonably satisfactory in form and substance to the Purchaser and its counsel.

(f) Opinions of Counsel to the Owner Trustee. Delaware counsel to the Owner Trustee of the Issuer and the Depositor shall have delivered to the Purchaser favorable opinions regarding the formation, existence and standing of the Issuer and the Depositor and of the Issuer's and the Depositor's execution, authorization and delivery of each of the Basic Documents to which it is a party and such other matters as the Purchaser may reasonably request, dated as of the Closing Date and reasonably satisfactory in form and substance to the Purchaser and its counsel.

(g) Filings and Recordations. The Purchaser shall have received evidence reasonably satisfactory to it of (i) the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignment by the Loan Originator to the Depositor of the Loan Originator's ownership interest in the Trust Estate including, without limitation, the Loans conveyed pursuant to the Loan Purchase Agreement and the proceeds thereof, (ii) the completion of all recordings, registrations and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignment by the Depositor to the Issuer of the Depositor's ownership interest in the Trust Estate including, without limitation, the Loans and the proceeds thereof and (iii) the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the grant of a first priority perfected security interest in the Issuer's ownership interest in the Trust Estate including, without limitation, the Loans, in favor of the Indenture Trustee, subject to no Liens prior to the Lien of the Indenture.

(h) Documents. The Purchaser shall have received a duly executed counterpart of each of the Basic Documents, in form acceptable to the Purchaser, the Purchased Note and each and every document or certification delivered by any party in connection with any of the Basic Documents or the Purchased Note, and each such document shall be in full force and effect.

(i) Actions or Proceedings. No action, suit, proceeding or investigation by or before any Governmental Authority shall have been instituted to restrain or prohibit the consummation of, or to invalidate, any of the transactions contemplated by the Basic Documents, the Purchased Note and the documents related thereto in any material respect.

(j) Approvals and Consents. All Governmental Actions of all Governmental Authorities required with respect to the transactions contemplated by the Basic Documents, the Purchased Note and the documents related thereto shall have been obtained or made.

(k) Accounts. The Purchaser shall have received evidence reasonably satisfactory to it that each Trust Account has each been established in accordance with the terms of the Sale and Servicing Agreement.

(l) Fees and Expenses. The fees and expenses payable by the Issuer and the Depositor pursuant to Section 8.02(b) shall have been paid.

(m) Other Documents. The Issuer, the Loan Originator, the Depositor and the Servicer shall have furnished to the Purchaser such other opinions, information, certificates and documents as the Purchaser may reasonably request.

(n) Proceedings in Contemplation of Sale of Purchased Note. All actions and proceedings undertaken by the Issuer, the Loan Originator, the Depositor and the Servicer in connection with the issuance and sale of the Purchased Note as herein contemplated shall be reasonably satisfactory in all respects to the Purchaser and its counsel.

(o) Financial Covenants. The Loan Originator and the Servicer shall be in compliance with the financial covenants set forth in Section 7.02 of the Sale and Servicing Agreement.

(p) Trust Accounts Control Agreements. The Purchaser shall have received control agreements relating to the Trust Accounts reasonably satisfactory to the Purchaser.

(q) Wet Funding Agreement. The Issuer, the Depositor, the Loan Originator and such other appropriate parties shall have entered into an agreement concerning the terms, conditions and procedures applicable to the sale of Wet Funded Loans to the Issuer and the pledge of such Loans to the Indenture Trustee reasonably satisfactory to the Purchaser.

(r) Underwriting Guidelines. The Purchaser shall have received a copy of the current Underwriting Guidelines.

If any condition specified in this Section 4.01 shall not have been fulfilled when and as required to be fulfilled through no fault of the Purchaser, this Agreement may be terminated by the Purchaser by notice to the Loan Originator at any time at or prior to the Closing Date, and the Purchaser shall incur no liability as a result of such termination.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE ISSUER AND THE DEPOSITOR

The Issuer and the Depositor hereby jointly and severally make the following representations and warranties to the Purchaser, as of the Closing Date, and as of each Transfer Date and the Purchaser shall be deemed to have relied on such representations and warranties in making (or committing to make) purchases of Additional Note Principal Balances on each Transfer Date:

SECTION 5.01. Issuer.

(a) The Issuer has been duly organized and is validly existing and in good standing as a statutory trust under the laws of the State of Delaware, with requisite trust power and authority to own its properties and to transact the business in which it is now engaged, and is duly

qualified to do business and is in good standing (or is exempt from such requirements) in each State of the United States where the nature of its business requires it to be so qualified and the failure to be so qualified and in good standing would have a material adverse effect on the Issuer or any adverse effect on the interests of the Purchaser.

(b) The issuance, sale, assignment and conveyance of the Purchased Note and the Additional Note Principal Balances, the performance of the Issuer's obligations under each Basic Document to which it is a party and the consummation of the transactions therein contemplated will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than any Lien created by the Basic Documents), charge or encumbrance upon any of the property or assets of the Issuer or any of its Affiliates pursuant to the terms of, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it or any of its Affiliates is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of its organizational documents or any Governmental Rule applicable to the Issuer, in each case which could be expected to have a material adverse effect on the transactions contemplated therein.

(c) No Governmental Action which has not been obtained is required by or with respect to the Issuer in connection with the execution and delivery to the Purchaser of the Purchased Note. No Governmental Action which has not been obtained is required by or with respect to the Issuer in connection with the execution and delivery of any of the Basic Documents to which the Issuer is a party or the consummation by the Issuer of the transactions contemplated thereby except for any requirements under state securities or "blue sky" laws in connection with any transfer of the Purchased Note.

(d) The Issuer possesses all material licenses, certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by it, and has not received any notice of proceedings relating to the revocation or modification of any such license, certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect its condition, financial or otherwise, or its earnings, business affairs or business prospects.

(e) Each of the Basic Documents to which the Issuer is a party has been duly authorized, executed and delivered by the Issuer and is a valid and legally binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to enforcement of bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

(f) The execution, delivery and performance by the Issuer of each of its obligations under each of the Basic Documents to which it is a party will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any agreement or instrument to which the Issuer is a party or by which the Issuer is bound or to which any of its properties are subject or of any statute, order or regulation applicable to the Issuer of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Issuer or any of its properties, in each case which could be expected to have a material adverse effect on any of the transactions contemplated therein.

(g) The Issuer is not in violation of its organizational documents or in default under any agreement, indenture or instrument the effect of which violation or default would be material to the Issuer or the transactions contemplated by the Basic Documents. The Issuer is not a party to, bound by or in breach or violation of any indenture or other agreement or instrument, or subject to or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Issuer that materially and adversely affects, or may in the future materially and adversely affect (i) the ability of the Issuer to perform its obligations under any of the Basic Documents to which it is a party or (ii) the business, operations, financial condition, properties, assets or prospects of the Issuer.

(h) There are no actions or proceedings against, or investigations of, the Issuer pending, or, to the knowledge of the Issuer threatened, before any Governmental Authority, court, arbitrator, administrative agency or other tribunal (i) asserting the invalidity of any of the Basic Documents, or (ii) seeking to prevent the issuance of the Purchased Note or the consummation of any of the transactions contemplated by the Basic Documents or the Purchased Note, or (iii) that, if adversely determined, could materially and adversely affect the business, operations, financial condition, properties, assets or prospects of the Issuer or the validity or enforceability of, or the performance by the Issuer of its respective obligations under, any of the Basic Documents to which it is a party or (iv) seeking to affect adversely the income tax attributes of the Purchased Note.

(i) The Issuer is not, and neither the issuance and sale of the Purchased Note to the Purchaser nor the activities of the Issuer pursuant to the Basic Documents, shall render the Issuer an "investment company" or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

(j) It is not necessary to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

(k) The Issuer is solvent and has adequate capital for its business and undertakings.

(l) The chief executive offices of the Issuer are located at Option One Owner Trust 2003-5, c/o Wilmington Trust Company, as Owner Trustee, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, or, with the consent of the Purchaser, such other address as shall be designated by the Issuer in a written notice to the other parties hereto.

(m) There are no contracts, agreements or understandings between the Issuer and any Person granting such Person the right to require the filing at any time of a registration statement under the Act with respect to the Purchased Note.

SECTION 5.02. Securities Act. Assuming the accuracy of the representations and warranties of and compliance with the covenants of the Purchaser, contained herein, the sale of the Purchased Note and the sale of Additional Note Principal Balances pursuant to this Agreement are each exempt from the registration and prospectus delivery requirements of the Act. In the case of the offer or sale of the Purchased Note, no form of general solicitation or general advertising was used by the Issuer, any Affiliates of the Issuer or any person acting on its or their behalf, including,

but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. Neither the Issuer, any Affiliates of the Issuer nor any Person acting on its or their behalf has offered or sold, nor will the Issuer or any Person acting on its behalf offer or sell directly or indirectly, the Purchased Note or any other security in any manner that, assuming the accuracy of the representations and warranties and the performance of the covenants given by the Purchaser and compliance with the applicable provisions of the Indenture with respect to each transfer of the Purchased Note, would render the issuance and sale of the Purchased Note as contemplated hereby a violation of Section 5 of the Securities Act or the registration or qualification requirements of any state securities laws, nor has any such Person authorized, nor will it authorize, any Person to act in such manner.

SECTION 5.03. No Fee. Neither the Issuer, nor the Depositor, nor any of their Affiliates has paid or agreed to pay to any Person any compensation for soliciting another to purchase the Purchased Note.

SECTION 5.04. Information. The information provided pursuant to Section 7.01(a) hereof will, at the date thereof, be true and correct in all material respects.

SECTION 5.05. The Purchased Note. The Purchased Note has been duly and validly authorized, and, when executed and authenticated in accordance with the terms of the Indenture, and delivered to and paid for in accordance with this Note Purchase Agreement, will be duly and validly issued and outstanding and will be entitled to the benefits of the Indenture.

SECTION 5.06. Use of Proceeds. No proceeds of a purchase hereunder will be used (i) for a purpose that violates or would be inconsistent with Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction in violation of Section 13 or 14 of the Exchange Act.

SECTION 5.07. The Depositor. The Depositor hereby makes to the Purchaser each of the representations, warranties and covenants set forth in Section 3.01 of the Sale and Servicing Agreement as of the Closing Date and as of each Transfer Date (except to the extent that any such representation, warranty or covenant is expressly made as of another date).

SECTION 5.08. Taxes, etc. Any taxes, fees and other charges of Governmental Authorities applicable to the Issuer and the Depositor, except for franchise or income taxes, in connection with the execution, delivery and performance by the Issuer and the Depositor of each Basic Document to which they are parties, the issuance of the Purchased Note or otherwise applicable to the Issuer or the Depositor in connection with the Trust Estate have been paid or will be paid by the Issuer or the Depositor, as applicable, at or prior to the Closing Date or Transfer Date, to the extent then due.

SECTION 5.09. Financial Condition. On the date hereof and on each Transfer Date, neither the Issuer nor the Depositor is or will be insolvent or the subject of any voluntary or involuntary bankruptcy proceeding.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES
WITH RESPECT TO THE PURCHASER

The Purchaser hereby makes the following representations and warranties, as to itself, to the Issuer and the Depositor on which the same are relying in entering into this Note Purchase Agreement.

SECTION 6.01. Organization. The Purchaser has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization with power and authority to own its properties and to transact the business in which it is now engaged.

SECTION 6.02. Authority, etc. The Purchaser has all requisite power and authority to enter into and perform its obligations under this Note Purchase Agreement and to consummate the transactions herein contemplated. The execution and delivery by the Purchaser of this Note Purchase Agreement and the consummation by the Purchaser of the transactions contemplated hereby have been duly and validly authorized by all necessary organizational action on the part of the Purchaser. This Note Purchase Agreement has been duly and validly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject as to enforcement to bankruptcy, reorganization, insolvency, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity. Neither the execution and delivery by the Purchaser of this Note Purchase Agreement nor the consummation by the Purchaser of any of the transactions contemplated hereby, nor the fulfillment by the Purchaser of the terms hereof, will conflict with, or violate, result in a breach of or constitute a default under any term or provision of the Purchaser's organizational documents or any Governmental Rule applicable to the Purchaser.

SECTION 6.03. Securities Act. The Purchaser hereby represents and warrants to the Issuer, the Depositor and the Servicer as of the date of this Agreement, as follows:

(a) The Purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the purchase of an interest in the Note. The Purchaser (i) is (A) a "qualified institutional buyer" as defined under Rule 144A promulgated under the Securities Act of 1933, as amended (the "1933 Act"), acting for its own account or the accounts of other "qualified institutional buyers" as defined under Rule 144A, or (B) an "accredited investor" within the meaning of Regulation D promulgated under the 1933 Act, and (ii) is aware that the Issuer intends to rely on the exemption from registration requirements under the 1933 Act provided by Rule 144A or Regulation D, as applicable.

(b) The Purchaser understands that neither the Note nor interests in the Note have been registered or qualified under the 1933 Act, nor under the securities laws of any state, and therefore neither the Note nor interests in the Note can be resold unless they are registered or qualified thereunder or unless an exemption from registration or qualification is available.

(c) It is the intention of the Purchaser to acquire interests in the Note (a) for

investment for its own account, or (b) for resale to "qualified institutional buyers" in transactions under Rule 144A, and not in any event with the view to, or for resale in connection with, any distribution thereof. The Purchaser understands that the Note and interests therein have not been registered under the 1933 Act by reason of a specific exemption from the registration provisions of the 1933 Act which depends upon, among other things, the bona fide nature of the Purchaser's investment intent (or intent to resell only in Rule 144A transactions) as expressed herein.

SECTION 6.04. Conflicts With Law. The execution, delivery and performance by the Purchaser of its obligations under this Note Purchase Agreement will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Purchaser is a party or by which the Purchaser is bound or of any statute, order or regulation applicable to the Purchaser of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Purchaser, in each case which could be expected to have a material adverse effect on the transactions contemplated therein.

SECTION 6.05. Conflicts With Agreements, etc. The Purchaser is not in violation of its organizational documents or in default under any agreement, indenture or instrument the effect of which violation or default would be materially adverse to the Purchaser in the performance of its obligations or duties under any of the Basic Documents to which it is a party. The Purchaser is not a party to, bound by or in breach or violation of any indenture or other agreement or instrument, or subject to or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Purchaser that materially and adversely affects, or which could be expected in the future to materially and adversely affect the ability of the Purchaser to perform its obligations under this Note Purchase Agreement.

ARTICLE VII

COVENANTS OF THE ISSUER AND THE DEPOSITOR

SECTION 7.01. Information from the Issuer. So long as the Purchased Note remains outstanding, the Issuer and the Depositor shall each furnish to the Purchaser:

(a) the financial information required to be delivered by the Servicer under Section 4.02(a) of the Sale and Servicing Agreement;

(b) such information (including financial information), documents, records or reports with respect to the Trust Estate, the Loans, the Issuer, the Loan Originator, the Servicer or the Depositor as the Purchaser may from time to time reasonably request;

(c) as soon as possible and in any event within five (5) Business Days after the occurrence thereof, notice of each Event of Default under the Sale and Servicing Agreement or the Indenture, and each Default;

(d) promptly and in any event within 30 days after the occurrence thereof, written notice of a change in address of the chief executive office of the Issuer, the Loan Originator or the Depositor; and

SECTION 7.02. Access to Information. So long as the Purchased Note remains outstanding, each of the Issuer and the Depositor shall, at any time and from time to time during regular business hours, or at such other reasonable times upon reasonable notice to the Issuer or the Depositor, as applicable, permit the Purchaser, or their agents or representatives to:

(a) examine all books, records and documents (including computer tapes and disks) in the possession or under the control of the Issuer or the Depositor relating to the Loans or the Basic Documents as may be requested, and

(b) visit the offices and property of the Issuer and the Depositor for the purpose of examining such materials described in clause (a) above.

Except as provided in Section 10.05, information obtained by the Purchaser pursuant to this Section 7.02 and Section 7.01 herein shall be held in confidence in accordance with and to the extent provided in Sections 11.15 and 11.17 of the Sale and Servicing Agreement as if it constituted "Confidential Information" (as defined therein).

SECTION 7.03. Ownership and Security Interests; Further Assurances. The Depositor will take all action necessary to maintain the Issuer's ownership interest in the Loans and the other items sold pursuant to Article II of the Sale and Servicing Agreement. The Issuer will take all action necessary to maintain the Indenture Trustee's security interest in the Loans and the other items pledged to the Indenture Trustee pursuant to the Indenture.

The Issuer and the Depositor agree to take any and all acts and to execute any and all further instruments reasonably necessary or requested by the Purchaser to more fully effect the purposes of this Note Purchase Agreement.

SECTION 7.04. Covenants. The Issuer and the Depositor shall each duly observe and perform each of their respective covenants set forth in each of the Basic Documents to which they are parties.

SECTION 7.05. Amendments. Neither the Issuer nor the Depositor shall make, or permit any Person to make, any amendment, modification or change to, or provide any waiver under any Basic Document to which the Issuer or the Depositor, as applicable, is a party without the prior written consent of the Purchaser.

SECTION 7.06. With Respect to the Exempt Status of the Purchased Note.

(a) Neither the Issuer nor the Depositor, nor any of their respective Affiliates, nor any Person acting on their behalf will, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Purchased Note under the Securities Act.

(b) Neither the Issuer nor the Depositor, nor any of their Affiliates, nor any Person acting on their behalf will engage in any form of general solicitation or general advertising (within the meaning of Regulation D promulgated under the Securities Act) in connection with any offer or sale of the Purchased Note.

(c) On or prior to any Transfer Date, the Issuer and the Depositor will furnish or cause to be furnished to the Purchaser and any subsequent purchaser therefrom of Additional Note Principal Balance, if the Purchaser or such subsequent purchaser so requests, a letter from each Person furnishing a certificate or opinion on the Closing Date as described in Section 4.01 hereof or on or before any such Transfer Date in which such Person shall state that such subsequent purchaser may rely upon such original certificate or opinion as though delivered and addressed to such subsequent purchaser and made on and as of the Closing Date or such Transfer Date, as the case may be, except for such exceptions set forth in such letter as are attributable to events occurring after the Closing Date or such Transfer Date.

ARTICLE VIII

ADDITIONAL COVENANTS

SECTION 8.01. Legal Conditions to Closing. The parties hereto will take all reasonable action necessary to obtain (and will cooperate with one another in obtaining) any consent, authorization, permit, license, franchise, order or approval of, or any exemption by, any Governmental Authority or any other Person, required to be obtained or made by it in connection with any of the transactions contemplated by this Note Purchase Agreement.

SECTION 8.02. Expenses.

(a) The Issuer and the Depositor jointly and severally covenant that, whether or not the Closing takes place, except as otherwise expressly provided herein, all reasonable costs and expenses incurred in connection with this Note Purchase Agreement and the transactions contemplated hereby shall be paid by the Issuer or the Depositor.

(b) The Issuer and the Depositor jointly and severally covenant to pay as and when billed by the Purchaser all of the reasonable out-of-pocket costs and expenses incurred in connection with the consummation and administration of the transactions contemplated hereby and in the other Basic Documents including, without limitation, (i) all reasonable fees, disbursements and expenses of counsel to the Purchaser, (ii) all reasonable fees and expenses of the Indenture Trustee and the Owner Trustee and their counsel and (iii) all reasonable fees and expenses of the Custodian and its counsel.

SECTION 8.03. Mutual Obligations. On and after the Closing, each party hereto will do, execute and perform all such other acts, deeds and documents as the other party may from time to time reasonably require in order to carry out the intent of this Note Purchase Agreement.

SECTION 8.04. Restrictions on Transfer. The Purchaser agrees that it will comply with the restrictions on transfer of the Purchased Note set forth in the Indenture and resell the Purchased Note only in compliance with such restrictions.

SECTION 8.05. [Reserved].

SECTION 8.06. Information Provided by the Purchaser. The Purchaser hereby covenants to determine One-Month LIBOR in accordance with the definition thereof in the Basic Documents and shall give notice to the Indenture Trustee, the Issuer and the Depositor of the Interest Payment Amount on each Determination Date. The Purchaser shall cause the Market Value Agent to give notice to the Indenture Trustee, the Issuer and the Depositor of any Hedge Funding Requirement on or before the Determination Date related to any Payment Date. In addition, on each Determination Date, the Purchaser hereby covenants to give notice to the Indenture Trustee, the Issuer and the Depositor of (i) the Issuer/Depositor Indemnities (as defined in the Trust Agreement), (ii) Due Diligence Fees and (iii) the Collateral Value for each Loan for the related Payment Date.

ARTICLE IX

INDEMNIFICATION

SECTION 9.01. Indemnification of Purchaser. Each of the Issuer and the Depositor hereby agree to, jointly and severally, indemnify and hold harmless each Indemnified Party against any and all losses, claims, damages, liabilities, reasonable expenses or judgments (including reasonable accounting fees and reasonable legal fees and other reasonable expenses incurred in connection with this Note Purchase Agreement or any other Basic Document and any action, suit or proceeding or any claim asserted) (collectively, "Losses"), as incurred (payable promptly upon written request), for or on account of or arising from or in connection with any information prepared by and furnished or to be furnished by any of the Issuer, the Loan Originator or the Depositor pursuant to or in connection with the transactions contemplated hereby including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the business, operations, financial condition of the Issuer, the Loan Originator, the Depositor or with respect to the Loans, to the extent such information contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained therein in the light of the circumstances under which such statements were made not misleading, except with respect to any such information used by such Indemnified Party in violation of the Basic Documents or as a result of an Indemnified Party's gross negligence or willful misconduct which results in such Losses. The indemnities contained in this Section 9.01 will be in addition to any liability which the Issuer or the Depositor may otherwise have pursuant to this Note Purchase Agreement and any other Basic Document.

SECTION 9.02. Procedure and Defense. In case any action or proceeding (including any governmental or regulatory investigation or proceeding) shall be instituted involving any Indemnified Party in respect of which indemnity may be sought pursuant to Section 9.01, such Indemnified Party shall promptly notify the Issuer and the Depositor in writing and, upon request of the Indemnified Party, the Issuer and the Depositor shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party to represent such Indemnified Party and any others the indemnifying party may designate and shall pay the reasonable fees and disbursements of such counsel related to such proceeding; provided that failure to give such notice or deliver such documents shall not affect the rights to indemnity hereunder unless such failure materially prejudices the rights of the Indemnified Party. The Indemnified Party will have the right to employ its own counsel in any such action in addition to the counsel of the Issuer and/or

the Depositor, but the reasonable fees and expenses of such counsel will be at the expense of such Indemnified Party, unless (i) the employment of counsel by the Indemnified Party at its expense has been authorized in writing by the Depositor or the Issuer, (ii) the Depositor or the Issuer has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action or (iii) the named parties to any such action or proceeding (including any impleaded parties) include the Depositor or the Issuer and one or more Indemnified Parties, and the Indemnified Parties shall have been advised by counsel that there may be one or more legal defenses available to them which are different from or additional to those available to the Depositor or the Issuer. Reasonable expenses of counsel to any Indemnified Party for which the Issuer and the Depositor are responsible hereunder shall be reimbursed by the Issuer and the Depositor as they are incurred. The Issuer and the Depositor shall not be liable for any settlement of any proceeding affected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Neither the Issuer nor the Depositor will, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Amendments. No amendment or waiver of any provision of this Note Purchase Agreement shall in any event be effective unless the same shall be in writing and signed by all of the parties hereto, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 10.02. Notices. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including telecopies) and mailed, telecopied (with a copy delivered by overnight courier) or delivered, as to each party hereto, at its address as set forth in Schedule I hereto or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be deemed effective upon receipt thereof, and in the case of telecopies, when receipt is confirmed by telephone.

SECTION 10.03. No Waiver; Remedies. No failure on the part of any party hereto to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10.04. Binding Effect; Assignability.

(a) This Note Purchase Agreement shall be binding upon and inure to the benefit of the Issuer, the Depositor and the Purchaser and their respective permitted successors and assigns (including any subsequent holders of the Purchased Note); provided, however, neither the Issuer nor

the Depositor shall have any right to assign their respective rights hereunder or interest herein (by operation of law or otherwise) without the prior written consent of the Purchaser.

(b) The Purchaser may, in the ordinary course of its business and in accordance with the Basic Documents and applicable law, including applicable securities laws, at any time sell to one or more Persons (each, a "Participant"), participating interests in all or a portion of its rights and obligations under this Note Purchase Agreement. Notwithstanding any such sale by the Purchaser of participating interests to a Participant, the Purchaser's rights and obligations under this Note Purchase Agreement shall remain unchanged, the Purchaser shall remain solely responsible for the performance thereof, and the Issuer and the Depositor shall continue to deal solely and directly with the Purchaser and shall have no obligations to deal with any Participant in connection with the Purchaser's rights and obligations under this Note Purchase Agreement.

(c) This Note Purchase Agreement shall create and constitute the continuing obligation of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time as all amounts payable with respect to the Purchased Note shall have been paid in full.

SECTION 10.05. Provision of Documents and Information. Each of the Issuer and the Depositor acknowledges and agrees that the Purchaser is permitted to provide to any subsequent Purchaser, permitted assignees and Participants, opinions, certificates, documents and other information relating to the Issuer, the Depositor and the Loans delivered to the Purchaser pursuant to this Note Purchase Agreement provided that with respect to Confidential Information, such subsequent Purchaser, permitted assignees and Participants agree to be bound by Section 8.05 hereof.

SECTION 10.06. GOVERNING LAW; JURISDICTION. THIS NOTE PURCHASE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW. EACH OF THE PARTIES TO THIS NOTE PURCHASE AGREEMENT HEREBY AGREES TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENTS THEREOF. EACH OF THE PARTIES HEREBY WAIVES ANY OBJECTION BASED ON FORUM *NON CONVENIENS* AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION 10.07. No Proceedings. Until the date that is one year and one day after the last day on which any amount is outstanding under this Note Purchase Agreement, the Depositor and the Purchaser hereby covenant and agree that they will not institute against the Issuer or the Depositor, or join in any institution against the Issuer or the Depositor of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law.

SECTION 10.08. Execution in Counterparts. This Note Purchase Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

SECTION 10.09. No Recourse — Purchaser and Depositor.

(a) The obligations of the Purchaser under this Note Purchase Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by the Purchaser or any officer thereof are solely the partnership or corporate obligations of the Purchaser, as the case may be. No recourse shall be had for payment of any fee or other obligation or claim arising out of or relating to this Note Purchase Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Purchaser or any officer thereof in connection therewith, against any stockholder, limited partner, employee, officer, director or incorporator of the Purchaser.

(b) The obligations of the Depositor under this Note Purchase Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by the Depositor or any officer thereof are solely the partnership or corporate obligations of the Depositor, as the case may be. No recourse shall be had for payment of any fee or other obligation or claim arising out of or relating to this Note Purchase Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Purchaser or any officer thereof in connection therewith, against any stockholder, limited partner, employee, officer, director or incorporator of the Depositor.

(c) The Purchaser, by accepting the Purchased Note, acknowledges that such Purchased Note represents an obligation of the Issuer and does not represent an interest in or an obligation of the Loan Originator, the Servicer, the Depositor, the Administrator, the Owner Trustee, the Indenture Trustee or any Affiliate thereof and no recourse may be had against such parties or their assets, except as may be expressly set forth or contemplated in this Agreement, the Purchased Note or the Basic Documents.

SECTION 10.10. Survival. All representations, warranties, covenants, guaranties and indemnifications contained in this Note Purchase Agreement and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the sale, transfer or repayment of the Purchased Note.

SECTION 10.11. Tax Characterization. Each party to this Note Purchase Agreement (a) acknowledges and agrees that it is the intent of the parties to this Note Purchase Agreement that for all purposes, including federal, state and local income, single business and franchise tax purposes, the Purchased Note will be treated as evidence of indebtedness secured by the Loans and proceeds thereof and the trust created under the Indenture will not be characterized as an association (or publicly traded partnership) taxable as a corporation, (b) agrees to treat the Purchased Note for federal, state and local income and franchise tax purposes as indebtedness and (c) agrees that the provisions of all Basic Documents shall be construed to further these intentions of the parties.

SECTION 10.12. Conflicts. Notwithstanding anything contained herein to the contrary, in the event of the conflict between the terms of the Sale and Servicing Agreement and this Note Purchase Agreement, the terms of the Sale and Servicing Agreement shall control.

SECTION 10.13. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Note Purchase Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2003-5, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Note Purchase Agreement or any other related documents.

IN WITNESS WHEREOF, the parties have caused this Note Purchase Agreement to be executed by their respective officers hereunto duly authorized, as of the date first above written.

OPTION ONE OWNER TRUST 2003-5

By: Wilmington Trust Company not in its individual capacity but solely as owner trustee

By: /s/ Joann A. Rozell
Name: Joann A. Rozell
Title: Financial Services Officer

OPTION ONE LOAN WAREHOUSE CORPORATION

By: /s/ Bob Fulton
Name: Bob Fulton
Title: Vice President

CITIGROUP GLOBAL MARKETS REALTY CORP.

By: /s/ Susan Mills
Name: Susan Mills
Title:

Schedule I
Information for Notices

1. if to the Issuer:

Option One Owner Trust 2003-5
c/o Wilmington Trust Company
as Owner Trustee
One Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration
Telecopy: (302) 636-4144
Telephone: (302) 636-1000

with a copy to:

Option One Mortgage Corporation
3 Ada Road
Irvine, California 92618
Attention: William O'Neill
Telecopy number: (949) 790-7540
Telephone number: (949) 790-7504

2. if to the Depositor:

Option One Loan Warehouse Corporation
3 Ada Road
Irvine, California 92618
Attention: William O'Neill
Telecopy number: (949) 790-7540
Telephone number: (949) 790-7504

3. if to the Purchaser:

Citigroup Global Markets Realty Corp.
390 Greenwich Street
New York, New York 10013
Attention: Randy Appleyard
Telecopy: (212) 723-8603
Telephone: (212) 723-6394

EXHIBIT 10.6

AMENDMENT NUMBER ONE
to the
NOTE PURCHASE AGREEMENT,
dated as of November 14, 2004,
among
OPTION ONE OWNER TRUST 2003-5,

OPTION ONE LOAN WAREHOUSE CORPORATION
and
CITIGROUP GLOBAL MARKETS REALTY CORP.

This AMENDMENT NUMBER ONE (this "Amendment") is made and is effective as of this 12th day of November, 2004, among Option One Owner Trust 2003-5 (the "Issuer"), Option One Loan Warehouse Corporation (the "Depositor") and Citigroup Global Markets Realty Corp. ("Citigroup", and in its capacity as Purchaser, the "Purchaser") to the Note Purchase Agreement, dated as of November 14, 2003 (as amended, supplemented or otherwise modified from time to time, the "Note Purchase Agreement"), among the Issuer, the Depositor and the Purchaser.

RECITALS

WHEREAS, the Issuer has requested that the Purchaser agree to amend the Note Purchase Agreement and the Purchaser has agreed to make such amendments, subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Note Purchase Agreement.

SECTION 2. Amendment. Effective as of November 12, 2004, the definition of "Indenture" in Section 1.01 is hereby deleted in its entirety and replaced with the following:

"Indenture" means the Indenture dated as of November 1, 2003 between the Issuer as Issuer and Wells Fargo Bank Minnesota, National Association as Indenture Trustee.

Effective as of November 12, 2004, the definition of "Loan Originator" in Section 1.01 is hereby deleted in its entirety and replaced with the following:

"Loan Originator" means Option One Mortgage Corporation, a California corporation.

SECTION 3. Representations. To induce the Purchaser to execute and deliver this Amendment, each of the Issuer and the Depositor hereby jointly and severally represents to the Purchaser that as of the date hereof, after giving effect to this Amendment, (a) all of its respective representations and warranties in the Note Purchase Agreement and the other Basic Documents are true and correct, and (b) it is otherwise in full compliance with all of the terms and conditions of the Note Purchase Agreement.

SECTION 4. Fees and Expenses. The Issuer and the Depositor jointly and severally covenant to pay as and when billed by the Purchaser all of the reasonable out-of-pocket costs and expenses incurred in connection with the transactions contemplated hereby and in the other Basic Documents including, without limitation, (i) all reasonable fees, disbursements and expenses of counsel to the Purchaser, (ii) all reasonable fees and expenses of the Indenture Trustee and Owner Trustee and their counsel and (iii) all reasonable fees and expenses of the Custodian and its counsel.

SECTION 5. Limited Effect. Except as expressly amended and modified by this Amendment, the Note Purchase Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Note Purchase Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Note Purchase Agreement, any reference in any of such items to the Note Purchase Agreement being sufficient to refer to the Note Purchase Agreement as amended hereby.

SECTION 6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto in any number of separate counterparts, each of which when so executed shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 8. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Amendment is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2003-5 in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Amendment or any other related documents.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the day and year first above written.

OPTION ONE OWNER TRUST 2003-5

By: Wilmington Trust Company, not in its individual capacity but solely as owner trustee

By: /s/ Joann A. Rozell
Name: Joann A. Rozell
Title: Financial Services Officer

OPTION ONE LOAN WAREHOUSE CORPORATION

By: /s/ David S. Wells
Name: David S. Wells
Title: Assistant Secretary

CITIGROUP GLOBAL MARKETS REALTY CORP.

By: /s/ A. Randall Appleyard
Name: A. Randall Appleyard
Title:

EXHIBIT 10.7

INDENTURE

between

OPTION ONE OWNER TRUST 2003-5
as Issuer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
as Indenture Trustee

Dated as of November 1, 2003

OPTION ONE OWNER TRUST 2003-5
MORTGAGE-BACKED NOTES

TABLE OF CONTENTS

INDENTURE

INDENTURE dated as of November 1, 2003 (the "Indenture"), between OPTION ONE OWNER TRUST 2003-5, a Delaware statutory trust, as Issuer (the "Issuer"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee (the "Indenture Trustee").

WITNESSETH THAT:

In consideration of the mutual covenants herein contained, the Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance of Notes, issuable as provided in this Indenture. All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders.

GRANTING CLAUSE

Subject to the terms of this Indenture, the Issuer hereby Grants on the Closing Date, to the Indenture Trustee, as Indenture Trustee for the benefit of the Noteholders, all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in and to: (i) such Loans as from time to time are subject to the Sale and Servicing Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in or credited to the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in or credited to such accounts that are invested in Permitted Investments (including, without limitation, all security entitlements (as defined in Section 8-102(17) of the UCC) of the Issuer therein), (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments; (ix) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement and/or the Master Disposition Confirmation Agreement, and all proceeds of any of the foregoing, (x) all right, title and interest of the Issuer in and to the Sale and Servicing Agreement, including the Issuer's right to cause the Loan Originator to repurchase Loans from the Issuer under certain circumstances described therein, (xi) all other Property of the Trust from time to time and (xii) all present and future claims, demands, causes of action and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash and noncash proceeds (each as defined in Section 9-102(a) of the UCC), accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, payment intangibles, securities accounts, condemnation awards, rights to payment of any and every kind and other forms of obligations and receivables,

instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Collateral").

The foregoing Grant is made in trust to secure the payment of principal of and interest on, and any other amounts owing in respect of, the Notes, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture.

The Indenture Trustee, as Indenture Trustee on behalf of the Noteholders, acknowledges such Grant, accepts the trusts hereunder and agrees to perform its duties required in this Indenture to the best of its ability to the end that the interests of the Noteholders may adequately and effectively be protected.

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. (a) Except as otherwise specified herein, the following terms have the respective meanings set forth below for all purposes of this Indenture.

"Act" has the meaning specified in Section 11.03(a) hereof.

"Additional Note Principal Balance" As defined in the Sale and Servicing Agreement.

"Administration Agreement" means the Administration Agreement dated as of November 1, 2003, between the Issuer and the Administrator.

"Administrator" means Option One Mortgage Corporation, or any successor Administrator under the Administration Agreement.

"Authorized Officer" means, with respect to the Issuer, any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Owner Trustee to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Authorized Officers delivered by the Administrator to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter).

"Basic Documents" As defined in the Sale and Servicing Agreement.

"Certificate of Trust" means the certificate of trust of the Issuer substantially in the form of Exhibit C to the Trust Agreement.

"Change of Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and

Exchange Commission under the Securities Exchange Act of 1934) of outstanding shares of voting stock of the Loan Originator at any time if after giving effect to such acquisition (i) such Person or Persons owns twenty percent (20%) or more of such outstanding voting stock or (ii) H&R Block, Inc. does not own more than fifty percent (50%) of such outstanding shares of voting stock.

"Clean-up Call Date" As defined in the Sale and Servicing Agreement.

"Closing" means November 14, 2003.

"Collateral" has the meaning specified in the Granting Clause of this Indenture.

"Commission" means the Securities and Exchange Commission.

"Corporate Trust Office" means the principal office of the Indenture Trustee at which at any particular time its corporate trust business shall be administered, which office at date of execution of this Indenture is located, for note transfer purposes, at Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: Option One Owner Trust 2003-5, telecopy number: (612) 667-6282, telephone number: (800) 344-5128, and for all other purposes, at 9062 Old Annapolis Road, Columbia, Maryland 21045, Attention: Option One Owner Trust 2003-5, telecopy number: (410) 715-2380, telephone number: (410) 884-2000, or at such other address as the Indenture Trustee may designate from time to time by notice to the Noteholders and the Issuer, or the principal corporate trust office of any successor Indenture Trustee at the address designated by such successor Indenture Trustee by notice to the Noteholders and the Issuer.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Depositor" shall mean Option One Loan Warehouse Corporation, a Delaware corporation; in its capacity as depositor under the Sale and Servicing Agreement, or any successor in interest thereto.

"Depository Institution" means any depository institution or trust company, including the Indenture Trustee, that (a) is incorporated under the laws of the United States of America or any State thereof, (b) is subject to supervision and examination by federal or state banking authorities and (c) has outstanding unsecured commercial paper or other short-term unsecured debt obligations that are rated at a rating to which the Majority Noteholders consent in writing.

"Event of Default" has the meaning specified in Section 5.01 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Executive Officer" means, with respect to (i) the Depositor, the Servicer, the Loan Originator or any Affiliate of any of them, the President, any Vice President or the Treasurer of such corporation; and with respect to any partnership, any general partner thereof, (ii) the Note Registrar, any Responsible Officer of the Indenture Trustee, (iii) any other corporation, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Executive Vice President, any

Vice President, the Secretary or the Treasurer of such entity and (iv) any partnership, any general partner thereof.

"Grant" means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, create and grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to this Indenture. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for principal and interest payments in respect of the Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Holder" means the Person in whose name a Note is registered on the Note Register.

"ICA Owner" means "beneficial owner" as such term is used in Section 3(c)(1) of the Investment Company Act of 1940, as amended (other than any persons who are excluded from such term or from the 100-beneficial owner test of Section 3(c)(1) by law or regulations adopted by the Securities and Exchange Commission).

"Indenture" means this Indenture and any amendments hereto.

"Indenture Trustee" means Wells Fargo Bank Minnesota, National Association, a national banking association, as Indenture Trustee under this Indenture, or any successor Indenture Trustee hereunder.

"Issuer" means Option One Owner Trust 2003-5.

"Issuer Order" and "Issuer Request" mean a written order or request signed in the name of the Issuer by any one of its Authorized Officers and delivered to the Indenture Trustee.

"Loan Originator" means Option One Mortgage Corporation, a California corporation.

"Majority Certificateholders" As defined in the Sale and Servicing Agreement.

"Maturity Date" means, with respect to the Notes, 364 days after the commencement of the Revolving Period.

"Maximum Note Principal Balance" As defined in the Note Purchase Agreement.

"Note" means any Note authorized by and authenticated and delivered under this Indenture.

"Note Interest Rate" means for each Accrual Period, a per annum interest rate equal to One-Month LIBOR for the related LIBOR Determination Date plus the LIBOR Margin and, if applicable, the Default LIBOR Margin for such Accrual Period.

"Note Principal Balance" As defined in the Sale and Servicing Agreement.

"Note Purchase Agreement" means the Note Purchase Agreement dated as of November 14, 2003, among the Issuer, the Depositor and Citigroup Global Markets Realty Corp.

"Note Redemption Amount" As defined in the Sale and Servicing Agreement.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 2.03 hereof.

"Noteholder" means the Person in whose name a Note is registered on the Note Register.

"Officer's Certificate" means a certificate signed by any Authorized Officer of the Issuer or the Administrator, under the circumstances described in, and otherwise complying with, the applicable requirements of Section 11.01 hereof, and delivered to the Indenture Trustee. Unless otherwise specified, any reference in this Indenture to an Officer's Certificate shall be to an Officer's Certificate of any Authorized Officer of the Issuer or the Administrator.

"Opinion of Counsel" means one or more written opinions of counsel who may, except as otherwise expressly provided in this Indenture, be an employee of or counsel to the Issuer, and which opinion or opinions shall be addressed to the Indenture Trustee, as Indenture Trustee, and shall comply with any applicable requirements of Section 11.01 hereof and shall be in form and substance satisfactory to the Initial Noteholder.

"Outstanding" means, with respect to any Note and as of the date of determination, any Note theretofore authenticated and delivered under this Indenture except:

(i) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(ii) Notes or portions thereof the payment for which money in the necessary amount has theretofore been deposited with the Indenture Trustee or any Paying Agent in trust for the Noteholders (provided, however, that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision for such notice satisfactory to the Indenture Trustee has been made); and

(iii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Notes are held by a bona fide purchaser; provided, however, that in determining whether the Noteholders representing the requisite Percentage Interests of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any Basic Document, Notes owned by the Issuer, any other obligor upon the Notes, the Depositor or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Indenture Trustee

actually knows to be owned in such manner shall be disregarded. Notes owned in such manner that have been pledged in good faith may be regarded as Outstanding if the pledgee certifies to the Indenture Trustee (y) that the pledgee has the right so to act with respect to such Notes and (z) that the pledgee is not the Issuer, any other obligor upon the Notes, the Depositor or any Affiliate of any of the foregoing Persons.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee under the Trust Agreement, or any successor Owner Trustee under the Trust Agreement.

"Paying Agent" means (unless the Paying Agent is the Servicer) a Person that meets the eligibility standards for the Indenture Trustee specified in Section 6.11 hereof and is authorized by the Issuer to make payments to and distributions from the Collection Account and the Distribution Account, including payment of principal of or interest on the Notes on behalf of the Issuer. The initial Paying Agent shall be the Servicer; provided that if the Servicer is terminated as Paying Agent for any reason, the Indenture Trustee shall be the Paying Agent until another Paying Agent is appointed by the Initial Noteholder pursuant to Section 8.04 herein. The Indenture Trustee shall be entitled to reasonable additional compensation for assuming the role of Paying Agent.

"Payment Date" As defined in the Sale and Servicing Agreement.

"Percentage Interest" means, with respect to any Note and as of any date of determination, the percentage equal to a fraction, the numerator of which is the principal balance of such Note as of such date of determination and the denominator of which is the Note Principal Balance.

"Person" As defined in the Sale and Servicing Agreement.

"Predecessor Note" means, with respect to any particular Note, every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purpose of this definition, any Note authenticated and delivered under Section 2.04 hereof in lieu of a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Record Date" As defined in the Sale and Servicing Agreement.

"Redemption Date" means in the case of a redemption of the Notes pursuant to Section 10.01 hereof, the Payment Date specified by the Servicer pursuant to such Section 10.01.

"Registered Holder" means the Person in the name of which a Note is registered on the Note Register on the applicable Record Date.

"Revolving Period" As defined in the Sale and Servicing Agreement.

"Sale Agent" has the meaning assigned to such term in Section 5.11 hereof.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement dated as of November 1, 2003, among the Issuer, the Depositor, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders.

"Servicer" shall mean Option One Mortgage Corporation, in its capacity as servicer under the Sale and Servicing Agreement, and any successor servicer thereunder.

"State" means any one of the States of the United States of America or the District of Columbia.

"Termination Price" As defined in the Sale and Servicing Agreement.

"Transfer Date" As defined in the Sale and Servicing Agreement.

"Trust Agreement" means the Trust Agreement dated as of November 1, 2003, between the Depositor and the Owner Trustee.

"Trust Certificate" has the meaning assigned to such term in Section 1.1 of the Trust Agreement.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force on the date hereof, unless otherwise specifically provided.

(b) Except as otherwise specified herein or as the context may otherwise require, capitalized terms used but not otherwise defined herein have the respective meanings set forth in the Sale and Servicing Agreement for all purposes of this Indenture.

Section 1.02. Rules of Construction. Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) "including" means including without limitation;

(v) words in the singular include the plural and words in the plural include the singular; and

(vi) any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented (as provided in such agreements) and includes (in the case of agreements or instruments) references to all

attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

ARTICLE II

GENERAL PROVISIONS WITH RESPECT TO THE NOTES

Section 2.01. Method of Issuance and Form of Notes.

(a) The Notes shall be designated generally as the "Option One Owner Trust 2003-5 Mortgage-Backed Notes" of the Issuer. Each Note shall bear upon its face the designation so selected for the Notes. All Notes shall be identical in all respects except for the denominations thereof. All Notes issued under this Indenture shall be in all respects equally and ratably entitled to the benefits thereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

The Notes may be typewritten, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Each Note shall be dated the date of its authentication.

The terms of the Notes shall be set forth in this Indenture.

The Notes shall be in definitive form and shall bear a legend substantially in the form of Exhibit C attached hereto.

Section 2.02. Execution, Authentication, Delivery and Dating. The Notes shall be executed on behalf of the Issuer by an Authorized Officer of the Owner Trustee or the Administrator. The signature of any such Authorized Officer on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signature of individuals who were at any time Authorized Officers of the Owner Trustee or the Administrator shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

Subject to the satisfaction of the conditions set forth in Section 2.08 hereof, the Indenture Trustee shall upon Issuer Order authenticate and deliver the Notes.

The Notes that are authenticated and delivered by the Indenture Trustee to or upon the order of the Issuer on the Closing Date shall be dated as of such Closing Date. All other Notes that are authenticated after the Closing Date for any other purpose under the Indenture shall be dated the date of their authentication. The Notes shall be issued in such denominations as may be agreed by the Issuer and the Initial Noteholder.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Indenture Trustee by the manual signature of one of its

authorized signatories, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.03. Registration; Registration of Transfer and Exchange. The Issuer shall cause to be kept a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Notes and the registration of transfers of Notes. The Indenture Trustee initially shall be the "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided. Upon any resignation of any Note Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of the Note Registrar.

If a Person other than the Indenture Trustee is appointed by the Issuer as Note Registrar, the Issuer will give the Indenture Trustee prompt written notice of the appointment of such Note Registrar and of the location, and any change in the location, of the Note Register, and the Indenture Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof, and the Indenture Trustee shall have the right to rely upon a certificate executed on behalf of the Note Registrar by an Executive Officer thereof as to the names and addresses of the Noteholders and the principal amounts and number of the Notes.

Upon surrender for registration of transfer of any Note at the office or agency of the Issuer to be maintained as provided in Section 3.02 hereof, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Noteholder shall obtain from the Indenture Trustee, in the name of the designated transferee or transferees, one or more new Notes in any authorized denominations, of a like aggregate Note Principal Balance.

At the option of the Holder, Notes may be exchanged for other Notes in any authorized denominations, of a like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Noteholder shall obtain from the Indenture Trustee, the Notes which the Noteholder making the exchange is entitled to receive.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in the form attached to the form of Note attached as Exhibit A hereto duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Securities Transfer Agents' Medallion Program ("STAMP").

No service charge shall be made to a Noteholder for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 9.05 hereof not involving any transfer.

The preceding provisions of this Section 2.03 notwithstanding, the Issuer shall not be required to make, and the Note Registrar need not register, transfers or exchanges of Notes selected for redemption or of any Note for a period of 15 days preceding the due date for any payment with respect to such Note.

Section 2.04. Mutilated, Destroyed, Lost or Stolen Notes. If (i) any mutilated Note is surrendered to the Indenture Trustee, or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Issuer and Indenture Trustee such security or indemnity as may reasonably be required by it to hold the Issuer and the Indenture Trustee, as applicable, harmless, then, in the absence of notice to the Issuer, the Note Registrar or the Indenture Trustee that such Note has been acquired by a bona fide purchaser, an Authorized Officer of the Owner Trustee or the Administrator on behalf of the Issuer shall execute, and upon its written request the Indenture Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note; provided, however, that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become or within seven days shall be due and payable, or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may pay such destroyed, lost or stolen Note when so due or payable or upon the Redemption Date without surrender thereof. If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Issuer shall be entitled to recover such replacement Note (or such payment) from the Person to which it was delivered or any Person taking such replacement Note from such Person to which such replacement Note was delivered or any assignee of such Person, except a bona fide purchaser, and the Issuer and the Indenture Trustee shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Indenture Trustee in connection therewith.

Upon the issuance of any replacement Note under this Section 2.04, the Issuer may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Indenture Trustee) connected therewith.

Every replacement Note issued pursuant to this Section 2.04 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.04 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.05. Persons Deemed Noteholders. Prior to due presentment for registration of transfer of any Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in the name of which any Note is registered (as of the day of determination) as the Noteholder for the purpose of receiving payments of principal of and interest, if any, on such Note and for all other purposes whatsoever, whether or not such Note be overdue,

and none of the Issuer, the Indenture Trustee or any agent of the Issuer or the Indenture Trustee shall be affected by notice to the contrary.

Section 2.06. Payment of Principal and/or Interest; Defaulted Interest.

(a) The Notes shall accrue interest at the Note Interest Rate, and such interest shall be payable on each Payment Date, subject to Section 3.01 hereof. Any installment of interest or principal, if any, payable on any Note that is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in the name of which such Note (or one or more Predecessor Notes) is registered on the next preceding Record Date based on the Percentage Interest represented by its respective Note, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee, and otherwise by check mailed to the address of such Noteholder appearing in the Note Register no less than five days preceding the related Record Date. The final installment of principal payable with respect to such Note shall be payable as provided in Section 2.06(b) below. The funds represented by any such checks returned undelivered shall be held in accordance with Section 3.03 hereof.

(b) The principal of each Note shall be payable in installments on each Payment Date as provided in Sections 5.01 and 5.02 of the Sale and Servicing Agreement and Section 5.04(b) hereof. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable, if not previously paid, on the earlier of (i) the Maturity Date, (ii) the Redemption Date, (iii) the Final Put Date and (iv) the date on which an Event of Default shall have occurred and be continuing, if the Indenture Trustee or the Majority Noteholders shall have declared the Notes to be immediately due and payable in the manner provided in Section 5.02 hereof.

All principal payments on the Notes shall be made pro rata to the Noteholders based on their respective Percentage Interests. The Paying Agent shall notify the Person in the name of which a Note is registered at the close of business on the Record Date preceding the Payment Date on which the Issuer expects that the final installment of principal of and interest on such Note will be paid. Such notice shall be mailed or transmitted by facsimile prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of such Note and shall specify the place where such Note may be presented and surrendered for payment of such installment. Notices in connection with redemptions of Notes shall be provided to Noteholders as set forth in Section 10.02 hereof.

Section 2.07. Cancellation. All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Indenture Trustee, be delivered to the Indenture Trustee and shall promptly be canceled by the Indenture Trustee. The Issuer may at any time deliver to the Indenture Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Notes so delivered shall promptly be canceled by the Indenture Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.07, except as expressly permitted by this Indenture. All canceled Notes may be held or disposed of by the Indenture Trustee in accordance with its standard retention or disposal policy as

in effect at the time unless the Issuer shall direct by an Issuer Order that they be destroyed or returned to it; provided, however, that such Issuer Order is timely and the Notes have not been previously disposed of by the Indenture Trustee.

Section 2.08. Conditions Precedent to the Authentication of the Notes. The Notes may be authenticated by the Indenture Trustee upon receipt by the Indenture Trustee of the following:

(a) An Issuer Order authorizing authentication of such Notes by the Indenture Trustee;

(b) All of the items of Collateral which are to be delivered pursuant to the Basic Documents to the Indenture Trustee or its designee by the related Closing Date shall have been delivered;

(c) An executed counterpart of each Basic Document;

(d) One or more Opinions of Counsel addressed to the Indenture Trustee to the effect that:

(i) all conditions precedent provided for in this Indenture relating to the authentication of the Notes have been complied with;

(ii) the Owner Trustee has power and authority to execute, deliver and perform its obligations under the Trust Agreement;

(iii) the Issuer has been duly formed, is validly existing as a statutory trust under the laws of the State of Delaware, 12 Del. C. Section 3801 et seq., and has power, authority and legal right to execute and deliver this Indenture, the Note Purchase Agreement, the Custodial Agreement, the Administration Agreement and the Sale and Servicing Agreement;

(iv) assuming due authorization, execution and delivery hereof by the Indenture Trustee, the Indenture is a valid, legal and binding obligation of the Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent or preferential conveyance and other similar laws of general application affecting the rights of creditors generally and to general principles of equity (regardless of whether such enforcement is considered in a Proceeding in equity or at law);

(v) the Notes, when executed and authenticated as provided herein and delivered against payment therefor, will be the valid, legal and binding obligations of the Issuer pursuant to the terms of this Indenture, entitled to the benefits of this Indenture, and will be enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent or preferential conveyance and other similar laws of general application affecting the rights of creditors generally and to general principles of equity (regardless of whether such enforcement is considered in a Proceeding in equity or at law);

(vi) Reserved;

(vii) this Indenture is not required to be qualified under the Trust Indenture Act;

(viii) no authorization, approval or consent of any governmental body having jurisdiction in the premises which has not been obtained by the issuer is required to be obtained by the Issuer for the valid issuance and delivery of the Notes, except that no opinion need be expressed with respect to any such authorizations, approvals or consents as may be required under any state securities or "blue sky" laws; and

(ix) any other matters that the Indenture Trustee may reasonably request.

(e) An Officer's Certificate complying with the requirements of Section 11.01 hereof and stating that:

(i) the Issuer is not in Default under this Indenture and the issuance of the Notes applied for will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, the Trust Agreement, any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it may be bound or to which it may be subject, and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes applied for have been complied with;

(ii) the Issuer is the owner of all of the Loans, has not assigned any interest or participation in the Loans (or, if any such interest or participation has been assigned, it has been released) and has the right to Grant all of the Loans to the Indenture Trustee;

(iii) the Issuer has Granted to the Indenture Trustee all of its right, title and interest in and to the Collateral, and has delivered or caused the same to be delivered to the Indenture Trustee; and

(iv) all conditions precedent provided for in this Indenture relating to the authentication of the Notes have been complied with.

Section 2.09. Release of Collateral. (a) Except as otherwise provided by the terms of the Basic Documents, the Indenture Trustee shall release the Collateral from the lien of this Indenture only upon receipt of an Issuer Request accompanied by the written consent of the Majority Noteholders in accordance with the procedures set forth in the Custodial Agreement. To the extent it deems necessary, the Indenture Trustee may seek direction from the Initial Noteholder with regard to the release of Collateral other than the Custodial Loan File.

(b) The Indenture Trustee shall, if requested by the Servicer, temporarily release or cause the Custodian temporarily to release to the Servicer the Custodial Loan File pursuant to the provisions of Section 5(b) of the Custodial Agreement upon compliance by the Servicer with the provisions thereof; provided, however, that the Custodian's records shall indicate the Issuer's pledge to the Indenture Trustee under the Indenture.

Section 2.10. Additional Note Principal Balance. In the event of payment of Additional Note Principal Balance by the Noteholders as provided in Section 2.01 (c) of the Sale and Servicing Agreement, each Noteholder shall, and is hereby authorized to, record on the schedule attached to its Note the date and amount of any Additional Note Principal Balance advanced by it, and each repayment thereof; provided that failure to make any such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Additional Note Principal Balance and its right to receive interest payments in respect of the Additional Note Principal Balance held by such Noteholder.

Absent manifest error, the Note Principal Balance of each Note as set forth in the notations made by the related Noteholder on such Note shall be binding upon the Indenture Trustee and the Issuer; provided that failure by a Noteholder to make such recordation on its Note or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive principal and interest payments in respect thereof.

Section 2.11. Tax Treatment. The Issuer has entered into this Indenture, and the Notes will be issued, with the intention that for all purposes, including federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness of the Issuer secured by the Collateral. The Issuer, by entering into this Indenture, and each Noteholder, by its acceptance of a Note, agree to treat the Notes for all purposes, including federal, state and local income, single business and franchise tax purposes, as indebtedness of the Issuer. The Indenture Trustee will have no responsibility for filing or preparing any tax returns.

Section 2.12. Limitations on Transfer of the Notes.

(a) The Notes have not been and will not be registered under the Securities Act and will not be listed on any exchange. No transfer of a Note shall be made unless such transfer is made pursuant to an effective registration statement under the Securities Act and all applicable state securities laws or is exempt from the registration requirements under the Securities Act and such state securities laws. In order to assure compliance with the Securities Act and state securities laws, any transfer of a Note shall be made (A) in reliance on Rule 144A under the Securities Act, in which case, the Indenture Trustee shall require that the transferor deliver a certification substantially in the form of Exhibit B-1 hereto and that the transferee deliver a certification substantially in the form of Exhibit B-3 hereto, or (B) to an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act that is not a "qualified institutional buyer," in which case the Indenture Trustee shall require that the transferee deliver a certification substantially in the form of Exhibit B-2 hereto. The Indenture Trustee shall not make any transfer or re-registration of the Notes if after such transfer or re-registration, there would be more than five Noteholders. Each Noteholder shall, by its acceptance of a Note, be deemed to have represented and warranted that the number of ICA Owners with respect to all of its Notes shall not exceed four.

(b) The Note Registrar shall not register the transfer of any Note unless the Indenture Trustee has received a certificate from the transferee to the effect that either (i) the transferee is not an employee benefit plan or other retirement plan or arrangement subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended (each, a "Plan"), and is not acting on behalf of or

investing the assets of a Plan or (ii) if the transferee is a Plan or is acting on behalf of or investing the assets of a Plan, either that no prohibited transaction within the meaning of Section 406(a) of ERISA or Section 4975 of the Code would occur upon the transfer of the Note or that the conditions for exemptive relief under a prohibited transaction exemption has been satisfied, including, but not limited to, Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts) and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

ARTICLE III

COVENANTS

Section 3.01. Payment of Principal and/or Interest. The Issuer will duly and punctually pay (or will cause to be paid duly and punctually) the principal of and interest on the Notes in accordance with the terms of the Notes, this Indenture and the Sale and Servicing Agreement. Amounts properly withheld under the Code by any Person from a payment to any Noteholder of interest and/or principal shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture. The Notes shall be non-recourse obligations of the Issuer and shall be limited in right of payment to amounts available from the Collateral, as provided in this Indenture. The Issuer shall not otherwise be liable for payments on the Notes. If any other provision of this Indenture shall be deemed to conflict with the provisions of this Section 3.01, the provisions of this Section 3.01 shall control.

Section 3.02. Maintenance of Office or Agency. The Indenture Trustee shall maintain at the Corporate Trust Office an office or agency where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Indenture Trustee shall give prompt written notice to the Issuer of the location, and of any change in the location, of any such office or agency.

Section 3.03. Money for Payments to Be Held in Trust. As provided in Section 8.02(a) and (b) hereof, all payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Distribution Account pursuant to Section 8.02(c) hereof shall be made on behalf of the Issuer by the Indenture Trustee or by the Paying Agent, and no amounts so withdrawn from the Distribution Account for payments of Notes shall be paid over to the Issuer except as provided in this Section 3.03.

Any Paying Agent shall be appointed by the Initial Noteholder with written notice thereof to the Indenture Trustee. The Issuer shall not appoint any Paying Agent (other than the Indenture Trustee or Servicer) which is not, at the time of such appointment, a Depository Institution.

The Issuer will cause each Paying Agent other than the Indenture Trustee to execute and deliver to the Indenture Trustee an instrument in which such Paying Agent shall agree with the

Indenture Trustee (and if the Indenture Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 3.03, that such Paying Agent will:

(i) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) give the Indenture Trustee notice of any Default by the Issuer (or any other obligor upon the Notes) of which it has actual knowledge in the making of any payment required to be made with respect to the Notes;

(iii) at any time during the continuance of any such Default, upon the written request of the Majority Noteholders or the Indenture Trustee, forthwith pay to the Indenture Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to the Indenture Trustee all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards required to be met by a Paying Agent at the time of its appointment; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Notes of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith; provided, however, that with respect to withholding and reporting requirements applicable to original issue discount (if any) on the Notes, the Issuer shall have first provided the calculations pertaining thereto to the Indenture Trustee.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Indenture Trustee all sums held in trust by such Paying Agent, such sums to be held by the Indenture Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Indenture Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to applicable laws with respect to escheat of funds or abandoned property, any money held by the Indenture Trustee or any Paying Agent in trust for the payment of any amount due with respect to any Note and remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer on Issuer Request; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Indenture Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Indenture Trustee or such Paying Agent, before being required to make any such repayment, shall at the expense and direction of the Issuer cause to be published, once in a newspaper of general circulation in the City of New York customarily published in the English language on each Business Day, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Indenture

Trustee shall also adopt and employ any other reasonable means of notification of such repayment (including, but not limited to, mailing notice of such repayment to Noteholders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in moneys due and payable but not claimed at the last address of record for each such Noteholder determinable from the records of the Indenture Trustee or of any Paying Agent). Any costs and expenses of the Indenture Trustee and the Paying Agent incurred in the holding of such funds shall be charged against such funds. Monies so held shall not bear interest.

Section 3.04. Existence. (a) Subject to subparagraph (b) of this Section 3.04, the Issuer will keep in full effect its existence, rights and franchises as a statutory trust under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other State or of the United States of America, in which case the Issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes and the Collateral. The Issuer shall comply in all respects with the covenants contained in the Trust Agreement, including without limitation, the "special purpose entity" set forth in Section 4.1 thereof.

(b) Any successor to the Owner Trustee appointed pursuant to Section 10.2 of the Trust Agreement shall be the successor Owner Trustee under this Indenture without the execution or filing of any paper, instrument or further act to be done on the part of the parties hereto.

(c) Upon any consolidation or merger of or other succession to the Owner Trustee, the Person succeeding to the Owner Trustee under the Trust Agreement may exercise every right and power of the Owner Trustee under this Indenture with the same effect as if such Person had been named as the Owner Trustee herein.

Section 3.05. Protection of Collateral. The Issuer will from time to time execute and deliver all such reasonable supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(i) provide further assurance with respect to the Grant of all or any portion of the Collateral;

(ii) maintain or preserve the lien and security interest (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;

(iv) enforce any rights with respect to the Collateral; and

(v) preserve and defend title to the Collateral and the rights of the Indenture Trustee and the Noteholders in such Collateral against the claims of all Persons and parties.

The Issuer hereby designates the Administrator, its agent and attorney-in-fact to execute any financing statement, continuation statement or other instrument required to be executed pursuant to this Section 3.05.

Section 3.06. Negative Covenants. Without the written consent of the Majority Noteholders, so long as any Notes are Outstanding, the Issuer shall not:

(i) except as expressly permitted by the Basic Documents, sell, transfer, exchange or otherwise dispose of any of the properties or assets of the Issuer, including those included in any part of the Trust Estate, unless directed to do so by the Noteholders as permitted herein;

(ii) claim any credit on, or make any deduction from the principal or interest payable in respect of, the Notes (other than amounts properly withheld from such payments under the Code) or assert any claim against any present or former Noteholder by reason of the payment of the taxes levied or assessed upon any part of the Trust Estate;

(iii) engage in any business or activity other than as expressly permitted by this Indenture and the other Basic Documents, other than in connection with, or relating to, the issuance of Notes pursuant to this Indenture, or amend this Indenture as in effect on the Closing Date other than in accordance with Article IX hereof;

(iv) issue any debt obligations except under this Indenture;

(v) incur or assume any indebtedness or guaranty any indebtedness of any Person, except for such indebtedness as may be incurred by the Issuer in connection with the issuance of the Notes pursuant to this Indenture;

(vi) dissolve or liquidate in whole or in part or merge or consolidate with any other Person;

(vii) (A) permit the validity or effectiveness of this Indenture to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Notes except as may expressly be permitted hereby, (B) except as provided in the Basic Documents, permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance to be created on or extend to or otherwise arise upon or burden the Trust Estate or any part thereof or any interest therein or the proceeds thereof (other than tax liens, mechanics' liens and other liens that arise by operation of law, in each case, on any Mortgaged Property and arising solely as a result of an action or omission of the related Borrowers) or (C) except as provided in the Basic Documents, permit any Person other than itself, the Owner Trustee and the Noteholders to have any right, title or interest in the Trust Estate;

(viii) remove the Administrator without the prior written consent of the Majority Noteholders; or

(ix) take any other action or fail to take any action which may cause the Trust to be taxable as (a) an association pursuant to Section 7701 of the Code and the corresponding regulations, or (b) as a taxable mortgage pool pursuant to Section 7701(i) of the Code.

Section 3.07. Performance of Obligations; Servicing of Loans. (a) The Issuer will not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's material covenants or obligations under any instrument or agreement included in the Collateral or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except as expressly provided in the Basic Documents or such other instrument or agreement.

(b) The Issuer may contract with or otherwise obtain the assistance of other Persons (including, without limitation, the Administrator under the Administration Agreement) to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Indenture Trustee in an Officer's Certificate of the Issuer shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Servicer and the Administrator to assist the Issuer in performing its duties under this Indenture.

(c) The Issuer will punctually perform and observe all of its obligations and agreements contained in this Indenture, in the Basic Documents and in the instruments and agreements included in the Collateral, including but not limited to (i) filing or causing to be filed all UCC financing statements and continuation statements required to be filed by the terms of this Indenture and the Sale and Servicing Agreement and (ii) recording or causing to be recorded all Mortgages, Assignments of Mortgage, all intervening Assignments of Mortgage and all assumption and modification agreements required to be recorded by the terms of the Sale and Servicing Agreement, in accordance with and within the time periods provided for in this Indenture and/or the Sale and Servicing Agreement, as applicable. Except as otherwise expressly provided therein, the Issuer shall not waive, amend, modify, supplement or terminate any Basic Document or any provision thereof without the consent of the Indenture Trustee and the Majority Noteholders.

(d) If the Issuer shall have knowledge of the occurrence of a Servicing Event of Default, the Issuer shall promptly notify the Indenture Trustee and the Initial Noteholder thereof, and shall specify in such notice the action, if any, the Issuer is taking with respect to such default. If a Servicing Event of Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Sale and Servicing Agreement with respect to the Loans, the Issuer shall take all reasonable steps available to it to remedy such failure.

(e) Reserved.

(f) Upon any termination of the Servicer's rights and powers pursuant to the Sale and Servicing Agreement, the Issuer shall promptly notify the Indenture Trustee. As soon as a successor servicer is appointed, the Issuer shall notify the Indenture Trustee of such appointment, specifying in such notice the name and address of such successor servicer.

(g) Without derogating from the absolute nature of the assignment granted to the Indenture Trustee under this Indenture or the rights of the Indenture Trustee hereunder, the Issuer

agrees (i) that it will not, without the prior written consent of the Indenture Trustee, amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, supplement, termination, waiver or surrender of, the terms of any Collateral (except to the extent otherwise permitted by the Sale and Servicing Agreement) or the Basic Documents, or waive timely performance or observance by the Servicer or the Depositor under the Sale and Servicing Agreement; and (ii) that any such amendment shall not (A) increase or reduce in any manner the amount of, or accelerate or delay the timing of, distributions that are required to be made for the benefit of the Noteholders or (B) reduce the aforesaid percentage of the Notes that is required to consent to any such amendment, without the consent of Noteholders evidencing 100% Percentage Interests of the Outstanding Notes. If any such amendment, modification, supplement or waiver shall so be consented to by the Indenture Trustee, the Issuer agrees, promptly following a request by the Indenture Trustee to do so, to execute and deliver, in its own name and at its own expense, such agreements, instruments, consents and other documents as the Indenture Trustee may deem necessary or appropriate in the circumstances.

Section 3.08. Reserved.

Section 3.09. Annual Statement as to Compliance. So long as the Notes are Outstanding, the Issuer will deliver to the Indenture Trustee, within 120 days after the end of each fiscal year of the Issuer (commencing with the fiscal year beginning on May 1, 2003), an Officer's Certificate stating, as to the Authorized Officer signing such Officer's Certificate, that:

(i) a review of the activities of the Issuer during such year and of its performance under this Indenture has been made under such Authorized Officer's supervision; and

(ii) to the best of such Authorized Officer's knowledge, based on such review, the Issuer has materially complied with all conditions and covenants under this Indenture throughout such year, or, if there has been a default in its compliance with any such condition or covenant, specifying each such default known to such Authorized Officer and the nature and status thereof.

Section 3.10. Covenants of the Issuer. All covenants of the Issuer in this Indenture are covenants of the Issuer and are not covenants of the Owner Trustee. The Owner Trustee is, and any successor Owner Trustee under the Trust Agreement will be, entering into this Indenture solely as Owner Trustee under the Trust Agreement and not in its respective individual capacity, and in no case whatsoever shall the Owner Trustee or any such successor Owner Trustee be personally liable on, or for any loss in respect of, any of the statements, representations, warranties or obligations of the Issuer hereunder, as to all of which the parties hereto agree to look solely to the property of the Issuer.

Section 3.11. Servicer's Obligations. The Issuer shall cause the Servicer to comply with the Sale and Servicing Agreement.

Section 3.12. Restricted Payments. The Issuer shall not, directly or indirectly, (i) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to the Owner Trustee or any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest or security in or

of the Issuer or to the Servicer, (ii) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (iii) set aside or otherwise segregate any amounts for any such purpose; provided, however, that the Issuer may make, or cause to be made, (x) distributions to the Servicer, the Indenture Trustee, the Owner Trustee and the Noteholders and the holders of the Trust Certificates as contemplated by, and to the extent funds are available for such purpose under, the Sale and Servicing Agreement or the Trust Agreement and (y) payments to the Administrator pursuant to Section 4 of the Administration Agreement. The Issuer will not, directly or indirectly, make or cause to be made payments to or distributions from the Distribution Account except in accordance with this Indenture and the Basic Documents.

Section 3.13. Treatment of Notes as Debt for All Purposes. The Issuer shall, and shall cause the Administrator to, treat the Notes as indebtedness for all purposes.

Section 3.14. Notice of Events of Default. The Issuer shall give the Indenture Trustee and the Initial Noteholder prompt written notice of each Event of Default hereunder and each default on the part of the Servicer or the Loan Originator of their respective obligations under any of the Basic Documents.

Section 3.15. Further Instruments and Acts. Upon request of the Indenture Trustee, the Issuer will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

ARTICLE IV

SATISFACTION AND DISCHARGE

Section 4.01. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to the Notes (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen Notes, (iii) rights of Noteholders to receive payments of principal thereof and interest thereon, (iv) Sections 3.03, 3.04 and 3.10 hereof, (v) the rights, obligations and immunities of the Indenture Trustee hereunder (including the rights of the Indenture Trustee under Section 6.07 hereof and the obligations of the Indenture Trustee under Section 4.02 hereof) and (vi) the rights of Noteholders as beneficiaries hereof with respect to the property so deposited with the Indenture Trustee payable to all or any of them), and the Indenture Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments satisfactory to it, and prepared and delivered to it by the Issuer, acknowledging satisfaction and discharge of this Indenture with respect to the Notes, when all of the following have occurred:

(A) either

(1) all Notes theretofore authenticated and delivered (other than (i) Notes that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.04 hereof and (ii) Notes for the payment of which money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 3.03

hereof) shall have been delivered to the Indenture Trustee for cancellation; or

(2) all Notes not theretofore delivered to the Indenture Trustee for cancellation

a. shall have become due and payable, or

b. are to be called for redemption within one year under arrangements satisfactory to the Indenture Trustee for the giving of notice of redemption by the Indenture Trustee in the name, and at the expense, of the Issuer,

c. and the Issuer, in the case of clause a. or b. above, has irrevocably deposited or caused irrevocably to be deposited with the Indenture Trustee cash or direct obligations of or obligations guaranteed by the United States of America (which will mature prior to the date such amounts are payable), in trust for such purpose, in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Indenture Trustee for cancellation when due to the applicable Maturity Date or the Redemption Date (if Notes shall have been called for redemption pursuant to Section 10.01 hereof), as the case may be; and

(B) the latest of (a) the payment in full of all outstanding obligations under the Notes, (b) the payment in full of all unpaid Trust Fees and Expenses and (c) the date on which the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer; and

(C) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each meeting the applicable requirements of Section 11.01 hereof and, subject to Section 11.02 hereof, each stating that all conditions precedent herein provided for, relating to the satisfaction and discharge of this Indenture with respect to the Notes, have been complied with.

Section 4.02. Application of Trust Money. All moneys deposited with the Indenture Trustee pursuant to Sections 3.03 and 4.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent, as the Indenture Trustee may determine, to the Noteholders for the payment or redemption of which such moneys have been deposited with the Indenture Trustee, of all sums due and to become due thereon for principal and/or interest; but such moneys need not be segregated from other funds except to the extent required herein or in the Sale and Servicing Agreement or required by law.

Section 4.03. Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all moneys then held by any Paying Agent other than the Indenture Trustee under the provisions of this Indenture with respect

to such Notes shall, upon demand of the Issuer, be paid to the Indenture Trustee to be held and applied according to Section 3.03 hereof and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE V

REMEDIES

Section 5.01. Events of Default. "Event of Default," wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) notwithstanding any insufficiency of funds in the Distribution Account for payment thereof on the related Payment Date, default in the payment of any interest on any Note when the same becomes due and payable; or

(b) notwithstanding any insufficiency of funds in the Distribution Account for payment thereof on the related Payment Date, default in the payment of any installment of the Overcollateralization Shortfall of any Note (i) on any Payment Date or (ii) on the Maturity Date, or, to the extent that there are funds available in the Distribution Account therefor, default in the payment of any installment of the principal of any Note from such available funds, as a result of the occurrence of a Rapid Amortization Trigger; or

(c) the occurrence of a Servicer Event of Default; or

(d) default in the observance or performance of any covenant or agreement of the Issuer made in any Basic Document to which it is a party (other than a covenant or agreement, a default in the observance or performance of which is elsewhere in this Section 5.01 specifically dealt with), or any representation or warranty of the Issuer made in any Basic Document to which it is a party or in any certificate or other writing delivered pursuant thereto or in connection therewith proving to have been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured, or the circumstance or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of 30 days after there shall have been given, by registered or certified mail, to the Issuer by the Indenture Trustee, or to the Issuer, the Depositor and the Indenture Trustee by Noteholders evidencing at least 25% Percentage Interests of the Outstanding Notes, a written notice specifying such default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a notice of Default hereunder; or

(e) default in the observance or performance of any covenant or agreement of the Depositor or the Loan Originator made in any Basic Document to which it is a party or any representation or warranty of the Depositor (except as otherwise expressly provided in the Basic Documents with respect to representations and warranties regarding the Loans) or Loan Originator made in any Basic Document to which they are a party, proving to have been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured, or the circumstance or condition in respect of which such misrepresentation or

warranty was incorrect shall not have been eliminated or otherwise cured, for a period of 30 days (or five days in the case of the failure of the Loan Originator to make a payment in respect of the Transfer Obligation) after there shall have been given, by registered or certified mail, to the Issuer and the Depositor by the Indenture Trustee, or to the Issuer, the Depositor and the Indenture Trustee by Noteholders evidencing at least 25% Percentage Interests of the Outstanding Notes, a written notice specifying such Default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a notice of Default hereunder; or

(f) default in the observance or performance of any covenant or agreement of the Loan Originator made in any repurchase agreement, loan and security agreement or other similar credit facility agreement entered into by the Loan Originator and any third party for borrowed funds in excess of $10,000,000, including any default which entitles any party to require acceleration or prepayment of any indebtedness thereunder; or

(g) the filing of a decree or order for relief by a court having jurisdiction over the Issuer, the Depositor or the Loan Originator or all or substantially all of the Collateral in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointing of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Depositor or the Loan Originator or for all or substantially all of the Collateral, or the ordering of the winding-up or liquidation of the affairs of the Issuer, the Depositor or the Loan Originator, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(h) the commencement by the Issuer, the Depositor or the Loan Originator of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer, the Depositor or the Loan Originator to the entry of an order for relief in an involuntary case under any such law, or the consent by the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Depositor or the Loan Originator or for any substantial part of the Collateral, or the making by the Issuer, the Depositor or the Loan Originator of any general assignment for the benefit of creditors, or the failure by the Issuer, the Depositor or the Loan Originator generally to pay its respective debts as such debts become due, or the taking of any action by the Issuer, the Depositor or the Loan Originator in furtherance of any of the foregoing; or

(i) a Change of Control of the Loan Originator; or

(j) the Notes shall be Outstanding on the day after the end of the Revolving Period.

The Issuer shall deliver to the Indenture Trustee, within five days after the occurrence thereof, written notice in the form of an Officer's Certificate of any event which with the giving of notice and the lapse of time would become an Event of Default under clauses (d) or (e) above, the status of such event and what action the Issuer or the Depositor, as applicable, is taking or proposes to take with respect thereto.

Section 5.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default should occur and be continuing, then and in every such case the Indenture Trustee, at the

direction or upon the prior written consent of the Majority Noteholders, may declare all the Notes to be immediately due and payable, by a notice in writing to the Issuer (and to the Indenture Trustee if given by Noteholders), and upon any such declaration, the unpaid principal amount of such Notes, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the moneys due has been obtained by the Indenture Trustee as hereinafter in this Article V provided, the Majority Noteholders, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

1. all payments of principal of and/or interest on all Notes and all other amounts that would then be due hereunder or upon such Notes if the Event of Default giving rise to such acceleration had not occurred; and

2. all sums paid or advanced by the Indenture Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel; and

(b) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 5.12 hereof. No such rescission shall affect any subsequent default or impair any right consequent thereto.

Section 5.03. Collection of Indebtedness and Suits for Enforcement by Indenture Trustee. (a) The Issuer covenants that if (i) default is made in the payment of any interest on any Note when the same becomes due and payable, and such default continues for a period of five days, or (ii) default is made in the payment of the principal of or any installment of the principal of any Note when the same becomes due and payable, the Issuer will, upon demand of the Indenture Trustee, pay to the Indenture Trustee, for the benefit of the Noteholders, the whole amount then due and payable on such Notes for principal and/or interest, with interest upon the overdue principal and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of interest at the rate borne by the Notes and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel.

(b) In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Indenture Trustee shall at the direction of the Majority Noteholders, subject to Section 5.06(c) institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or other obligor upon such Notes and collect in the manner provided by law out of the property of the Issuer or other obligor upon such Notes, wherever situated, the moneys adjudged or decreed to be payable.

(c) If an Event of Default occurs and is continuing, the Indenture Trustee shall at the direction of the Majority Noteholders, as more particularly provided in Section 5.04 hereof, subject to Section 5.06(c) hereof, proceed to protect and enforce its rights and the rights of the Noteholders by such appropriate Proceedings as the Indenture Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture or by law.

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Notes or any Person having or claiming an ownership interest in the Collateral, Proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to the Issuer or other obligor upon the Notes, or to the creditors or property of the Issuer or such other obligor, the Indenture Trustee, irrespective of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section 5.03, shall be entitled and empowered by intervention in such Proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and/or interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee, and its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of negligence or bad faith) and of the Noteholders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Noteholders in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders and the Indenture Trustee on their behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee or the Noteholders allowed in any judicial proceedings relative to the Issuer, its creditors and its property; and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Noteholders to make payments to the Indenture Trustee and, in the event that the Indenture Trustee shall consent to the making of payments directly to such Noteholders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor

Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred and all advances made by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith.

(e) Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Indenture Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceedings relative thereto, and any such action or Proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, shall be for the ratable benefit of the Noteholders.

(g) In any Proceedings brought by the Indenture Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the Noteholders, and it shall not be necessary to make any Noteholder a party to any such Proceedings.

Section 5.04. Remedies; Priorities. (a) If an Event of Default shall have occurred and be continuing, the Indenture Trustee, at the direction of the Majority Noteholders shall, do one or more of the following (subject to Section 5.05 hereof):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Notes or under this Indenture with respect thereto, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Issuer and any other obligor upon such Notes moneys adjudged due;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(iii) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee or the Noteholders; and

(iv) sell the Collateral or any portion thereof or rights or interest therein in a commercially reasonable manner, at one or more public or private sales called and conducted in any manner permitted by law; provided, however, that the Indenture Trustee may not sell or otherwise liquidate the Collateral following an Event of Default, unless (A) the Holders of 100% Percentage Interests of the Outstanding Notes consent thereto, (B) the proceeds of such sale or liquidation distributable to the Noteholders are sufficient to discharge in full all amounts then due and unpaid upon such Notes for principal and/or interest or (C) the

Indenture Trustee determines that the Collateral will not continue to provide sufficient funds for the payment of principal of and interest on the Notes as they would have become due if the Notes had not been declared due and payable, and the Indenture Trustee obtains the consent of Holders of not less than 66-2/3% Percentage Interests of the Outstanding Notes. In determining such sufficiency or insufficiency with respect to clause (B) and (C) of this subsection (a)(iv), the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

(b) If the Indenture Trustee collects any money or property pursuant to this Article V, it shall pay out the money or property in the following order:

FIRST: in the following order of priority: (a) to the Indenture Trustee, an amount equal to all unreimbursed Indenture Trustee Fees and indemnities and any other amounts payable to the Indenture Trustee pursuant to the Basic Documents and to the Indenture Trustee or Sale Agents, as applicable, all reasonable fees and expenses incurred by them and their agents and representatives in connection with the enforcement of the remedies provided for in this Article V, (b) to the Custodian, an amount equal to all unpaid Custodian Fees and indemnities and any other amounts payable to the Custodian pursuant to the Basic Documents, (c) to the Owner Trustee, an amount equal to all unreimbursed Owner Trustee Fees and indemnities and any other amounts payable to the Owner Trustee pursuant to the Basic Documents, and (d) to the Servicer, an amount equal to (i) all unreimbursed Servicing Compensation and (ii) all unreimbursed Nonrecoverable Servicing Advances;

SECOND: the Hedge Funding Requirement to the appropriate Hedging Counterparties;

THIRD: to the Noteholders pro rata, all amounts in respect of interest due and owing under the Notes;

FOURTH: to the Noteholders pro rata, all amounts in respect of unpaid principal of the Notes;

FIFTH: to the Purchaser or any other Indemnified Party (as each such term is defined in the Note Purchase Agreement), amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and to the Initial Noteholder, amounts in respect of Due Diligence Fees (as set forth in Section 11.15 of the Sale and Servicing Agreement) until such amounts are paid in full;

SIXTH: to the Owner Trustee, for any amounts to be distributed pro rata to the holders of the Trust Certificates pursuant to the Trust Agreement.

The Indenture Trustee may fix a record date and payment date for any payment to be made to the Noteholders pursuant to this Section 5.04. At least 15 days before such record date,

the Indenture Trustee shall mail to each Noteholder and the Issuer a notice that states the record date, the payment date and the amount to be paid.

Section 5.05. Optional Preservation of the Collateral. If the Notes have been declared to be due and payable under Section 5.02 hereof following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee may, but need not, elect to maintain possession of the Collateral. It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and the Indenture Trustee shall take such desire into account when determining whether or not to maintain possession of the Collateral. In determining whether to maintain possession of the Collateral, the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

Section 5.06. Limitation of Suits. No Noteholder shall have any right to institute any Proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

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

(b) the Noteholders evidencing not less than 25% Percentage Interests of the Outstanding Notes have made written request to the Indenture Trustee to institute such Proceeding in respect of such Event of Default in its own name as Indenture Trustee hereunder;

(c) such Noteholder or Noteholders have offered to the Indenture Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request;

(d) the Indenture Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceeding; and

(e) no direction inconsistent with such written request has been given to the Indenture Trustee during such 30-day period by the Majority Noteholders.

It is understood and intended that no one or more Noteholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Noteholders or to obtain or to seek to obtain priority or preference over any other Noteholders or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Indenture Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Noteholders, neither of which evidences Percentage Interests of the Outstanding Notes greater than 50%, the Indenture Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture and shall have no obligation or liability to any such group of Noteholders for such action or inaction.

Section 5.07. Unconditional Rights of Noteholders to Receive Principal and/or Interest. Notwithstanding any other provisions in this Indenture, any Noteholder shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest, if any, on such Note on or after the applicable Maturity Date thereof expressed in such Note or in this Indenture (or, in the case of redemption, on or after the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Noteholder.

Section 5.08. Restoration of Rights and Remedies. If the Indenture Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Indenture Trustee or to such Noteholder, then and in every such case the Issuer, the Indenture Trustee and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 5.09. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.10. Delay or Omission Not a Waiver. No delay or omission of the Indenture Trustee or any Noteholder to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Indenture Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee or by the Noteholders, as the case may be.

Section 5.11. Control by Noteholders. The Majority Noteholders shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee with respect to the Notes or exercising any trust or power conferred on the Indenture Trustee; provided, however, that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture;

(b) subject to the express terms of Section 5.04(a)(iv) hereof, any direction to the Indenture Trustee to sell or liquidate the Collateral shall be by Holders of Notes representing Percentage Interests of the Outstanding Notes of not less than 100%;

(c) if the conditions set forth in Section 5.05 hereof have been satisfied and the Indenture Trustee elects to retain the Collateral pursuant to such Section, then any direction to the

Indenture Trustee by Holders of Notes representing Percentage Interests of the Outstanding Notes of less than 100% to sell or liquidate the Collateral shall be of no force and effect; and

(d) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee that is not inconsistent with such direction.

In connection with any sale of the Collateral in accordance with paragraph (c) above, the Majority Noteholders may, in their sole discretion appoint agents to effect the sale of the Collateral (such agents, "Sale Agents"), which Sale Agents may be Affiliates of any Noteholder. The Sale Agents shall be entitled to reasonable compensation in connection with such activities from the proceeds of such sale.

Notwithstanding the rights of the Noteholders set forth in this Section 5.11, subject to Section 6.01 hereof, the Indenture Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Noteholders not consenting to such action.

Section 5.12. Waiver of Past Defaults. The Majority Noteholders may waive any past Default or Event of Default and its consequences, except a Default (a) in the payment of principal of or interest on any of the Notes or (b) in respect of a covenant or provision hereof that cannot be modified or amended without the consent of each Noteholder. In the case of any such waiver, the Issuer, the Indenture Trustee and Noteholders shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Section 5.13. Undertaking for Costs. All parties to this Indenture agree, and each Noteholder by such Noteholder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.13 shall not apply to (a) any suit instituted by the Indenture Trustee, (b) any suit instituted by any Noteholder, or group of Noteholders, in each case holding in the aggregate Percentage Interests of the Outstanding Notes of more than 10% or (c) any suit instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note on or after the respective due dates expressed in such Note and in this Indenture (or, in the case of redemption, on or after the Redemption Date).

Section 5.14. Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.15. Action on Notes. The Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Indenture Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer. Any money or property collected by the Indenture Trustee shall be applied in accordance with Section 5.04(b) hereof.

Section 5.16. Performance and Enforcement of Certain Obligations.

(a) Promptly following a request from the Indenture Trustee to do so and at the Administrator's expense, the Issuer shall take all such lawful action as the Indenture Trustee may request to compel or secure the performance and observance by the Loan Originator and the Servicer, as applicable, of each of their obligations to the Issuer under or in connection with the Sale and Servicing Agreement or the Loan Purchase and Contribution Agreement, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale and Servicing Agreement to the extent and in the manner directed by the Indenture Trustee, including the transmission of notices of default on the part of the Loan Originator or the Servicer thereunder and the institution of legal or administrative actions or proceedings to compel or secure performance by the Loan Originator or the Servicer of each of their obligations under the Sale and Servicing Agreement and the Loan Purchase and Contribution Agreement.

(b) If an Event of Default has occurred and is continuing, the Indenture Trustee may, and at the direction (which direction shall be in writing or by telephone, confirmed in writing promptly thereafter) of the Majority Noteholders shall, subject to Section 5.06(c) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Loan Originator or the Servicer under or in connection with the Sale and Servicing Agreement or the Loan Purchase and Contribution Agreement, including the right or power to take any action to compel or secure performance or observance by the Loan Originator or the Servicer, as the case may be, of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension, or waiver under the Sale and Servicing Agreement, and any right of the Issuer to take such action shall be suspended.

ARTICLE VI

THE INDENTURE TRUSTEE

Section 6.01. Duties of Indenture Trustee. (a) If an Event of Default has occurred and is continuing, the Indenture Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Indenture Trustee shall undertake to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture; provided, however, that the Indenture Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture to the extent specifically set forth herein.

(c) The Indenture Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 6.01;

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) the Indenture Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.11 hereof; and

(iv) Reserved.

(d) Reserved.

(e) The Indenture Trustee shall not be liable for interest on any money received by it and held in a Trust Account except as may be provided in the Sale and Servicing Agreement or as the Indenture Trustee may agree in writing with the Issuer.

(f) Money held in trust by the Indenture Trustee shall be segregated from other funds except to the extent permitted by law or the terms of this Indenture or the Sale and Servicing Agreement.

(g) No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not

reasonably assured to it; provided, however, that the Indenture Trustee shall not refuse or fail to perform any of its duties hereunder solely as a result of nonpayment of its normal fees and expenses and provided, further, that nothing in this Section 6.01(g) shall be construed to limit the exercise by the Indenture Trustee of any right or remedy permitted under this Indenture or otherwise in the event of the Issuer's failure to pay the Indenture Trustee's fees and expenses pursuant to Section 6.07 hereof.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of this Section 6.01.

(i) The Indenture Trustee shall not be required to take notice or be deemed to have notice or knowledge of any Event of Default (other than an Event of Default pursuant to Section 5.01 (a) or (b) hereof) unless a Responsible Officer of the Indenture Trustee shall have received written notice thereof or otherwise shall have actual knowledge thereof. In the absence of receipt of notice or such knowledge, the Indenture Trustee may conclusively assume that there is no Event of Default.

Section 6.02. Rights of Indenture Trustee. (a) The Indenture Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Indenture Trustee need not investigate any fact or matter stated in the document.

(b) Before the Indenture Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officer's Certificate or Opinion of Counsel.

(c) The Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee.

(d) The Indenture Trustee shall not be liable for (i) any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that such action or omission by the Indenture Trustee does not constitute willful misconduct, negligence or bad faith; or (ii) any action or inaction on the part of the Custodian.

(e) The Indenture Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

Section 6.03. Individual Rights of Indenture Trustee. The Indenture Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Indenture Trustee. Any Paying Agent, Note Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Indenture Trustee must comply with Section 6.11 hereof.

Section 6.04. Indenture Trustee's Disclaimer. The Indenture Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, shall not be accountable for the Issuer's use of the proceeds from the Notes, or responsible for any statement of the Issuer in the Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Indenture Trustee's certificate of authentication.

Section 6.05. Notices of Default. If a Default occurs and is continuing and if it is actually known to a Responsible Officer of the Indenture Trustee, the Indenture Trustee shall mail to each Noteholder and each party to the Master Disposition Confirmation Agreement notice of the Default within two Business Days after it receives actual notice of such occurrence.

Section 6.06. Reports by Indenture Trustee to Holders. The Indenture Trustee shall deliver to each Noteholder such information specifically requested by each Noteholder and in the Indenture Trustee's possession and as may be reasonably required to enable such Noteholder to prepare its federal and state income tax returns.

Section 6.07. Compensation and Indemnity. As compensation for its services hereunder, the Indenture Trustee shall be entitled to receive, on each Payment Date, the Indenture Trustee's Fee pursuant to Section 8.02(c) hereof (which compensation shall not be limited by any law on compensation of a trustee of an express trust) and shall be entitled to reimbursement by the Servicer for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Indenture Trustee's agents, counsel, accountants and experts. The Issuer agrees to cause the Servicer to indemnify the Indenture Trustee, the Paying Agent and their officers, directors, employees and agents against any and all loss, liability or expense (including reasonable attorneys' fees) incurred by it or them in connection with the administration of this trust and the performance of its or their duties under the Basic Documents. The Indenture Trustee shall notify the Issuer and the Servicer promptly of any claim for which it may seek indemnity. Failure by the Indenture Trustee so to notify the Issuer and the Servicer shall not relieve the Issuer or the Servicer of its or their obligations hereunder. The Issuer shall, or shall cause the Servicer to, defend any such claim; provided, however, that if the defendants with respect to any such claim include the Issuer and/or the Servicer and the Indenture Trustee, and the Indenture Trustee shall have reasonably concluded that there may be legal defenses available to it which are different from or in addition to those defenses available to the Issuer or the Servicer, as the case may be, the Indenture Trustee shall have the right, at the expense of the Servicer, to select separate counsel to assert such legal defenses and to otherwise defend itself against such claim. Neither the Issuer nor the Servicer need reimburse any expense or indemnify against any loss, liability or expense incurred by the Indenture Trustee through the Indenture Trustee's own willful misconduct, negligence or bad faith.

The Issuer's payment obligations to the Indenture Trustee pursuant to this Section 6.07 shall survive the discharge of this Indenture and the termination or resignation of the Indenture Trustee. When the Indenture Trustee incurs expenses after the occurrence of a Default specified in Section 5.01(f) or (g) hereof with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or similar law.

Notwithstanding anything in this Section 6.07 to the contrary, all amounts due the Indenture Trustee hereunder shall be payable in the first instance by the Servicer and, if not paid by the Servicer within 60 days after payment is requested from the Servicer by the Indenture Trustee, in accordance with the priorities set forth in Section 5.01 of the Sale and Servicing Agreement.

Section 6.08. Replacement of Indenture Trustee. No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee shall become effective until the acceptance of appointment by the successor Indenture Trustee pursuant to this Section 6.08. The Indenture Trustee may resign at any time by so notifying the Issuer. The Majority Noteholders may remove the Indenture Trustee (with the consent of the Majority Certificateholders, not to be unreasonably withheld) by so notifying the Indenture Trustee and may appoint a successor Indenture Trustee; provided, that all of the reasonable costs and expenses incurred by the Indenture Trustee in connection with such removal shall be reimbursed to it prior to the effectiveness of such removal. The Issuer shall remove the Indenture Trustee if:

(a) the Indenture Trustee fails to comply with Section 6.11 hereof;

(b) the Indenture Trustee is adjudged a bankrupt or insolvent;

(c) a receiver or other public officer takes charge of the Indenture Trustee or its property; or

(d) the Indenture Trustee otherwise becomes incapable of acting.

If the Indenture Trustee resigns or is removed or if a vacancy exists in the office of Indenture Trustee for any reason (the Indenture Trustee in such event being referred to herein as the retiring Indenture Trustee), the Issuer shall promptly appoint a successor Indenture Trustee.

A successor Indenture Trustee shall deliver a written acceptance of its appointment to the retiring Indenture Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Indenture Trustee shall become effective, and the successor Indenture Trustee shall have all the rights, powers and duties of the Indenture Trustee under this Indenture. The successor Indenture Trustee shall mail a notice of its succession to Noteholders. The retiring Indenture Trustee shall promptly transfer all property held by it as Indenture Trustee to the successor Indenture Trustee.

If a successor Indenture Trustee does not take office within 60 days after the retiring Indenture Trustee resigns or is removed, the retiring Indenture Trustee, the Issuer or the Majority Noteholders may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

If the Indenture Trustee fails to comply with Section 6.11 hereof, any Noteholder may petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

Notwithstanding the replacement of the Indenture Trustee pursuant to this Section 6.08, the Issuer's and the Administrator's obligations under Section 6.07 hereof shall continue for the benefit of the retiring Indenture Trustee.

Section 6.09. Successor Indenture Trustee by Merger. If the Indenture Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Indenture Trustee; provided, however, that such corporation or banking association shall otherwise be qualified and eligible under Section 6.11 hereof. The Indenture Trustee shall provide the Majority Noteholders prior written notice of any such transaction.

In case at the time such successor or successors by merger, conversion or consolidation to the Indenture Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Indenture Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Indenture Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Indenture Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Indenture Trustee shall have.

Section 6.10. Appointment of Co-Indenture Trustee or Separate Indenture Trustee.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Collateral may at the time be located, the Indenture Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust, and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders, such title to the Collateral, or any part hereof, and, subject to the other provisions of this Section 6.10, such powers, duties, obligations, rights and trusts as the Indenture Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 hereof and no notice to Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08 hereof.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Indenture Trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Indenture Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Indenture Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Indenture Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Indenture Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Indenture Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, jointly with the Indenture Trustee, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Indenture Trustee. Every such instrument shall be filed with the Indenture Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Indenture Trustee its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Indenture Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 6.11. Eligibility. The Indenture Trustee shall (i) have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition or (ii) otherwise be acceptable in writing to the Majority Noteholders.

ARTICLE VII

NOTEHOLDERS' LISTS AND REPORTS

Section 7.01. Issuer to Furnish Indenture Trustee Names and Addresses of Noteholders. The Issuer will furnish or cause to be furnished to the Indenture Trustee (a) not more than five days after the earlier of (i) each Record Date and (ii) three months after the last Record Date, a list, in such form as the Indenture Trustee may reasonably require, of the names and addresses of the Noteholders as of such Record Date, (b) at such other times as the Indenture Trustee may request in writing, within 30 days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than 10 days prior to the time such list is furnished; provided, however, that so long as the Indenture Trustee is the Note Registrar, no such list shall be required to be furnished.

Section 7.02. Preservation of Information. The Indenture Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Noteholders contained in the most recent list furnished to the Indenture Trustee as provided in Section 7.01 hereof and the names and addresses of Noteholders received by the Indenture Trustee in its capacity as Note Registrar. The Indenture Trustee may destroy any list furnished to it as provided in such Section 7.01 upon receipt of a new list so furnished.

Section 7.03. 144A Information.

(a) To permit compliance with the Securities Act in connection with the sale of the Notes sold in reliance on Rule 144A, the Issuer shall furnish to the Indenture Trustee the information required to be delivered under Rule 144A(d)(4) under the Securities Act, if the Issuer is neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

(b) The Indenture Trustee, to the extent it has any such information in its possession, shall provide to any Noteholder and any prospective transferee designated by any such Noteholder information regarding the Notes and the Loans and such other information as shall be necessary to satisfy the condition to eligibility set forth in Rule 144A(d)(4) under the Securities Act for transfer of any such Note without registration thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A under the Securities Act.

ARTICLE VIII

ACCOUNTS, DISBURSEMENTS AND RELEASES

Section 8.01. Collection of Money. General. Except as otherwise expressly provided herein, the Indenture Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any intermediary, all money and other property payable to or receivable by the Indenture Trustee pursuant to this Indenture. The Indenture Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Collateral, the Indenture Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V hereof.

Section 8.02. Trust Accounts; Distributions. (a) On or prior to the Closing Date, the Issuer shall cause the Servicer to establish and maintain, in the name of the Indenture Trustee for the benefit of the Noteholders, or on behalf of the Owner Trustee for the benefit of the Securityholders, the Trust Accounts as provided in the Sale and Servicing Agreement. The Servicer shall deposit amounts into each of the Trust Accounts in accordance with the terms hereof, the Sale and Servicing Agreement and the Payment Statements.

(b) Collection Account. With respect to the Collection Account, the Paying Agent shall make such withdrawals and distributions as specified in Section 5.01(c)(1) of the Sale and Servicing Agreement in accordance with the terms thereof.

(c) Distribution Account. With respect to the Distribution Account, the Paying Agent shall make (i) such deposits as specified in Sections 5.01(c)(2)(A), 5.01(c)(2)(B), 5.05(e), 5.05(f), 5.05(g), and 5.05(h) of the Sale and Servicing Agreement and (ii) such withdrawals and

distributions as specified in Section 5.01(c)(3) of the Sale and Servicing Agreement in accordance with the terms thereof.

(d) Transfer Obligation Account. With respect to the Transfer Obligation Account, the Paying Agent shall make (i) such deposits as specified in Section 5.01(c)(3)(vii) of the Sale and Servicing Agreement and (ii) such withdrawals and distributions as specified in Sections 5.05(d), 5.05(e), 5.05(f), 5.05(g), 5.05(h), and 5.05(i) of the Sale and Servicing Agreement in accordance with the terms thereof.

(e) Reserved.

(f) Advance Account. With respect to the Advance Account, the Issuer shall cause the Servicer to make such withdrawals specified in Section 2.06 of the Sale and Servicing Agreement.

Section 8.03. General Provisions Regarding Trust Accounts. (a) All or a portion of the funds in the Collection Account and the Transfer Obligation Account shall be invested in Permitted Investments in accordance with the provisions of Section 5.03(b) of the Sale and Servicing Agreement. The Indenture Trustee will not make any investment of any funds or sell any investment held in the Collection Account or the Transfer Obligation Account (other than in Permitted Investments in accordance with Section 5.03(b) of the Sale and Servicing Agreement) unless the security interest Granted and perfected in such account will continue to be perfected in such investment or the proceeds of such sale, in either case without any further action by any Person, as evidenced by an Opinion of Counsel delivered to the Indenture Trustee by the Initial Noteholder or the Servicer, as the case may be.

(b) Subject to Section 6.01 (c) hereof, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in the Collection Account or the Transfer Obligation Account resulting from any loss on any Eligible Investment included therein.

(c) If (i) the Initial Noteholder or the Servicer, as the case may be, shall have failed to give investment directions for any funds on deposit in the Collection Account or the Transfer Obligation Account to the Indenture Trustee by 2:00 p.m. New York City time (or such other time as may be agreed by the Issuer and Indenture Trustee) on any Business Day unless the Servicer is then acting as Paying Agent with respect to such accounts or (ii) a Default or Event of Default shall have occurred and be continuing with respect to the Notes but the Notes shall not have been declared due and payable pursuant to Section 5.02 hereof or (iii) if such Notes shall have been declared due and payable following an Event of Default, amounts collected or receivable from the Collateral are being applied in accordance with Section 5.05 hereof as if there had not been such a declaration, then the Indenture Trustee shall, to the fullest extent practicable, invest and reinvest funds in the Collection Account and the Transfer Obligation Account in one or more Permitted Investments specified in item (3) in the definition thereof.

Section 8.04. The Paying Agent. The initial Paying Agent shall be the Servicer. The Paying Agent may be removed by the Initial Noteholder in its sole discretion at any time. Upon removal of the Paying Agent, the Initial Noteholder will appoint a successor Paying Agent within 30 days; provided that the Indenture Trustee will be the Paying Agent until such successor is

appointed. Upon receiving written notice from the Initial Noteholder that the Paying Agent has been terminated, the Indenture Trustee will immediately terminate the Paying Agent's access to any and all Trust Accounts.

Section 8.05. Release of Collateral.(a) Subject to the payment of its reasonable fees and expenses pursuant to Section 6.07 hereof, the Indenture Trustee may, and when required by the provisions of this Indenture shall, execute instruments acceptable to it and prepared and delivered to it by the Issuer to release property from the lien of this Indenture, or convey the Indenture Trustee's interest in the same, without recourse, representation or warranty in a manner as provided in the Custodial Agreement and under circumstances that are not inconsistent with the provisions of this Indenture and the other Basic Documents. No party relying upon an instrument executed by the Indenture Trustee as provided in this Article VIII shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(b) The Indenture Trustee shall, at such time as there are no Notes Outstanding and all sums due to the Noteholders (and their Affiliates), the Initial Noteholder, the Sales Agents, the Indenture Trustee, the Owner Trustee and the Custodian under the Basic Documents have been paid, release any remaining portion of the Collateral that secured the Notes from the lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds then on deposit in the Trust Accounts. At such time as the lien of this Indenture is released, the Indenture Trustee shall cause a termination statement to be filed in any jurisdiction where a UCC financing statement has been filed hereunder with respect to the Collateral. The Indenture Trustee shall release property from the lien of this Indenture pursuant to this subsection (b) only upon receipt of an Issuer Request accompanied by an Officer's Certificate and an Opinion of Counsel meeting the applicable requirements of Section 11.01 hereof.

Section 8.06. Opinion of Counsel. Except to the extent specifically permitted by the terms of the Basic Documents, the Indenture Trustee shall receive at least seven Business Days' prior notice when requested by the Issuer to take any action pursuant to Section 8.05(a) hereof, accompanied by copies of any instruments involved, and the Indenture Trustee may also require, as a condition to such action, an Opinion of Counsel, in form and substance satisfactory to the Indenture Trustee, from the Issuer concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely impair the security for the Notes or the rights of the Noteholders in contravention of the provisions of this Indenture; provided, however, that such Opinion of Counsel shall not be required to express an opinion as to the fair value of the Collateral. Counsel rendering any such opinion may rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to the Indenture Trustee in connection with any such action.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures Without the Consent of the Noteholders. Without the consent of any Noteholder but with prior notice to the Majority Noteholders, the Issuer

and the Indenture Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another Person to the Issuer, and the assumption by any such successor of the covenants of the Issuer herein and in the Notes contained;

(iii) to add to the covenants of the Issuer, for the benefit of the Noteholders, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein or in any supplemental indenture that may be inconsistent with any other provision herein or in any supplemental indenture or to make any other provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture; provided, however, that such action shall not adversely affect the interests of the Noteholders; or

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor trustee with respect to the Notes and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Article VI hereof.

The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

Section 9.02. Supplemental Indentures with Consent of Noteholders. The Issuer and the Indenture Trustee, when authorized by an Issuer Order, also may, with the consent of the Majority Noteholders, by Act of such Noteholders delivered to the Issuer and the Indenture Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of any Noteholder under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of each Noteholder affected thereby:

(a) change the date of payment of any installment of principal of or interest on any Note, or reduce the principal balance thereof, the interest rate thereon or the Termination Price with respect thereto, change the provisions of this Indenture relating to the application of collections on, or the proceeds of the sale of, the Collateral to payment of principal of or interest on the Notes, or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of the provisions of this

Indenture requiring the application of funds available therefor, as provided in Article V hereof, to the payment of any such amount due on the Notes on or after the respective due dates thereof (or, in the case of redemption, on or after the Redemption Date);

(b) reduce the Percentage Interest, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture;

(c) modify or alter the provisions of the definition of the term "Outstanding" or "Percentage Interest";

(d) reduce the Percentage Interest of the Outstanding Notes, the consent of the Holders of which is required to direct the Indenture Trustee to direct the Issuer to sell or liquidate the Collateral pursuant to Section 5.04 hereof;

(e) modify any provision of this Section 9.02 except to increase any percentage specified herein or to provide that certain additional provisions of this Indenture or the Basic Documents cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby;

(f) modify any of the provisions of this Indenture in such manner as to affect the calculation of the amount of any payment of interest or principal due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation) or to adversely affect the rights of the Noteholders to the benefit of any provisions for the mandatory redemption of the Notes contained herein; or

(g) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Collateral or, except as otherwise permitted or contemplated herein, terminate the lien of this Indenture on any property at any time subject hereto or deprive any Noteholder of the security provided by the lien of this Indenture.

The Indenture Trustee may in its discretion determine whether or not any Notes would be affected by any supplemental indenture and any such determination shall be conclusive upon each Noteholder, whether theretofore or thereafter authenticated and delivered hereunder. The Indenture Trustee shall not be liable for any such determination made in good faith.

In connection with requesting the consent of the Noteholders pursuant to this Section 9.02, the Indenture Trustee shall mail to the Holders of the Notes to which such amendment or supplemental indenture relates a notice prepared by the Issuer setting forth in general terms the substance of such supplemental indenture. It shall not be necessary for any Act of Noteholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.03. Execution of Supplemental Indentures. In executing, or permitting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modification thereby of the trusts created by this Indenture, the Indenture Trustee shall be entitled

to receive, and subject to Sections 6.01 and 6.02 hereof, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Indenture Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

Section 9.04. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and shall be deemed to be modified and amended in accordance therewith with respect to the Notes affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Indenture Trustee, the Issuer and the Holders of the Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.05. Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and if required by the Indenture Trustee shall, bear a notation in form approved by the Indenture Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Indenture Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Indenture Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Indenture Trustee in exchange for Outstanding Notes.

ARTICLE X

REDEMPTION OF NOTES; PUT OPTION

Section 10.01. Redemption. The Servicer may, at its option, effect an early redemption of the Notes on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination in the manner specified in and subject to the provisions of Section 10.02 of the Sale and Servicing Agreement.

The Servicer shall furnish the Indenture Trustee with notice of any such redemption in order to facilitate the Indenture Trustee's compliance with its obligation to notify the Noteholders of such redemption in accordance with Section 10.02 hereof.

Section 10.02. Form of Redemption Notice. Notice of redemption under Section 10.01 hereof shall be by first-class mail, postage prepaid, or by facsimile mailed or transmitted not later than 10 days prior to the applicable Redemption Date to each Noteholder, as of the close of business on the Record Date preceding the applicable Redemption Date, at such Noteholder's address or facsimile number appearing in the Note Register.

All notices of redemption shall state:

(i) the Redemption Date;

(ii) that on the Redemption Date Noteholders shall receive the Note Redemption Amount; and

(iii) the place where such Notes are to be surrendered for payment of the Termination Price (which shall be the office or agency of the Issuer to be maintained as provided in Section 3.02 hereof).

Notice of redemption of the Notes shall be given by the Indenture Trustee in the name of the Issuer and at the expense of the Servicer. Failure to give to any Noteholder notice of redemption, or any defect therein, shall not impair or affect the validity of the redemption of any other Note.

Section 10.03. Notes Payable on Redemption Date. The Notes to be redeemed shall, following notice of redemption as required by Section 10.02 hereof (in the case of redemption pursuant to Section 10.01) hereof, on the Redemption Date become due and payable at the Note Redemption Amount and (unless the Issuer shall default in the payment of the Note Redemption Amount) no interest shall accrue thereon for any period after the date to which accrued interest is calculated for purposes of calculating the Note Redemption Amount. The Issuer may not redeem the Notes unless all outstanding obligations under the Notes have been paid in full.

Section 10.04. Put Option. The Majority Noteholders may, at their option, put all or any portion of the Note Principal Balance of the Notes to the Issuer on any date upon giving notice in the manner set forth in Section 10.05. On each Put Date, the Issuer shall purchase the Note Principal Balance in the manner specified in and subject to the provisions of Section 10.04 of the Sale and Servicing Agreement.

Section 10.05. Form of Put Option Notice. Notice of exercise of a Put Option under Section 10.04 hereof shall be given by the Majority Noteholders (including to the Indenture Trustee) by first-class mail, postage prepaid, or by facsimile mailed or transmitted not later than 5 days prior to the date on which the Notes shall be repurchased by the Issuer.

Section 10.06. Notes Payable on Put Date. The Note Principal Balance to be put to the Issuer shall, following notice of the exercise of the Put Option as required by Section 10.05 hereof, on the Put Date become due and payable at the Note Redemption Amount and (unless the Issuer shall default in the payment of the Note Redemption Amount) no interest shall accrue thereon for any period after the date to which accrued interest is calculated for purposes of calculating the Note Redemption Amount.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Compliance Certificates and Opinions, etc. Upon any application or request by the Issuer to the Indenture Trustee to take any action under any provision of this Indenture (except with respect to the Servicer's servicing activity in the ordinary course of its business), the Issuer shall furnish to the Indenture Trustee (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have

been complied with and (ii) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

Section 11.02. Form of Documents Delivered to Indenture Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such officer's certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Servicer, the Loan Originator, the Issuer or the Administrator, stating that the information with respect to such factual matters is in the possession of the Servicer, the Loan Originator, the Issuer or the Administrator, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Indenture Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Indenture Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI hereof.

Section 11.03. Acts of Noteholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01 hereof) conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Section 11.03.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Indenture Trustee deems sufficient.

(c) The ownership of Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Noteholder shall bind the Holder of every Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Indenture Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 11.04. Notices, etc., to Indenture Trustee and Issuer. Any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by this Indenture shall be in writing and if such request, demand, authorization, direction, notice, consent, waiver or act of Noteholders is to be made upon, given or furnished to or filed with:

(i) the Indenture Trustee by any Noteholder or by the Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing (including by facsimile) to or with the Indenture Trustee at P.O. Box 98, Columbia, Maryland 21046, Attention: Option One Owner Trust 2003-5, with a copy to it at its Corporate Trust Office, or

(ii) the Issuer by the Indenture Trustee or by any Noteholder shall be sufficient for every purpose hereunder if in writing and made, given, furnished, filed or transmitted via

facsimile to the Issuer at: Option One Owner Trust 2003-5, c/o Wilmington Trust Company as Owner Trustee, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Department, telecopy number: (302) 636-4144, telephone number: (302) 636-1000, or at any other address or facsimile number previously furnished in writing to the Indenture Trustee by the Issuer or the Administrator. The Issuer shall promptly transmit any notice received by it from the Noteholders to the Indenture Trustee.

Section 11.05. Notices to Noteholders; Waiver. Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid to each Noteholder affected by such event, at his address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have duly been given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Section 11.06. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 11.07. Successors and Assigns. All covenants and agreements in this Indenture and the Notes by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Indenture Trustee in this Indenture shall bind its successors, co-trustees and agents.

Section 11.08. Separability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.09. Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Noteholders, and any other party secured hereunder, and any other Person with

an ownership interest in any part of the Collateral, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 11.10. Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

Section 11.11. GOVERNING LAW. THIS INDENTURE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 11.12. Counterparts. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.13. Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Issuer and at its expense accompanied by an Opinion of Counsel (which may be counsel to the Indenture Trustee or any other counsel reasonably acceptable to the Indenture Trustee; provided, however, that the expense of such Opinion of Counsel shall in no event be an expense of the Indenture Trustee) to the effect that such recording is necessary either for the protection of the Noteholders or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Indenture Trustee under this Indenture.

Section 11.14. Trust Obligation. No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer, the Owner Trustee or the Indenture Trustee on the Notes or, except as expressly provided for in Article VI hereof, under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee, agent or "control person" within the meaning of the Securities Act and the Exchange Act, of the Indenture Trustee or the Owner Trustee in its individual capacity, any holder of a beneficial interest in the Issuer, the Owner Trustee or the Indenture Trustee or of any successor or assign of the Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may expressly have agreed (it being understood that the Indenture Trustee and the Owner Trustee have no such obligations in their individual capacity) and except that any such partner, owner or beneficiary of the Issuer shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity. For all purposes of this Indenture, in the performance of any duties or obligations of the Issuer hereunder, the Owner Trustee shall be subject to, and entitled to the benefits of, the terms and provisions of Articles VI, VII and VIII of the Trust Agreement.

Section 11.15. No Petition. The Indenture Trustee, by entering into this Indenture, and each Noteholder, by accepting a Note, hereby covenant and agree that they will not at any time institute against the Depositor or the Issuer, or join in any institution against the Depositor or the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law, in connection with any obligations relating to the Notes, this Indenture or any of the Basic Documents.

Section 11.16. Inspection. The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Indenture Trustee, during the Issuer's normal business hours, to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited by Independent certified public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees, and Independent certified public accountants, all at such reasonable times and as often as may reasonably be requested and at the expense of the Servicer. The Indenture Trustee shall and shall cause its representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Indenture Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder.

Section 11.17. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Indenture is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2003-5, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Indenture or any other related documents.

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Indenture to be duly executed by their respective officers, thereunto duly authorized and duly attested, all as of the day and year first above written.

OPTION ONE OWNER TRUST 2003-5

By: Wilmington Trust Company not in its individual capacity but solely as Owner Trustee

By: /s/ Joann A. Rozell

Name: Joann A. Rozell
Title: Finanical Services Officer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Amy Doyle

Name: Amy Doyle
Title: Vice President

STATE OF Delaware)
) ss.:
COUNTY OF New Castle)

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Joann A. Rozell, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee on behalf of OPTION ONE OWNER TRUST 2003-5, a Delaware statutory trust, and that such person executed the same as the act of said statutory trust for the purpose and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 11th day of November, 2003.

/s/ Kathleen A. Pedelini

Notary Public

(Seal)
KATHLEEN A. PEDELINI
NOTARY PUBLIC-DELAWARE
My Commission Expires Oct. 31, 2006

My commission expires:

STATE OF MD)
) ss.:
COUNTY OF Howard)

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Amy Doyle, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, and that such person executed the same as the act of said corporation for the purpose and consideration therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 14th day of November, 2003.

/s/ Peter A. Gobell

Notary Public

(Seal)

My commission expires:

2/28/05

PETER A. GOBELL
NOTARY PUBLIC
HOWARD COUNTY
MARYLAND
MY COMMISSION EXPIRES FEBRUARY 28, 2005

EXHIBIT A

FORM OF NOTE

THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE MAXIMUM NOTE PRINCIPAL BALANCE SHOWN ON THE FACE HEREOF. ANY PURCHASER OF THIS NOTE MAY ASCERTAIN THE OUTSTANDING PRINCIPAL AMOUNT HEREOF BY INQUIRY OF THE INDENTURE TRUSTEE.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (B) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE 1933 ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2),(3) OR (7) OF RULE 501 UNDER THE 1933 ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE 1933 ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

THIS NOTE MAY NOT BE TRANSFERRED UNLESS THE INDENTURE TRUSTEE HAS RECEIVED A CERTIFICATE FROM THE TRANSFEREE TO THE EFFECT THAT EITHER (I) THE TRANSFEREE IS NOT AN EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN OR (II) IF THE TRANSFEREE IS A PLAN OR IS ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN, EITHER THAT NO PROHIBITED TRANSACTION WITHIN THE MEANING OF SECTION 406(a) OF ERISA OR SECTION 4975 OF THE CODE WOULD OCCUR UPON THE TRANSFER OF THE NOTE OR THAT THE CONDITIONS FOR EXEMPTIVE RELIEF UNDER A PROHIBITED TRANSACTION EXEMPTION HAS

BEEN SATISFIED INCLUDING BUT NOT LIMITED TO, PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (RELATING TO TRANSACTIONS EFFECTED BY AN "IN-HOUSE ASSET MANAGER"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) AND PTCE 84-14 (RELATING TO TRANSACTIONS EFFECTED BY A "QUALIFIED PROFESSIONAL ASSET MANAGER").

Maximum Note Principal Balance: $_____
Initial Percentage Interest: _____%
No. _____

OPTION ONE OWNER TRUST 2003-5

MORTGAGE-BACKED NOTES

OPTION ONE OWNER TRUST 2003-5, a Delaware statutory trust (the "Issuer"), for value received, hereby promises to pay to , or registered assigns (the "Noteholder"), the principal sum of ($) or so much thereof as may be advanced and outstanding hereunder and to pay interest on such principal sum or such part thereof as shall remain unpaid from time to time, at the rate and at the times provided in the Sale and Servicing Agreement and the Indenture. Principal of this Note is payable on each Payment Date in an amount equal to the result obtained by multiplying (i) the Percentage Interest of this Note by (ii) the principal amount distributed in respect of such Payment Date.

The Outstanding Note Principal Balance of this Note bears interest at the Note Interest Rate. On each Payment Date amounts in respect of interest on this Note will be paid in an amount equal to the result obtained by multiplying (i) the Percentage Interest of this Note by (ii) the aggregate amount paid in respect of interest on the Notes with respect to such Payment Date.

Capitalized terms used but not defined herein have the meanings set forth in the Indenture (the "Indenture"), dated as of November 1, 2003 between the Issuer and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee (the "Indenture Trustee") or, if not defined therein, the Sale and Servicing Agreement (the "Sale and Servicing Agreement"), dated as of November 1, 2003 among the Issuer, the Depositor, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders.

By its acceptance of this Note, each Noteholder covenants and agrees, until the earlier of (a) the termination of the Revolving Period and (b) the Maturity Date, on each Transfer Date to advance amounts in respect of Additional Note Principal Balance hereunder to the Issuer, subject to and in accordance with the terms of the Indenture, the Sale and Servicing Agreement and the Note Purchase Agreement.

In the event of an advance of Additional Note Principal Balance by the Noteholders as provided in Section 2.01(c) of the Sale and Servicing Agreement, each Noteholder shall, and is hereby authorized to, record on the schedule attached to its Note the date and amount of any Additional Note Principal Balance advanced by it, and each repayment thereof; provided that failure to make any such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Additional Note Principal Balance and its right to receive interest payments in respect of the Additional Note Principal Balance held by such Noteholder.

Absent manifest error, the Note Principal Balance of each Note as set forth in the notations made by the related Noteholder on such Note shall be binding upon the Indenture Trustee

and the Issuer; provided that failure by a Noteholder to make such recordation on its Note or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive principal and interest payments in respect thereof.

The Servicer may, at its option, effect an early redemption of the Notes for an amount equal to the Note Redemption Amount on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans at a purchase price, payable in cash, equal to the Termination Price.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

The statements in the legend set forth above are an integral part of the terms of this Note and by acceptance hereof each Holder of this Note agrees to be subject to and bound by the terms and provisions set forth in such legend.

Unless the Certificate of authentication hereon shall have been executed by an authorized officer of the Indenture Trustee, by manual signature, this Note shall not entitle the Noteholder hereof to any benefit under the Indenture or the Sale and Servicing Agreement and/or be valid for any purpose.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK AND WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PROVISIONS THEREOF OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer, as of the date set forth below.

Date: November __, 2003

OPTION ONE OWNER TRUST 2003-5

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee under the Trust Agreement

By: _____

Authorized Signatory

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes designated above and referred to in the within-mentioned Indenture.

Date: November __, 2003

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual capacity but solely as Indenture Trustee

By: _____

Authorized Signatory

[Reverse of Note]

This Note is one of the duly authorized Notes of the Issuer, designated as its Mortgage-Backed Notes (herein called the "Notes"), all issued under the Indenture. Reference is hereby made to the Indenture and all indentures supplemental thereto, and the Sale and Servicing Agreement for a statement of the respective rights and obligations thereunder of the Issuer, the Indenture Trustee and the Holders of the Notes. To the extent that any provision of this Note contradicts or is inconsistent with the provisions of the Indenture or the Sale and Servicing Agreement, the provisions of the Indenture or the Sale and Servicing Agreement, as applicable, shall control and supersede such contradictory or inconsistent provision herein. The Notes are subject to all terms of the Indenture and the Sale and Servicing Agreement.

The principal of and interest on this Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Note shall be applied in accordance with the Indenture and the Sale and Servicing Agreement.

The entire unpaid principal amount of this Note shall be due and payable on the earlier of the Maturity Date, the Redemption Date and the Final Put Date, if any, pursuant to Articles X of the Sale and Servicing Agreement and the Indenture. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable on the date on which an Event of Default shall have occurred and be continuing and the Indenture Trustee, at the direction or upon the prior written consent of the Majority Noteholders, has declared the Notes to be immediately due and payable in the manner provided in Section 5.02 of the Indenture. All principal payments on the Notes shall be made *pro rata* to the Holders of the Notes entitled thereto.

The Collateral secures this Note and all other Notes equally and ratably without prejudice, priority or distinction between any Note and any other Note. The Notes are non-recourse obligations of the Issuer and are limited in right of payment to amounts available from the Collateral, as provided in the Indenture. The Issuer shall not otherwise be liable for payments on the Notes, and none of the owners, agents, officers, directors, employees, or successors or assigns of the Issuer shall be personally liable for any amounts payable, or performance due, under the Notes or the Indenture.

Any installment of interest or principal on this Note shall be paid on the applicable Payment Date to the Person in whose name this Note (or one or more Predecessor Notes) is registered in the Note Register as of the close of business on the related Record Date by wire transfer in immediately available funds to the account specified in writing by the related Noteholder to the extent provided by the Indenture and otherwise by check mailed to the Noteholder.

Any reduction in the principal amount of this Note (or any one or more Predecessor Notes) effected by any payments made on any Payment Date shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon. Any increase in the principal amount of this Note (or any one or more Predecessor Notes) effected by payments to the Issuer of Additional Note Principal Balances shall be binding upon the Issuer and shall inure to the benefit of all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register upon surrender of this Note for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by a written instrument of transfer in the form attached hereto duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Securities Transfer Agent's Medallion Program ("STAMP"), and thereupon one or more new Notes of authorized denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Note, but the Issuer may require the Noteholder to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange.

Each Noteholder, by acceptance of a Note or a beneficial interest in a Note, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer, the Owner Trustee or the Indenture Trustee on the Notes or under the Indenture or any certificate or other writing delivered in connection therewith, against (i) the Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee or "control person" within the meaning of the 1933 Act and the Exchange Act of the Indenture Trustee or the Owner Trustee in its individual capacity, any holder of a beneficial interest in the Issuer, the Owner Trustee or the Indenture Trustee or of any successor or assign of the Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may have expressly agreed and except that any such partner, owner or beneficiary shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity.

Each Noteholder, by acceptance of a Note or a beneficial interest in a Note, covenants and agrees by accepting the benefits of the Indenture that such Noteholder will not at any time institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Notes or the Basic Documents.

The Issuer has entered into the Indenture and this Note is issued with the intention that, for federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness of the Issuer secured by the Collateral. Each Noteholder, by acceptance of a Note, agrees to treat the Notes for federal, state and local income, single business and franchise tax purposes as indebtedness of the Issuer. Each Noteholder, by its acceptance of a Note, represents and warrants that the number of ICA Owners with respect to all of its Notes shall not exceed four.

Prior to the due presentment for registration of transfer of this Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name this Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Note be overdue, and none of the Issuer, the Indenture Trustee or any such agent shall be affected by notice to the contrary.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Notes under the Indenture at any time by the Issuer with the consent of the Majority Noteholders. The Indenture also contains provisions permitting the Holders of Notes representing specified Percentage Interests of the Outstanding Notes, on behalf of all of the Noteholders, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note (or any one or more Predecessor Notes) shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Note. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of any Noteholder.

The term "Issuer" as used in this Note includes any successor to the Issuer under the Indenture.

The Notes are issuable only in registered form in denominations as provided in the Indenture, subject to certain limitations therein set forth.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency herein prescribed.

Anything herein to the contrary notwithstanding, except as expressly provided in the Basic Documents, none of the Issuer in its individual capacity, the Owner Trustee in its individual capacity, any owner of a beneficial interest in the Issuer, or any of their respective partners, beneficiaries, agents, officers, directors, employees or successors or assigns shall be personally liable for, nor shall recourse be had to any of them for, the payment of principal of or interest on this Note or performance of, or omission to perform, any of the covenants, obligations or indemnifications contained in the Indenture. The Holder of this Note by its acceptance hereof agrees that, except as expressly provided in the Basic Documents, in the case of an Event of Default under the Indenture, the Holder shall have no claim against any of the foregoing for any deficiency, loss or claim therefrom; provided, however, that nothing contained herein shall be taken to prevent recourse to, and enforcement against, the assets of the Issuer for any and all liabilities, obligations and undertakings contained in the Indenture or in this Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee:

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

(name and address of assignee)

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints, attorney, to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

*/

Signature Guaranteed:

*/

*/NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular, without alteration, enlargement or any change whatever. Such signature must be guaranteed by an "eligible guarantor institution" meeting the requirements of STAMP.

Schedule to Note
dated as of November, 2003
of OPTION ONE OWNER TRUST 2003-5

Date of advance of Additional Note Principal Balance	Amount of advance of Additional Note Principal Balance	Percentage Interest	Aggregate Note Principal Balance	Note Principal Balance of Note
		100%		

EXHIBIT B-1

FORM OF RULE 144A TRANSFEROR CERTIFICATE

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services - Option One Owner Trust 2003-5

Re: Option One Owner Trust 2003-5

Reference is hereby made to the Indenture dated as of November 1, 2003 (the "**Indenture**") between Option One Owner Trust 2003-5 (the "**Trust**") and Wells Fargo Bank Minnesota, National Association (the "**Indenture Trustee**"). Capitalized terms used but not defined herein shall have the meanings given to them in the Sale and Servicing Agreement dated as of November 1, 2003 among the Trust, Option One Loan Warehouse Corporation (the "**Depositor**"), Option One Mortgage Corporation (the "**Servicer**" and the "**Loan Originator**") and the Indenture Trustee.

The undersigned (the "**Transferor**") has requested a transfer of $_____ current principal balance Notes to [insert name of transferee].

In connection with such request, and in respect of such Notes, the Transferor hereby certifies that such Notes are being transferred in accordance with (i) the transfer restrictions set forth in the Indenture and the Notes and (ii) Rule 144A under the Securities Act of 1933, as amended to a purchaser that the Transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A purchasing for its own account or for the account of a "qualified institutional buyer," which purchaser is aware that the sale to it is being made in reliance upon Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction.

This certificate and the statements contained herein are made for your benefit and the benefit of the Depositor.

_____
[Name of Transferor]

By: _____

Name:
Title:

Dated:_____,_____

EXHIBIT B-2

FORM OF TRANSFEREE CERTIFICATE FOR
INSTITUTIONAL ACCREDITED INVESTOR

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services - Option One Owner Trust 2003-5

Re: Option One Owner Trust 2003-5

In connection with our proposed purchase of $ Note Principal Balance Mortgage-Backed Notes (the "**Offered Notes**") issued by Option One Owner Trust 2003-5, we confirm that:

(1) We understand that the Offered Notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "**1933 Act**") or any state securities laws, and may not be sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell any Offered Notes we will do so only (A) pursuant to a registration statement which has been declared effective under the 1933 Act, (B) for so long as the Offered Notes are eligible for resale pursuant to Rule 144A under the 1933 Act, to a Person we reasonably believe is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A or (C) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the 1933 Act (an "**Institutional Accredited Investor**") that is acquiring the Offered Notes for its own account, or for the account of such an Institutional Accredited Investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act, in each case in compliance with the requirements of the Indenture dated as of November 1, 2003 between Option One Owner Trust 2003-5 and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, and applicable state securities laws; and we further agree, in the capacities stated above, to provide to any person purchasing any of the Offered Notes from us a notice advising such purchaser that resales of the Offered Notes are restricted as stated herein.

(2) We understand that, in connection with any proposed resale of any Offered Notes to an Institutional Accredited Investor, we will be required to furnish to the Indenture Trustee and the Depositor a certification from such transferee as provided in Section 2.12 of the Indenture to confirm that the proposed sale is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and applicable state securities laws. We further understand that the Offered Notes purchased by us will bear a legend to the foregoing effect.

(3) We are acquiring the Offered Notes for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act. We have such

knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Offered Notes, and we and any account for which we are acting are each able to bear the economic risk of such investment.

(4) We are an Institutional Accredited Investor and we are acquiring the Offered Notes purchased by us for our own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which we exercise sole investment discretion.

(5) We have received such information as we deem necessary in order to make our investment decision.

(6) We either (i) are not, and are not acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA or Section 4975 of the Code, or (ii) are, or are acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA of Section 4975 of the Code and either no prohibited transaction within the meaning of Section 406(a) of ERISA or Section 4975 of the Code will occur upon the transfer of the Note or the conditions for exemptive relief under a prohibited transaction exemption has been satisfied, including but not limited to, Prohibited Transaction Class Exemption ("**PTCE**") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts), and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

Terms used in this letter which are not otherwise defined herein have the respective meanings assigned thereto in the Indenture.

You and the Depositor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

_____

[Name of Transferor]

By: _____

Name:
Title:

Dated:_____, _____

EXHIBIT B-3

FORM OF RULE 144A TRANSFEREE CERTIFICATE

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services - Option One Owner Trust 2003-5

Re: Option One Owner Trust 2003-5

1. The undersigned is the of (the "**Investor**"), a [corporation duly organized] and existing under the laws of on behalf of which he makes this affidavit.

2. The Investor either (i) is not, and is not acquiring the Option One Owner Trust 2003- 5 Notes (the "**Notes**") on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA or Section 4975 of the Code, or (ii) is, or is acquiring the Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA of Section 4975 of the Code and either no prohibited transaction within the meaning of Section 406(a) of ERISA or Section 4975 of the Code would occur upon the transfer of the Note or the conditions for exemptive relief under a prohibited transaction exemption has been satisfied, including but not limited to, Prohibited Transaction Class Exemption ("**PTCE**") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts), and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

3. The Investor understands that the Notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "**1933 Act**") or any state securities laws, and may not be sold except as permitted in the following sentence. The Investor agrees, on its own behalf and on behalf of any accounts for which it is acting as hereinafter stated, that if it should sell any Notes it will do so only (A) pursuant to a registration statement which has been declared effective under the 1933 Act, (B) for so long as the Notes are eligible for resale pursuant to Rule 144A under the 1933 Act, to a Person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A or (C) to an institutional "accredited investor" within the meaning of subparagraph (a) (1), (2), (3) or (7) of Rule 501 under the 1933 Act (an "**Institutional Accredited Investor**") that is acquiring the Notes for its own account, or for the account of such an Institutional Accredited Investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act, in each case in compliance with the requirements of the Indenture dated as of November 1, 2003 between Option One Owner Trust 2003-5 and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, and applicable state securities laws; and the Investor further agrees, in the capacities stated above, to provide to any person purchasing any of the Notes from it a notice advising such purchaser that resales of the Notes are restricted as stated herein.

[FOR TRANSFERS IN RELIANCE UPON RULE 144A]

4. The Investor is a "qualified institutional buyer" (as such term is defined under Rule 144A under the Securities Act of 1933, as amended (the "**1933 Act**"), and is acquiring the Notes for its own account or as a fiduciary or agent for others (which others also are "qualified institutional buyers"). The Investor is familiar with Rule 144A under the 1933 Act, and is aware that the transferor of the Notes and other parties intend to rely on the statements made herein and the exemption from the registration requirements of the 1933 Act provided by Rule 144A.

_____

[Name of Transferor]

By: _____

Name:
Title:

Dated: _____, _____

EXHIBIT C

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (B) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE 1933 ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A) (1), (2), (3) OR (7) OF RULE 501 UNDER THE 1933 ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE 1933 ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

THIS NOTE MAY NOT BE TRANSFERRED UNLESS THE INDENTURE TRUSTEE HAS RECEIVED A CERTIFICATE FROM THE TRANSFEREE TO THE EFFECT THAT EITHER (I) THE TRANSFEREE IS NOT AN EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN OR (II) IF THE TRANSFEREE IS A PLAN, OR IS ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN, THE CONDITIONS FOR EXEMPTIVE RELIEF UNDER AT LEAST ONE OF THE FOLLOWING PROHIBITED TRANSACTION CLASS EXEMPTIONS HAVE BEEN SATISFIED: PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (RELATING TO TRANSACTIONS EFFECTED BY AN "IN-HOUSE ASSET MANAGER"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) AND PTCE 84-14 (RELATING TO TRANSACTIONS EFFECTED BY A "QUALIFIED PROFESSIONAL ASSET MANAGER").

EXHIBIT 10.8

AMENDED AND RESTATED SALE AND SERVICING AGREEMENT

among

OPTION ONE OWNER TRUST 2001-2
as Issuer

and

OPTION ONE LOAN WAREHOUSE CORPORATION
as Depositor

and

OPTION ONE MORTGAGE CORPORATION
as Loan Originator and Servicer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
as Indenture Trustee

Dated as of November 25, 2003

OPTION ONE OWNER TRUST 2001-2
MORTGAGE-BACKED NOTES

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EXHIBITS

AMENDED AND RESTATED SALE AND SERVICING AGREEMENT

This Amended and Restated Sale and Servicing Agreement is entered into effective as of November 25, 2003, among OPTION ONE OWNER TRUST 2001-2, a Delaware business trust (the "Issuer" or the "Trust"), OPTION ONE LOAN WAREHOUSE CORPORATION, a Delaware corporation, as Depositor (in such capacity, the "Depositor"), OPTION ONE MORTGAGE CORPORATION, a California corporation ("Option One"), as Loan Originator (in such capacity, the "Loan Originator") and as Servicer (in such capacity, the "Servicer"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association, as Indenture Trustee on behalf of the Noteholders (in such capacity, the "Indenture Trustee").

W I T N E S E T H:

In consideration of the mutual agreements herein contained, the Issuer, the Depositor, the Loan Originator, the Servicer and the Indenture Trustee hereby agree as follows for the benefit of each of them and for the benefit of the holders of the Securities:

ARTICLE 1

DEFINITIONS

Section 1.1 Definitions.

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the meanings specified in this Article. Unless otherwise specified, all calculations of interest described herein shall be made on the basis of a 360-day year and the actual number of days elapsed in each Accrual Period.

Accepted Servicing Practices: The Servicer's normal servicing practices in servicing and administering similar mortgage loans for its own account, which in general will conform to the mortgage servicing practices of prudent mortgage lending institutions which service for their own account mortgage loans of the same type as the Loans in the jurisdictions in which the related Mortgaged Properties are located and will give due consideration to the Noteholders' reliance on the Servicer.

Accrual Period: With respect to the Notes, the period commencing on and including the preceding Payment Date (or, in the case of the first Payment Date, the period commencing on and including the first Transfer Date (which first Transfer Date is the first date on which the Note Principal Balance is greater than zero)) and ending on the day preceding the related Payment Date.

Act or Securities Act: The Securities Act of 1933, as amended.

Additional Advance Rate: With respect to each day, a per annum interest rate equal to (i) 0.75% minus the LIBOR Margin for such day (but in no event less than zero) or (ii) following the

occurrence of an Advance Note Event of Default, 3% minus the LIBOR Margin for such day (but in no event less than zero).

Additional Note Balance: As defined in the Advance Indenture.

Additional Note Principal Balance: With respect to each (i) Transfer Date, the aggregate Sales Prices of all Loans conveyed on such date and (ii) Funding Date, the amount of Additional Note Balance purchased by the Issuer from the Advance Trust on such date.

Adjustment Date: With respect to each ARM, the date set forth in the related Promissory Note on which the Loan Interest Rate on such ARM is adjusted in accordance with the terms of the related Promissory Note.

Administration Agreement: The Administration Agreement, dated as of April 1, 2001, among the Issuer and the Administrator.

Administrator: Option One Mortgage Corporation, in its capacity as Administrator under the Administration Agreement.

Advance Account: The account established and maintained pursuant to Section 5:04.

Advance Depositor: Option One Advance Corporation.

Advance Documents: The "Transaction Documents" as defined in the Advance Indenture.

Advance Indenture: The Indenture, dated as of November 1, 2003, between Option One Advance Trust 2003-ADV1, as issuer and Wells Fargo Bank Minnesota, National Association, not in its individual capacity, but solely as indenture trustee.

Advance Note: Any of the Advance Trust's Advance Receivables Backed Notes, Series 2003-ADV1, executed, authenticated and delivered under the Advance Indenture.

Advance Note Event of Default: An "Event of Default" as defined in the Advance Indenture.

Advance Note Purchase Agreement: The Note Purchase Agreement, dated as of November 1, 2003, among the Advance Trust, Option One Owner Trust 2001-1A, Option One Owner Trust 2001-1B, Option One Owner Trust 2001-2 and Greenwich Capital Financial Products, Inc. as agent.

Advance Trust: Option One Advance Trust 2003-ADV1.

Affiliate: With respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of

voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Agreement: This Agreement, as the same may be amended and supplemented from time to time.

ALTA: The American Land Title Association and its successors in interest.

Appraised Value: With respect to any Loan, and the related Mortgaged Property, the lesser of:

(i) the lesser of (a) the value thereof as determined by an appraisal made for the originator of the Loan at the time of origination of the Loan by an appraiser who met the minimum requirements of Fannie Mae or Freddie Mac, and (b) the value thereof as determined by a review appraisal conducted by the Loan Originator in the event any such review appraisal determines an appraised value more than 10% lower than the value thereof, in the case of a Loan with a Loan-to-Value Ratio less than or equal to 80%, or more than 5% lower than the value thereof, in the case of a Loan with a Loan-to-Value Ratio greater than 80%, as determined by the appraisal referred to in clause (i)(a) above; and

(ii) the purchase price paid for the related Mortgaged Property by the Borrower with the proceeds of the Loan; provided, however, that in the case of a refinanced Loan (which is a Loan the proceeds of which were not used to purchase the related Mortgaged Property) or a Loan originated in connection with a "lease option purchase" if the "lease option purchase price" was set 12 months or more prior to origination, such value of the Mortgaged Property is based solely upon clause (i) above.

ARM: Any Loan, the Loan Interest Rate with respect to which is subject to adjustment during the life of such Loan.

Assignment: A LPA Assignment or S&SA Assignment.

Assignment of Mortgage: With respect to any Loan, an assignment of the related Mortgage in blank or to Wells Fargo Bank Minnesota, National Association, as custodian or trustee under the applicable custodial agreement or trust agreement, and notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect the assignment and pledge of such Mortgage.

Balloon Loan: Any Loan for which the related monthly payments, other than the monthly payment due on the maturity date stated in the Promissory Note, are computed on the basis of a period to full amortization ending on a date that is later than such maturity date.

Basic Documents: This Agreement, the Administration Agreement, the Custodial Agreement, the Indenture, the Loan Purchase and Contribution Agreement, the Master Disposition Confirmation Agreement, the Note Purchase Agreement, the Advance Note Purchase Agreement, the Trust Agreement, the Subordination Agreement, the Cross Default Agreement, each Hedging Instrument, if any, and, as and when required to be executed and delivered, the Assignments.

Bill of Sale: With respect to any Funding Date, a bill of sale, substantially in the form attached as Exhibit C to the Receivables Purchase Agreement, delivered by Option One and the Depositor to the Issuer, the Agent and the Indenture Trustee pursuant to the Receivables Purchase Agreement.

Borrower: The obligor or obligors on a Promissory Note.

Business Day: Any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in New York City, California, Maryland, Minnesota, Pennsylvania, Delaware or in the city in which the corporate trust office of the Indenture Trustee is located or the city in which the Servicer's servicing operations are located are authorized or obligated by law or executive order to be closed.

Certificateholder: A holder of a Trust Certificate.

Clean-up Call Date: The first Payment Date occurring after the end of the Revolving Period and the date on which the Note Principal Balance declines to 10% or less of the aggregate Note Principal Balance as of the end of the Revolving Period.

Closing Date: April 18, 2001.

Code: The Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated by the United States Treasury thereunder.

Collateral Percentage: With respect to each Loan and any Business Day, a percentage determined as follows:

(a) with respect to all Loans other than Scratch & Dent Loans, 98%; and

(b) with respect to all Scratch & Dent Loans, 90%.

Collateral Value: (I) With respect to the Advance Note and each Business Day, 100% of the Note Principal Balance of the Advance Note on such day and (II) with respect to each Loan and each Business Day, an amount equal to the positive difference, if any, between (a) the lesser of (1) the Collateral Percentage of the Market Value of such Loan, and (2) 100% of the Principal Balance of such Loan (other than a Scratch & Dent Loan which shall be 75% of the Principal Balance thereof) each as of such Business Day, less (b) the aggregate unreimbursed Servicing Advances attributable to such Loan as of the most recent Determination Date; provided, however, that the Collateral Value shall be zero with respect to the Advance Note following the occurrence of an Advance Note Event of Default and with respect to each Loan (1) that the Loan Originator is required to repurchase pursuant to Section 2.05 or Section 3.06 hereof or (2) which is a Loan of the type specified in subparagraphs (i)-(ix) hereof and which is in excess of the limits permitted under subparagraphs(i)-(ix) hereof, or (3) which remains pledged to the Indenture Trustee later than 180 days after its related Transfer Date, or (4) which has been released from the possession of the Custodian to the Servicer or any Loan Originator for a period in excess of 21 days or exceed the 50

Loan limit for released Loans set forth in the Custodial Agreement, or (5) that is a Loan which is 60 or more days Delinquent or a Foreclosed Loan, or (6) that is a Mixed Use Loan, or (7) that is a Wet Funded Loan and the related Loan Documents have not been delivered to the Custodian within fifteen (15) calendar days after the date of conveyance of such Loan to the Issuer hereunder, or (8) that is a Scratch and Dent Loan that has not been liquidated within 90 days after the determination of such deficiency, or (9) that has an original Principal Balance greater than $1,000,000 or (10) that is a Scratch and Dent Loan for which a description of the related deficiency has not been reported to the Initial Noteholder within one Business Day of the related Transfer Date; provided, further, that (A)

(1) the aggregate Collateral Value of Loans which are Second Lien Loans may not exceed 15% of the Maximum Note Principal Balance; provided, that the aggregate Collateral Value of Second Lien Loans exclusive of any Second Lien Loans that are Piggy-Backed Loans may not exceed 7.5% of the Maximum Note Principal Balance;

(2) the aggregate Collateral Value of Loans that are High LTV Loans with an LTV or CLTV, as applicable, of 95.01% or greater may not exceed; 3% of the Maximum Note Principal Balance;

(3) the aggregate Collateral Value of Loans which are 30 to 59 days Delinquent as of the related Determination Date may not exceed 5% of the Maximum Note Principal Balance;

(4) the aggregate Collateral Value of Loans with an original Principal Balance greater than $350,000 but less than $500,000 may not exceed 20% of the Maximum Note Principal Balance;

(5) the aggregate Collateral Value of Loans with an original Principal Balance greater than $500,000 may not exceed 5% of the Maximum Note Principal Balance;

(6) the aggregate Collateral Value of Loans which are classified as “CC” quality Loans may not exceed 5% of the Maximum Note Principal Balance;

(7) the aggregate Collateral Value of Loans which are classified as “C” or “CC” quality Loans may not exceed 12% of the Maximum Note Principal Balance;

(8) the aggregate Collateral Value of Loans which are Scratch and Dent Loans may not in the aggregate exceed 5% of the Maximum Note Principal Balance; and

(9) the aggregate Collateral Value of Loans that are Wet Funded Loans may not exceed 40% of the Maximum Note Principal Balance.

(10) the aggregate Collateral Value of Loans that conform to Fannie Mae, Freddie Mac or Ginnie Mae underwriting guidelines may not exceed 20% of the Maximum Note Principal Balance, and the interest rates of such Loans shall be sufficiently hedged to the satisfaction of the Initial Noteholder.

(11) the aggregate Collateral Value of Advance Receivables shall in no event exceed $112 million.

(B) each Loan shall be counted in each applicable category in (A) above and may be counted in 2 or more categories in (A) above at the same time; provided that once the Collateral Value of any Loan equals zero, it shall not be counted in any category listed in (A) above.

Collection Account: The account designated as such, established and maintained by the Servicer in accordance with Section 5.01(a)(1) hereof.

Combined LTV or CLTV: With respect to any Second Lien Loan, the ratio of the outstanding principal balance on the related date of origination of (a) (i) such Loan plus (ii) the loan constituting the first lien to the lesser of (b) (x) the Appraised Value of the Mortgaged Property at origination or (y) if the Mortgaged Property was purchased within 12 months of the origination of the Loan, the purchase price of the Mortgaged Property, expressed as a percentage.

Commission: The Securities and Exchange Commission.

Convertible Loan: A Loan that by its terms and subject to certain conditions contained in the related Mortgage or Promissory Note allows the Borrower to convert the adjustable -±. Loan Interest Rate on such Loan to a fixed Loan Interest Rate.

Cross Default Agreement: The letter agreement dated as of April 1, 2001, between Bank of America, N.A. and Option One Mortgage Corporation.

Custodial Agreement: The custodial agreement dated as of April 1, 2001, among the Issuer, the Servicer, the Indenture Trustee and the Custodian, providing for the retention of the Custodial Loan Files by the Custodian on behalf of the Indenture Trustee.

Custodial Loan File: As defined in the Custodial Agreement.

Custodian: The custodian named in the Custodial Agreement, which custodian shall not be affiliated with the Servicer, the Loan Originator, the Depositor or any Subservicer. Wells Fargo Bank Minnesota, National Association, a national banking association, shall be the initial Custodian pursuant to the terms of the Custodial Agreement.

Custodian Fee: For any Payment Date, the fee payable to the Custodian on such Payment Date as set forth in the Custodian Fee Notice for such Payment Date, which fee shall be calculated in accordance with the separate fee letter between the Custodian and the Servicer.

Custodian Fee Notice: For any Payment Date, the written notice provided by the Custodian to the Servicer and the Indenture Trustee pursuant to Section 6.01, which notice shall specify the amount of the Custodian Fee payable on such Payment Date.

Daily Interest Accrual Amount: With respect to each day and the related Accrual Period, the sum of (i) interest accrued at the Note Interest Rate with respect to such Accrual Period on the Note Principal Balance as of the preceding Business Day after giving effect to all changes to the Note Principal Balance on or prior to such preceding Business Day, (ii) interest accrued at the Additional Advance Rate on the portion of the Note Principal Balance equal to the outstanding principal balance of the Advance Note as of the preceding Business Day after giving effect to all changes to the outstanding principal balance of the Advance Note on or prior to such Business Day and (iii) interest accrued at 0.10% with respect to such Accrual Period on the aggregate Principal Balance of all Wet Funded Loans as of the preceding Business Day after giving effect to all changes to the aggregate Collateral Value of all Wet Funded Loans on or prior to such preceding Business Day; provided however, for purposes of calculating the Daily Interest Accrual Amount, Wet Funded Loans shall not include Loans for which a Trust Receipt (as defined in the Custodial Agreement) has been delivered to the Initial Noteholder as of the Wet Funded Custodial File Delivery Date. For purposes of the Daily Interest Accrual Amount, a Wet Funded Loan shall cease to be a Wet Funded Loan on the Business Day that a Trust Receipt is received by the Note Purchaser with respect to such Loan, provided, that any Wet Funded Loan for which a Trust Receipt is received after 4:30 p.m. New York City time shall continue to be a Wet Funded Loan until the following Business Day.

Deemed Cured: With respect to the occurrence of a Performance Trigger or Rapid Amortization Trigger, when the condition that originally gave rise to the occurrence of such trigger has not continued for 20 consecutive days, or if the occurrence of such Performance Trigger or Rapid Amortization Trigger has been waived in writing by the Majority Noteholder.

Default: Any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

Defaulted Loan: With respect to any Determination Date, any Loan, including, without limitation, any Liquidated Loan with respect to which any of the following has occurred as of the end of the related Remittance Period: (a) foreclosure or similar proceedings have been commenced; or (b) the Servicer or any Subservicer has determined in good faith and in accordance with the servicing standard set forth in Section 4.01 of the Servicing Addendum that such Loan is in default or imminent default.

Deleted Loan: A Loan replaced or to be replaced by one or more Qualified Substitute Loans.

Delinquency Ratio: The percentage equivalent of a fraction: (i) the numerator of which is equal to the aggregate outstanding Principal Balance of all Loans that are Delinquent 60 days or more, including Foreclosure Property, and (ii) the denominator of which is equal to the average aggregate outstanding Principal Balance of all Loans for the three immediately preceding calendar months as of the date of determination.

Delinquent: A Loan is "Delinquent" if any Monthly Payment due thereon is not made by the close of business on the day such Monthly Payment is required to be paid. A Loan is "30 days Delinquent" if any Monthly Payment due thereon has not been received by the close of business on the corresponding day of the month immediately succeeding the month in which such Monthly Payment was required to be paid or, if there is no such corresponding day (e.g., as when a 30-day month follows a 31-day month in which a payment was required to be paid on the 31st day of such month), then on the last day of such immediately succeeding month. The determination of whether a Loan is "60 days Delinquent," "90 days Delinquent", etc., shall be made in like manner.

Delivery: When used with respect to Trust Account Property means:

(a) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "instruments" within the meaning of Section 9-105(1)(i) of the UCC and are susceptible of physical delivery (except with respect to Trust Account Property consisting of certificated securities (as defined in Section 8-102(a)(4) of the UCC)), physical delivery to the Indenture Trustee or its custodian (or the related Securities Intermediary) endorsed to the Indenture Trustee or its custodian (or the related Securities Intermediary) or endorsed in blank (and if delivered and endorsed to the Securities Intermediary, by continuous credit thereof by book-entry to the related Trust Account);

(b) with respect to a certificated security (i) delivery of such certificated security endorsed to, or registered in the name of, the Indenture Trustee or endorsed in blank to its custodian or the related Securities Intermediary and the making by such Securities Intermediary of appropriate entries in its records identifying such certificated securities as credited to the related Trust Account, or (ii) by delivery thereof to a "clearing corporation" (as defined in Section 8-102(5) of the UCC) and the making by such clearing corporation of appropriate entries in its records crediting the securities account of the related Securities Intermediary by the amount of such certificated security and the making by such Securities Intermediary of appropriate entries in its records identifying such certificated securities as credited to the related Trust Account (all of the Trust Account Property described in Subsections (a) and (b), "Physical Property");

and, in any event, any such Physical Property in registered form shall be in the name of the Indenture Trustee or its nominee or custodian (or the related Securities Intermediary); and such additional or alternative procedures as may hereafter become appropriate to effect the complete transfer of ownership of any such Trust Account Property to the Indenture Trustee or its nominee or custodian, consistent with changes in applicable law or regulations or the interpretation thereof;

(c) with respect to any security issued by the U.S. Treasury, Fannie Mae or Freddie Mac that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations, the following procedures, all in accordance with applicable law,

including applicable federal regulations and Articles 8 and 9 of the UCC: the making by a Federal Reserve Bank of an appropriate entry crediting such Trust Account Property to an account of the related Securities Intermediary or the securities intermediary that is (x) also a `participant" pursuant to applicable federal regulations and (y) is acting as securities intermediary on behalf of the Securities Intermediary with respect to such Trust Account Property; the making by such Securities Intermediary or securities intermediary of appropriate entries in its records crediting such book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations and Articles 8 and 9 of the UCC to the related Trust Account; and such additional or alternative procedures as may hereafter become appropriate to effect complete transfer of ownership of any such Trust Account Property to the Indenture Trustee or its nominee or custodian, consistent with changes in applicable law or regulations or the interpretation thereof; and

(d) with respect to any item of Trust Account Property that is an uncertificated security (as defined in Section 8-102(a)(18) of the UCC) and that is not governed by clause (c) above, registration in the records of the issuer thereof in the name of the related Securities Intermediary, and the making by such Securities Intermediary of appropriate entries in its records crediting such uncertificated security to the related Trust Account.

Designated Depository Institution: With respect to an Eligible Account, an institution whose deposits are insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the FDIC, the long-term deposits of which shall be rated A or better by S&P or A2 or better by Moody's and the short-term deposits of which shall be rated P-1 or better by Moody's and A- I or better by S&P, unless otherwise approved in writing by the Initial Noteholder and which is any of the following: (A) a federal savings and loan association duly organized, validly existing and in good standing under the federal banking laws, (B) an institution duly organized, validly existing and in good standing under the applicable banking laws of any state, (C) a national banking association duly organized, validly existing and in good standing under the federal banking laws, (D) a principal subsidiary of a bank holding company or (E) approved in writing by the Initial Noteholder and, in each case acting or designated by the Servicer as the depository institution for the Eligible Account; provided, however, that any such institution or association shall have combined capital, surplus and undivided profits of at least $50,000,000.

Depositor: Option One Loan Warehouse Corporation, a Delaware corporation, and any successors thereto.

Determination Date: With respect to any Payment Date occurring on the 10th day of a month, the last calendar day of the month immediately preceding the month of such Payment Date, and with respect to any other Payment Date, as mutually agreed by the Servicer and the Noteholders.

Disposition: A Securitization, Whole Loan Sale transaction, or other disposition of Loans.

Disposition Agent: Bank of America, N.A. and its successors and assigns acting at the direction, and as agent, of the Majority Noteholders.

Disposition Participant: As applicable, with respect to a Disposition, any "depositor" with respect to such Disposition, the Disposition Agent, the Majority Noteholders, the Issuer, the Servicer, the related trustee and the related custodian, any nationally recognized credit rating agency, the related underwriters, the related placement agent, the related credit enhancer, the related whole-loan purchaser, the related purchaser of securities and/or any other party necessary or, in the good faith belief of any of the foregoing, desirable to effect a Disposition.

Disposition Proceeds: With respect to a Disposition, (x) the proceeds of the Disposition remitted to the Trust in respect of the Loans transferred on the date of and with respect to such Disposition, including without limitation, any cash and Retained Securities created in any related Securitization less all costs, fees and expenses incurred in connection with such Disposition, including, without limitation, all amounts deposited into any reserve accounts upon the closing thereof plus or minus (y) the net positive or net negative value of all Hedging Instruments terminated in connection with such Disposition minus (z) all other amounts agreed upon in writing by the Initial Noteholder, the Trust and the Servicer.

Distribution Account: The account established and maintained pursuant to Section 5.01(a)(2) hereof.

Due Date: The day of the month on which the Monthly Payment is due from the Borrower with respect to a Loan.

Due Diligence Fees: Shall have the meaning provided in Section 11.15 hereof.

Eligible Account: At any time, an account which is: (i) maintained with a Designated Depository Institution; (ii) fully insured by either the Bank Insurance Fund or the Savings Association Insurance Fund of the FDIC; (iii) a trust account (which shall be a "segregated trust account") maintained with the corporate trust department of a federal or state chartered depository institution or trust company with trust powers and acting in its fiduciary capacity for the benefit of the Indenture Trustee and the Issuer, which depository institution or trust company shall have capital and surplus of not less than $50,000,000; or (iv) with the prior written consent of the Majority Noteholders, any other account.

Eligible Servicer: (x) Option One or (y) any other Person to which the Majority Noteholders may consent in writing.

Escrow Payments: With respect to any Loan, the amounts constituting ground rents, taxes, assessments, water rates, sewer rents, municipal charges, fire, hazard, liability and other insurance premiums, condominium charges, and any other payments required to be escrowed by the related Borrower with the lender or servicer pursuant to the Mortgage or any other document.

Event of Default: Either a Servicer Event of Default or an Event of Default under the Indenture.

Exceptions Report: The meaning set forth in the Custodial Agreement.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Fannie Mae: The Federal National Mortgage Association and any successor thereto.

FDIC: The Federal Deposit Insurance Corporation and any successor thereto.

Fidelity Bond: As described in Section 4.10 of the Servicing Addendum.

Final Put Date: The Put Date following the end of the Revolving Period on which the Majority Noteholders exercise the Put Option with respect to the entire outstanding Note Principal Balance.

Final Recovery Determination: With respect to any defaulted Loan or any Foreclosure Property, a determination made by the Servicer that all Mortgage Insurance Proceeds, Liquidation Proceeds and other payments or recoveries which the Servicer, in its reasonable good faith judgment, expects to be finally recoverable in respect thereof have been so recovered. The Servicer shall maintain records, prepared by a servicing officer of the Servicer, of each Final Recovery Determination.

Financial Covenants: With respect to Option One, the following financial covenants:

(a) Option One must maintain a minimum "Tangible Net Worth" (defined and determined in accordance with GAAP and exclusive of (i) any loans outstanding to any officer or director of Option One or its Affiliates and (ii) any intangibles (other than originated or purchased servicing rights)) of $425 million as of any day;

(b) Option One may not exceed a maximum leverage ratio (the ratio of total liabilities (exclusive of non-recourse debt), determined in accordance with GAAP, to its Tangible Net Worth) of 6.Ox as of any day;

(c) Option One may not exceed a maximum non-warehouse leverage ratio (the ratio of (i) the sum of (A) all funded debt (excluding debt from H&R Block or any of its Affiliates and all non-recourse debt) less (B) 100% of its mortgage loan inventory held for sale less (C) 80% of servicing advance receivables (determined and valued in accordance with GAAP) to (ii) Tangible Net Worth) of 0.50x at any time. Any direct or indirect debt provided by H&R Block or any of its Affiliates will be subject to the Subordination Agreement; or, if H&R Block does not enter into the Subordination Agreement, the maximum permitted non-warehousing leverage ratio including debt from H&R Block will be 1.0x at any time, provided, that no more than 0.5x of such non-warehouse leverage ratio can be funded by entities not affiliated with Option One or H&R Block.

(d) Option One will maintain a minimum liquidity facility (defined as a committed, unsecured, non-amortizing liquidity facility from H&R Block not to mature (scheduled or accelerated) prior to the Maturity Date) in an amount no less than $150 million. Such facility from H&R Block cannot contain covenants or termination events more restrictive than the covenants or termination events contained in the Basic Documents.

First Lien Loan: A Loan secured by the lien on the related Mortgaged Property, subject to no prior liens on such Mortgaged Property.

Foreclosed Loan: As of any Determination Date, any Loan that as of the end of the preceding Remittance Period has been discharged as a result of (i) the completion of foreclosure or comparable proceedings by the Servicer, on behalf of the Issuer; (ii) the acceptance of the deed or other evidence of title to the related Mortgaged Property in lieu of foreclosure or other comparable proceeding; or (iii) the acquisition of title to the related Mortgaged Property by operation of law.

Foreclosure Property: Any real property securing a Foreclosed Loan that has been acquired by the Servicer on behalf of the Issuer through foreclosure, deed in lieu of foreclosure or similar proceedings in respect of the related Loan.

Freddie Mac: The Federal Home Loan Mortgage Corporation and any successor thereto.

Funding Account: As defined in the Advance Indenture.

Funding Date: With respect to the Advance Note, the day on which Additional Note Balance is purchased by the Issuer under the Advance Note Purchase Agreement.

Funding Notice: As defined in the Advance Indenture.

GAAP: Generally Accepted Accounting Principles as in effect in the United States.

Gross Margin: With respect to each ARM, the fixed percentage amount set forth in the related Promissory Note.

H&R Block: H&R Block Inc. and any successor thereto.

Hedge Funding Requirement: With respect to any day, all amounts required to be paid or delivered by the Issuer under any Hedging Instrument, whether in respect of payments thereunder or in order to meet margin, collateral or other requirements thereof. Such amounts shall be calculated by the Market Value Agent and the Indenture Trustee shall be notified of such amount by the Market Value Agent.

Hedge Value: With respect to any Business Day and a specific Hedging Instrument the positive amount, if any, that is equal to the amount that would be paid to the Issuer in consideration of an agreement between the Issuer and an unaffiliated third party, that would have the effect of preserving for the Issuer the net economic equivalent, as of such Business Day, of all payment and delivery requirements payable to and by the Issuer under such Hedging Instrument until the termination thereof, as determined by the Market Value Agent in accordance with Section 6.03 hereof.

Hedging Counterparty: A Person (i) (A) the long-term and commercial paper or short-term deposit ratings of which are acceptable to the Majority Noteholders and (B) which shall

agree in writing that, in the event that any of its long-term or commercial paper or short-term deposit ratings cease to be at or above the levels deemed acceptable by the Majority Noteholders, it shall secure its obligations in accordance with the request of the Majority Noteholders, (ii) that has entered into a Hedging Instrument and (iii) that is acceptable to the Majority Noteholders.

Hedging Instrument: Any interest rate cap agreement, interest rate floor agreement, interest rate swap agreement or other interest rate hedging agreement entered into by the Issuer with a Hedging Counterparty, and which requires the Hedging Counterparty to deposit all amounts payable thereby directly to the Collection Account. Each Hedging Instrument shall meet the requirements set forth in Article VII hereof with respect thereto.

High LTV Loans: First Lien Loans with an LTV, and Second Lien Loans (which are not Piggy-Backed Loans) with a CLTV, greater than or equal to 85% and less than or equal to 100%.

Indenture: The Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003, between the Issuer and the Indenture Trustee, as the same may be further amended or supplemented from time to time.

Indenture Trustee: Wells Fargo Bank Minnesota, National Association, a national banking association, as Indenture Trustee under the Indenture, or any successor indenture trustee under the Indenture.

Indenture Trustee Fee: An annual fee of $5,000 payable by the Servicer in accordance with a separate fee agreement between the Indenture Trustee and the Servicer and Section 5.01 hereof.

Independent: When used with respect to any specified Person, such Person (i) is in fact independent of the Loan Originator, the Servicer, the Depositor or any of their respective Affiliates, (ii) does not have any direct financial interest in, or any material indirect financial interest in, the Loan Originator, the Servicer, the Depositor or any of their respective Affiliates and (iii) is not connected with the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions; provided, however, that a Person shall not fail to be Independent of the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates merely because such Person is the beneficial owner of 1% or less of any class of securities issued by the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, as the case may be.

Independent Accountants: A firm of nationally recognized certified public accountants which is independent according to the provisions of SEC Regulation S-X, Article 2.

Index: With respect to each ARM, the index set forth in the related Promissory Note for the purpose of calculating the Loan Interest Rate thereon.

Initial Noteholder: Bank of America, N.A. or an Affiliate thereof identified in writing by Bank of America, N.A. to the Indenture Trustee and the other parties hereto.

Interest Carry-Forward Amount: With respect to any Payment Date, the excess, if any, of (A) the Interest Payment Amount for such Payment Date plus the Interest Carry-Forward Amount for the prior Payment Date over (B) the amount in respect of interest that is actually paid from the Distribution Account on such Payment Date in respect of the interest for such Payment Date.

Interest Payment Amount: With respect to any Payment Date, the sum of the Daily Interest Accrual Amounts for all days in the related Accrual Period.

LIBOR Business Day: Any day on which banks in the City of London are open and conducting transactions in United States dollars.

LIBOR Determination Date: With respect to each Accrual Period, each day during such Accrual Period.

LIBOR Margin: with respect to each Accrual Period, the percentage corresponding to the Unfunded Transfer Obligation Percentage as of each LIBOR Determination Date, as set forth in the following table:

Unfunded Transfer Obligation Percentage:	LIBOR Margin:
>= 8.00%	0.50%
>= 4.00%, but < 8.00%	1.25%
< 4.00%	2.00%

provided, further, that the LIBOR Margin shall be equal to 2.00% upon the occurrence of an Event of Default or for the period commencing on the Payment Date identified in clause (i) of the definition of Clean-up Call Date.

Lien: With respect to any asset, (a) any mortgage, lien, pledge, charge, security to interest, hypothecation, option or encumbrance of any kind in respect of such asset or (b) the interest of a vendor or lessor under any conditional sale agreement, financing lease or other title retention agreement relating to such asset.

Lifetime Cap: The provision in the Promissory Note for each ARM which limits the maximum Loan Interest Rate over the life of such ARM.

Lifetime Floor: The provision in the Promissory Note for each ARM which limits the minimum Loan Interest Rate over the life of such ARM.

Liquidated Loan: As defined in Section 4.03(c) of the Servicing Addendum.

Liquidated Loan Losses: With respect to any Determination Date, the difference between (i) the aggregate Principal Balances as of such date of all Loans that became Liquidated Loans and (ii) all Liquidation Proceeds allocable to principal received on or prior to such date.

Liquidation Proceeds: With respect to a Liquidated Loan, any cash amounts received in connection with the liquidation of such Liquidated Loan, whether through trustee's sale, foreclosure sale or other disposition, any cash amounts received in connection with the management of the Mortgaged Property from Defaulted Loans, any proceeds from Primary Insurance Policies, and any other amounts required to be deposited in the Collection Account pursuant to Section 5.01(b)(1) hereof, in each case other than Mortgage Insurance Proceeds and Released Mortgaged Property Proceeds. Liquidation Proceeds shall also include any awards or settlements in respect of the related Mortgage Property, whether permanent or temporary, partial or entire, by exercise of the power of eminent domain or condemnation.

Loan: Any loan sold to the Trust hereunder and pledged to the Indenture Trustee, which loan includes, without limitation, (i) a Promissory Note and related Mortgage and (ii) all right, title and interest of the Loan Originator in and to the Mortgaged Property covered by such Mortgage. The term Loan shall be deemed to include the related Promissory Note, related Mortgage and related Foreclosure Property, if any.

Loan Documents: With respect to a Loan, the documents comprising the Custodial Loan File for such Loan File.

Loan File: With respect to each Loan, the Custodial Loan File and the Servicer's Loan

Loan Interest Rate: With respect to each Loan, the annual rate of interest borne by the related Promissory Note, as shown on the Loan Schedule, and, in the case of an ARM, as the same may be periodically adjusted in accordance with the terms of such Loan.

Loan Originator: Option One and its permitted successors and assigns.

Loan Pool: As of any date of determination, the pool of all Loans conveyed to the Issuer pursuant to this Agreement on all Transfer Dates up to and including such date of determination, which Loans have not been released from the Lien of the Indenture pursuant to the terms of the Basic Documents, together with the rights and obligations of a holder thereof, and the payments thereon and proceeds therefrom received on and after the applicable Transfer Cut-off Date, as identified from time to time on the Loan Schedule.

Loan Purchase and Contribution Agreement: The Loan Purchase and Contribution Agreement, between Option One, as seller and the Depositor, as purchaser, dated as of April 1, 2001, and all supplements and amendments thereto.

Loan Schedule: The schedule of Loans conveyed to the Issuer on the Closing Date and on each Transfer Date and delivered to the Initial Noteholder and the Custodian in the form of a computer-readable transmission specifying the information set forth in Exhibit C to the Custodial Agreement.

Loan-to-Value Ratio or LTV: With respect to any First Lien Loan, the ratio of the original outstanding principal amount of such Loan to the lesser of (a) the Appraised Value of the

Mortgaged Property at origination or (b) if the Mortgaged Property was purchased within 12 months of the origination of the Loan, the purchase price of the Mortgaged Property.

LPA Assignment: The Assignment of Loans from Option One to the Depositor under the Loan Purchase and Contribution Agreement.

Majority Certificateholders: Has the meaning set forth in the Trust Agreement.

Majority Noteholders: The holder or holders of in excess of 50% of the Note Principal Balance. In the event of the release of the Lien of the Indenture in accordance with the terms thereof, the Majority Noteholders shall mean the Majority Certificateholders.

Market Value: The market value of a Loan as of any Business Day as determined by the Market Value Agent in accordance with Section 6.03 hereof.

Market Value Agent: Bank of America, N.A. or an Affiliate thereof designated by Bank of America, N.A. in writing to the parties hereto and, in either case, its successors in interest.

Master Disposition Confirmation Agreement: The Master Disposition Confirmation Agreement dated as of March 1, 2001, by and among Option One Mortgage Corporation, the Depositor, Option One Owner Trust 2001-1 A, Option One Owner Trust 2001-1 B, Option One Owner Trust 2001-2, Wells Fargo Bank Minnesota, National Association, Bank of America, N.A., Greenwich Capital Financial Products, Inc. and Steamboat Funding Corporation.

Maturity Date: With respect to the Notes, as set forth in the Indenture or such later date as may be agreed in writing by the Majority Noteholders.

Maximum Cumulative Loss Ratio: With respect to all mortgage loans originated in the same calendar year (each year's loans being considered as a single pool) and serviced by Option One (whether or not such mortgage loans are sold or contributed to the Depositor), beginning with mortgage loans originated in 1997 (measured on a static pool basis) the cumulative losses on each such pool may not exceed 1.50% in the first year, 2.25% in the second year, 2.85% in the third year, 3.60% in the fourth year and 4.25% thereafter.

Maximum Note Principal Balance: As defined in Section 1.01 of the Note Purchase Agreement.

Mixed Use Loan: A Loan secured by a Mortgaged Property that is used primarily for residential purposes, but which is also used for non-residential purposes.

Monthly Advance: The aggregate of the advances made by the Servicer on any Remittance Date pursuant to Section 4.14 of the Servicing Addendum.

Monthly Payment: The scheduled monthly payment of principal and/or interest required to be made by a Borrower on the related Loan, as set forth in the related Promissory Note.

Monthly Remittance Amount: With respect to each Remittance Date, the sum, without duplication, of (i) the aggregate payments on the Loans collected by the Servicer pursuant to Section 5.01(b)(1)(i) during the immediately preceding Remittance Period and (ii) the aggregate of amounts deposited into the Collection Account pursuant to Section 5.01(b)(1)(ii) through 5.01(b)(1)(vi) and Section 5.01(b)(1)(xi) during the immediately preceding Remittance Period and (iii) any Termination Price, cash Disposition Proceeds and payments by Hedging Counterparties received on or prior to the related Determination Date and not previously included in a Monthly Remittance Amount.

Moody's: Moody's Investors Service, Inc., or any successor thereto.

Mortgage: With respect to any Loan, the mortgage, deed of trust or other instrument securing the related Promissory Note, which creates a first or second lien on the fee in real property and/or a first or second lien on the leasehold estate in real property securing the Promissory Note and the assignment of rents and leases related thereto.

Mortgage Insurance Policies: With respect to any Mortgaged Property or Loan, the insurance policies required pursuant to Section 4.08 of the Servicing Addendum.

Mortgage Insurance Proceeds: With respect to any Mortgaged Property, all amounts collected in respect of Mortgage Insurance Policies and not required either pursuant to applicable law or the related Loan Documents to be applied to the restoration of the related Mortgaged Property or paid to the related Borrower.

Mortgaged Property: With respect to a Loan, the related Borrower's fee and/or leasehold interest in the real property (and/or all improvements, buildings, fixtures, building equipment and personal property thereon (to the extent applicable) and all additions, alterations and replacements made at any time with respect to the foregoing) and all other collateral securing repayment of the debt evidenced by the related Promissory Note.

Net Liquidation Proceeds: With respect to any Payment Date, Liquidation Proceeds received during the prior Remittance Period, net of any reimbursements to the Servicer made from such amounts for any unreimbursed Servicing Compensation and Servicing Advances (including Nonrecoverable Servicing Advances) made and any other fees and expenses paid in connection with the foreclosure, inspection, conservation and liquidation of the related Liquidated Loans or Foreclosure Properties pursuant to Section 4.03 of the Servicing Addendum.

Net Loan Losses: With respect to any Defaulted Loan that is subject to a modification pursuant to Section 4.01 of the Servicing Addendum, an amount equal to the portion of the Principal Balance, if any, released in connection with such modification.

Net Portfolio Yield: The annualized percentage equivalent of a fraction: (i) the numerator of which is equal to accrued interest on the Advance Note and the Loans (excluding accrued interest on Loans Delinquent over 30 days) for the related Accrual Period, less all interest, fees and expenses due to the Noteholders and less any Servicing Fees, and (ii) the denominator of which is the average Note Principal Balance for such Accrual Period.

Nonrecoverable Monthly Advance: Any Monthly Advance previously made or proposed to be made with respect to a Loan or Foreclosure Property that, in the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Initial Noteholder, will not, or, in the case of a proposed Monthly Advance, would not be, ultimately recoverable from the related late payments,. Mortgage Insurance Proceeds Liquidation Proceeds or condemnation proceeds on such Loan or Foreclosure Property as provided herein.

Nonrecoverable Servicing Advance: With respect to any Loan or any Foreclosure Property, (a) any Servicing Advance previously made and not reimbursed from late collections, condemnation proceeds, Liquidation Proceeds, Mortgage Insurance Proceeds or the Released Mortgaged Property Proceeds on the related Loan or Foreclosure Property or (b) a Servicing Advance proposed to be made in respect of a Loan or Foreclosure Property either of which, in the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Initial Noteholder, would not be ultimately recoverable.

Note: The meaning assigned thereto in the Indenture.

Noteholder: The meaning assigned thereto in the Indenture.

Note Interest Rate: With respect to each Accrual Period, a per annum interest rate equal to One-Month LIBOR for the related LIBOR Determination Date plus the LIBOR Margin for such Accrual Period.

Note Principal Balance: With respect to the Notes, as of any date of determination (a) the sum of the Additional Note Principal Balances purchased on or prior to such date pursuant to the Note Purchase Agreement less (b) all amounts previously distributed in respect of principal of the Notes on or prior to such day.

Note Purchase Agreement: The Note Purchase Agreement, dated as of April 18, 2001, and as amended and restated as of November 25, 2003, among the Initial Noteholder, the Issuer and the Depositor, as the same may be amended from time to time.

Note Redemption Amount: As of any Determination Date, an amount without duplication equal to the sum of (i) the then outstanding Note Principal Balance of the Notes, plus the Interest Payment Amount for the related Payment Date, (ii) any Trust Fees and Expenses due and unpaid on the related Payment Date, (iii) any Servicing Advance Reimbursement Amount as of such Determination Date and (iv) all amounts due to Hedging Counterparties in respect of the termination of all related Hedging Instruments.

Officer's Certificate: A certificate signed by a Responsible Officer of the Depositor, the Loan Originator, the Servicer or the Issuer, in each case, as required by this Agreement.

One-Month LIBOR: With respect to each Accrual Period, the rate determined by the Initial Noteholder on each LIBOR Determination Date on the basis of the offered rate for one-month U.S. dollar deposits, as such rate appears on Telerate Page 3750 as of 11:00 a.m. (London time) on

such LIBOR Determination Date; provided that if such rate does not appear on Telerate Page 3750, the rate for such date will be determined on the basis of the offered rates of the Reference Banks for one-month U.S. dollar deposits, as of 11:00 a.m. (London time) on such LIBOR Determination Date. In such event, the Initial Noteholder will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If on such LIBOR Determination Date, two or more Reference Banks provide such offered quotations, One-Month LIBOR on such LIBOR Determination Date shall be the arithmetic mean of all such offered quotations (rounded to the nearest whole multiple of 1/16%). If on such LIBOR Determination Date, fewer than two Reference Banks provide such offered quotations, One-Month LIBOR for such LIBOR Determination Date shall be the higher of (i) LIBOR as determined on the previous LIBOR Determination Date and (ii) the Reserve Interest Rate. Notwithstanding the foregoing, if, under the priorities described above, One-Month LIBOR for a LIBOR Determination Date would be based on One-Month LIBOR for the previous LIBOR Determination Date for the third consecutive LIBOR Determination Date, the Initial Noteholder shall select an alternative comparable index (over which the Initial Noteholder has no control), used for determining one-month Eurodollar lending rates that is calculated and published (or otherwise made available) by an independent party.

Opinion of Counsel: A written opinion of counsel who may be employed by the Servicer, the Depositor, the Loan Originator or any of their respective Affiliates.

Option One: Option One Mortgage Corporation, a California corporation.

Overcollateralization Shortfall: With respect to any Business Day, an amount equal to the positive difference, if any, between (a) the Note Principal Balance on such Business Day and (b) (i) the aggregate Collateral Value of the Advance Note and all Loans in the Loan Pool as of such Business Day, or (ii) in the event that a Performance Trigger shall have occurred and not been Deemed Cured, the aggregate Collateral Value of the Advance Note and all Loans in the Loan Pool as of such Business Day multiplied by 0.98; provided, however, that, in either case, on (A) the termination of the Revolving Period, (B) the occurrence of a Rapid Amortization Trigger, (C) the Payment Date on which the Trust is to be terminated pursuant to Section 10.02 hereof, or (D) the Final Put Date, the Overcollateralization Shortfall shall be equal to the Note Principal Balance. Notwithstanding anything to the contrary herein, in no event shall the Overcollateralization Shortfall, with respect to any Business Day, exceed the Note Principal Balance as of such date. If as of such Business Day, no Rapid Amortization Trigger or Default under this Agreement or the Indenture shall be in effect, the Overcollateralization Shortfall shall be reduced (but in no event to an amount below zero) by all or any portion of the aggregate Hedge Value as of such Payment Date as the Majority Noteholders may, in their sole discretion, designate in writing.

Owner Trustee: means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as Owner Trustee under this Agreement, and any successor owner trustee under the Trust Agreement.

Owner Trustee Fee: The annual fee of $4,000 payable in equal monthly installments to the Servicer pursuant to Section 5.01(c)(3)(i) which shall in turn pay such amount annually to the Owner Trustee on the anniversary of the Closing Date occurring each year during the term of this Agreement.

Payment Date: Each of, (i) the 10th day of each calendar month commencing on the first such 10th day to occur after the first Transfer Date, or if any such day is not a Business Day, the first Business Day immediately following such day, (ii) any day a Loan is sold pursuant to the terms hereof, (iii) a Put Date as specified by the Majority Noteholder pursuant to Section 10.05 of the Indenture and (iv) an additional Payment Date pursuant to Section 5.01(c)(4)(i) and 5.01(c)(4)(iii). From time to time, the Majority Noteholders and the Issuer may agree, upon written notice to the Owner Trustee and the Indenture Trustee, to additional Payment Dates in accordance with Section 5.01(c)(4)(ii).

Payment Statement: As defined in Section 6.01(b) hereof.
Percentage Interest: As defined in the Trust Agreement.

Performance Trigger: As of any Determination Date, the existence of one or more of the following conditions:

(i) the aggregate Principal Balance of all Loans that are 30 to 59 days Delinquent as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 5%, provided, however, that a Performance Trigger shall not occur if such percentage is reduced to less than 5% within 3 Business Days of such Determination Date as the result of the exercise of a Servicer Call;

(ii) the aggregate Principal Balance of all Loans that are 60 to 89 days Delinquent as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 2%, provided, however, that a Performance Trigger shall not occur if such percentage is reduced to less than 2% within 3 Business Days of such Determination Date as the result of the exercise of a Servicer Call;

(iii) (x) the aggregate Liquidated Loan Losses for the three calendar months preceding such Determination Date divided by (y) the average Pool Principal Balance during such three calendar months (measured for each such calendar month at the end of the Remittance Period) is greater than 0.25% and a Performance Trigger shall continue to exist until Deemed Cured.

Periodic Cap: With respect to each ARM Loan and any Rate Change Date therefor, the annual percentage set forth in the related Promissory Note, which is the maximum annual percentage by which the Loan Interest Rate for such Loan may increase or decrease (subject to the Lifetime Cap or the Lifetime Floor) on such Rate Change Date from the Loan Interest Rate in effect immediately prior to such Rate Change Date.

Permitted Investments: Each of the following:

(a) Direct general obligations of the United States or the obligations of any agency or instrumentality of the United States fully and unconditionally guaranteed, the timely payment or the guarantee of which constitutes a full faith and credit obligation of the United States.

(b) Federal Housing Administration debentures rated Aa2 or higher by Moody's and AA or better by S&P.

(c) Freddie Mac senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(d) Federal Home Loan Banks' consolidated senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(e) Fannie Mae senior debt obligations rated Aa2 or higher by Moody's.

(f) Federal funds, certificates or deposit, time and demand deposits, and bankers' acceptances (having original maturities of not more than 365 days) of any domestic bank, the short-term debt obligations of which have been rated A-1 or better by S&P and P-1 or better by Moody's.

(g) Investment agreements approved by the Initial Noteholder provided:

1. The agreement is with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated Aa2 or better by Moody's and AA or better by S&P, and

2. Monies invested thereunder may be withdrawn without any penalty, premium or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

3. The agreement is not subordinated to any other obligations of such insurance company or bank, and

4. The same guaranteed interest rate will be paid on any future deposits made pursuant to such agreement, and

5. The Indenture Trustee and the Initial Noteholder receive an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

(h) Commercial paper (having original maturities of not more than 365 days) rated A-1 or better by S&P and P-1 or better by Moody's.

(i) Investments in money market funds rated AAAM or AAAM-G by S&P and Aaa or P-1 by Moody's.

Investments approved in writing by the Initial Noteholder;

provided that no instrument described above is permitted to evidence either the right to receive (a) only interest with respect to obligations underlying such instrument or (b) both principal and interest payments derived from obligations underlying such instrument and the interest and

principal payments with respect to such instrument provided a yield to maturity at par greater than 120% of the yield to maturity at par of the underlying obligations; and provided, further, that no instrument described above may be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to stated maturity; and provided, further, that, with respect to any instrument described above, such instrument qualifies as a "permitted investment" within the meaning of Section 860G(a)(5) of the Code and the regulations thereunder.

Each reference in this definition to the Rating Agency shall be construed, as a reference to each of S&P and Moody's.

Person: Any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, national banking association, unincorporated organization or government or any agency or political subdivision thereof.

Physical Property: As defined in clause (b) of the definition of "Delivery" above.

Piggy-Backed Loan: A combined First Lien Loan, with an LTV less than or equal to 80%, and Second Lien Loan, with a CLTV less than or equal to 100%, that satisfy the underwriting criteria set forth in Exhibit D hereto and have a minimum FICO score of 600.

Pool Principal Balance: With respect to any Determination Date, the aggregate Principal Balances of the Loans as of such Determination Date.

Premium Recapture: Any portion of a Premium that the Loan Originator receives back from a third party seller of a Loan.

Prepaid Installment: With respect to any Loan, any installment of principal thereof and interest thereon received prior to the scheduled Due Date for such installment, intended by the Borrower as an early payment thereof and not as a Prepayment with respect to such Loan.

Prepayment: Any payment of principal of a Loan which is received by the Servicer in advance of the scheduled due date for the payment of such principal (other than the principal portion of any Prepaid Installment), and the proceeds of any Mortgage Insurance Policy which are to be applied as a payment of principal on the related Loan shall be deemed to be Prepayments for all purposes of this Agreement.

Preservation Expenses: Expenditures made by the Servicer in connection with a foreclosed Loan prior to the liquidation thereof, including, without limitation, expenditures for real estate property taxes, hazard insurance premiums, property restoration or preservation.

Primary Insurance Policy: A policy of primary mortgage guaranty insurance issued by a Qualified Insurer pursuant to Section 4.06 of the Servicing Addendum.

Principal Balance: With respect to any Loan or related Foreclosure Property, (i) at the Transfer Cut-off Date, the Transfer Cut-off Date Principal Balance and (ii) with respect to any other date of determination, the outstanding unpaid principal balance of the Loan as of the end of the

preceding Remittance Period (after giving effect to all payments received thereon and the allocation of any Net Loan Losses with respect thereto for a Defaulted Loan prior to the end of such Remittance Period); provided, however, that any Liquidated Loan shall be deemed to have a Principal Balance of zero.

Proceeding: Means any suit in equity, action at law or other judicial or administrative proceeding.

Promissory Note: With respect to a Loan, the original executed promissory note or other evidence of the indebtedness of the related Borrower or Borrowers.

Put/Call Loan: Any (i) Loan that has become 30 or more days (but less than 60 days) Delinquent, (ii) Loan that has become 60 or more days (but less than 90 days) Delinquent, (iii) Loan that has become 90 or more days Delinquent, (iv) Defaulted Loan, (v) Loan that has been in default for a period of 30 days or more (other than a Loan referred to in clause (i), (ii), (iii) or (iv) hereof), (vi) Loan that does not meet criteria established by independent rating agencies or surety agency conditions for Dispositions which criteria have been established at the related Transfer Date and may be modified only to match changed criteria of independent rating agencies or surety agents, or (vii) Loan that is inconsistent with the intended tax status of a Securitization.

Put Date: Any date on which all or a portion of the Notes are to be purchased by the Issuer as a result of the exercise of the Put Option.

Put Option: The right of the Majority Noteholders to require the Issuer to repurchase all or a portion of the Notes in accordance with Section 10.04 of the Indenture.

QSPE Affiliate: Any of Option One Owner Trust 2001-1 A, Option One Owner Trust 2001-1 B, Option One Owner Trust 2002-3, Option One Owner Trust 2003-4, Option One Owner Trust 2003-5, or any other Affiliate which is a "qualified special purpose entity" in accordance with Financial Accounting Standards Board's Statement No. 140.

Qualified Insurer: An insurance company duly qualified as such under the laws of the states in which the Mortgaged Property is located, duly authorized and licensed in such states to transact the applicable insurance business and to write the insurance provided and that meets the requirements of Fannie Mae and Freddie Mac.

Qualified Substitute Loan: A Loan or Loans substituted for a Deleted Loan pursuant to Section 3.06 hereof, which (i) has or have been approved in writing by the Majority Noteholders and (ii) complies or comply as of the date of substitution with each representation and warranty set forth in Exhibit E and is or are not 30 or more days Delinquent as of the date of substitution for such Deleted Loan or Loans.

Rapid Amortization Trigger: As of any Determination Date, the existence of one or more of the following conditions as of such Determination Date:

(i) the aggregate Principal Balance of all Loans that are 30 to 59 days Delinquent as of such Determination Date divided by the Pool Principal Balance as of such

Determination Date is greater than 7%; provided, however, that a Rapid Amortization Trigger shall not occur if such percentage is reduced to less than 5% within 3 Business Days of such Determination Date as a result of the exercise of a Servicer Call;

(ii) the aggregate Principal Balance of all Loans that are 60 to 89 days Delinquent as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 3%; provided, however, that a Rapid Amortization Trigger shall not occur if such percentage is reduced to less than 2% within 3 Business Days of such Determination Date as a result of the exercise of a Servicer Call;

(iii) (x) the aggregate Liquidated Loan Losses for the three calendar months preceding such Determination Date divided by (y) the average Pool Principal Balance of the Loans during such three calendar months (measured for each calendar month at the end of the Remittance Period) is greater than 0.25%;

(iv) the Net Portfolio Yield averaged for any three consecutive months is less than 1.75%;

(v) the Delinquency Ratio exceeds 15%;

(vi) the Maximum Cumulative Loss Ratio is exceeded;

(vii) the Market Value of the Loans falls below 102% of the aggregate Principal Balance of the Loans; and

a Rapid Amortization Trigger shall continue to exist until it is Deemed Cured.

Rate Change Date: The date on which the Loan Interest Rate of each ARM is subject to adjustment in accordance with the related Promissory Note.

Rating Agencies: S&P and Moody's or such other nationally recognized credit rating agencies as may from time to time be designated in writing by the Majority Noteholders in their sole discretion.

Receivables Purchase Agreement: The Receivables Purchase Agreement, dated as of November 1, 2003, among Option One, the Advance Depositor and the Advance Trust.

Receivables Seller: Option One.

Record Date: With respect to each Payment Date, the close of business of the immediately preceding Business Day.

Reference Banks: Bankers Trust Company, Barclay's Bank PLC, The Tokyo Mitsubishi Bank and National Westminster Bank PLC and their successors in interest; provided, however, that if the Initial Noteholder determines that any of the foregoing banks are not suitable to serve as a Reference Bank, then any leading banks selected by the Initial Noteholder with the

approval of the Issuer, which approval shall not be unreasonably withheld, which are engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London and (ii) which have been designated as such by the Initial Noteholder with the approval of the Issuer, which approval shall not be unreasonably withheld. Three money center banks selected by the Initial Noteholder.

Refinanced Loan: A Loan the proceeds of which were not used to purchase the related Mortgaged Property.

Released Mortgaged Property Proceeds: With respect to any Loan, proceeds received by the Servicer in connection with (i) a taking of an entire Mortgaged Property by exercise of the power of eminent domain or condemnation or (ii) any release of part of the Mortgaged Property from the lien of the related Mortgage, whether by partial condemnation, sale or otherwise; which proceeds in either case are not released to the Borrower in accordance with applicable law and/or Accepted Servicing Practices.

Remittance Date: The Business Day immediately preceding each Payment Date.

Remittance Period: With respect to any Payment Date, the period commencing immediately following the Determination Date for the preceding Payment Date (or, in the case of the initial Payment Date, commencing immediately following the initial Transfer Cut-off Date) and ending on and including the related Determination Date.

Repurchase Price: With respect to a Loan the sum of (i), the Principal Balance thereof as of the date of purchase or repurchase, plus (ii) all accrued and unpaid interest on such Loan to the date of purchase or repurchase computed at the applicable Loan Interest Rate, plus (iii) the amount of any unreimbursed Servicing Advances made by the Servicer with respect to such Loan (after deducting therefrom any amounts received in respect of such purchased or repurchased Loan and being held in the Collection Account for future distribution to the extent such amounts represent recoveries of principal not yet applied to reduce the related Principal Balance or interest (net of the Servicing Fee) for the period from and after the date of repurchase). The Repurchase Price shall be (i) increased by the net negative value or (ii) decreased by the net positive value of all Hedging Instruments terminated with respect to the purchase of such Loan. To the extent the Servicer does not reimburse itself for amounts, if any, in respect of the Servicing Advance Reimbursement Amount pursuant to Section 5.01(c)(1) hereof, with respect to such Loan, the Repurchase Price shall be reduced by such amounts.

Reserve Interest Rate: With respect to any LIBOR Determination Date, the rate per annum that the Initial Noteholder determines to be either (i) the arithmetic mean (rounded to the nearest whole multiple of 1/16%) of the one-month U.S. dollar lending rates which New York City banks selected by the Initial Noteholder are quoting on the relevant LIBOR Determination Date to the principal London offices of leading banks in the London interbank market or (ii) in the event that the Initial Noteholder can determine no such arithmetic mean, the lowest one-month U.S. dollar lending rate which New York City banks selected by the Initial Noteholder are quoting on such LIBOR Determination Date to leading European banks.

Responsible Officer: When used with respect to the Indenture Trustee or Custodian, any officer within the corporate trust office of such Person, including any Vice President, Assistant Vice President, Secretary, Assistant Secretary or any other officer of such Person customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject. When used with respect to the Issuer, any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Responsible Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter). When used with respect to the Depositor, the Loan Originator or the Servicer, the President, any Vice President, or the Treasurer.

Retained Securities: With respect to a Securitization, any subordinated securities issued or expected to be issued, or excess collateral value retained or expected to be retained, in connection therewith to the extent the Depositor, the Loan Originator or an Affiliate thereof retains, instead of sell, such securities.

Retained Securities Value: With respect to any Business Day and a Retained Security, the market value thereof as determined by the Market Value Agent in accordance with Section 6.03(d) hereof.

Revolving Period: With respect to the Notes, the period commencing on April 19, 2001 and ending on the earlier of (i) the date on which the Revolving Period is terminated pursuant to Section 2.07 and (ii) the Maturity Date.

Sales Price: For any Transfer Date, the sum of the Collateral Values with respect to each Loan conveyed on such Transfer Date as of such Transfer Date.

S&SA Assignment: An Assignment, in the form of Exhibit C hereto, of Loans and other property from the Depositor to the Issuer pursuant to this Agreement.

Scratch & Dent Loan: A Loan identified as having minor documentation, appraisal or underwriting deficiencies, which Loan may not be Delinquent on the Transfer Date; provided, that the Loan Originator has provided a detailed description of such deficiencies to the Initial Noteholder prior to the Transfer Date (or, with respect to Loans that become Scratch & Dent Loans after the Transfer Date, within one Business Day of the discover, of such deficiencies); provided further, however, that any Scratch & Dent Loan, which in the sole judgment of the Loan Originator has deficiencies unacceptable to the Loan Originator will be deemed an Unqualified Loan and will be repurchased or substituted pursuant to the procedures in Section 3.06.

Second Lien Loan: A Loan secured by the lien on the Mortgaged Property, subject to one Senior Lien on such Mortgaged Property.

Securities: The Notes and the Trust Certificates.

Securities Intermediary: A "securities intermediary" as defined in Section 8-102(a)(14) of the UCC that is holding a Trust Account for the Indenture Trustee as the sole "entitlement holder" as defined in Section 8-102(a)(7) of the UCC.

Securitization: A sale or transfer of Loans by the Issuer at the direction of the Majority Noteholders to any other Person in order to effect one or a series of structured-finance securitization transactions, including but not limited to transactions involving the issuance of securities which may be treated for federal income tax purposes as indebtedness of Option One or one or more of its wholly-owned subsidiaries.

Securityholder: Any Noteholder or Certificateholder.

Senior Lien: With respect to any Second Lien Loan, the mortgage loan having a senior priority lien on the related Mortgaged Property.

Servicer: Option One, in its capacity as the servicer hereunder, or any successor appointed as herein provided.

Servicer Call: The optional repurchase by the Servicer of a Loan pursuant to Section 3.08(b) hereof.

Servicer Event of Default: As described in Section 9.01 hereof.

Servicer Put: The mandatory repurchase by the Servicer, at the option of the Majority Noteholders, of a Loan pursuant to Section 3.08(a) hereof.

Servicer's Fiscal Year: May 1st of each year through April 30th of the following year.

Servicer's Loan File: With respect to each Loan, the file held by the Servicer, consisting of all documents (or electronic images thereof) relating to such Loan, including, without limitation, copies of all of the Loan Documents included in the related Custodial Loan File.

Servicer's Remittance Report: A report prepared and computed by the Servicer in substantially the form of Exhibit B attached hereto.

Servicing Addendum: The terms and provisions set forth in Exhibit F attached hereto relating to the administration and servicing of the Loans.

Servicing Advance Reimbursement Amount: With respect to any Determination Date, the amount of any Servicing Advances that have not been reimbursed as of such date, including Nonrecoverable Servicing Advances.

Servicing Advances: As defined in Section 4.14(b) of the Servicing Addendum.

Servicing Compensation: The Servicing Fee and other amounts to which the Servicer is entitled pursuant to Section 4.15 of the Servicing Addendum.

Servicing Fee: As to each Loan (including any Loan that has been foreclosed and for which the related Mortgaged Property has become a Foreclosure Property, but excluding any Liquidated Loan), the fee payable monthly to the Servicer, which shall be the product of 0.50% (50 basis points), or such other lower amount as shall be mutually agreed to in writing by the Majority Noteholders and the Servicer, and the Principal Balance of such Loan as of the beginning of the related Remittance Period, divided by 12. The Servicing Fee shall only be payable to the extent interest is collected on a Loan.

Servicing Officer: Any officer of the Servicer or Subservicer involved in, or responsible for, the administration and servicing of the Loans whose name and specimen signature appears on a list o servicing officers annexed to an Officer's Certificate furnished by the Servicer or the Subservicer, respectively, on the date hereof to the Issuer and the Indenture Trustee, on behalf of the Noteholders, as such list may from time to time be amended.

S&P: Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

State: Means any one of the states of the United States of America or the District of Columbia.

Subordination Agreement: The subordination agreement dated as of April 1, 2001, among Bank of America, N.A., H&R Block Inc. and Block Financial Corporation.

Subservicer: Any Person with which the Servicer has entered into a Subservicing Agreement and which is an Eligible Servicer and satisfies any requirements set forth in Section 4.22 in the Servicing Addendum in respect of the qualifications of a Subservicer.

Subservicing Account: An account established by a Subservicer pursuant to a Subservicing Agreement, which account must be an Eligible Account.

Subservicing Agreement: Any agreement between the Servicer and any Subservicer relating to subservicing and/or administration of any or all Loans as provided in Section 4.22 in the Servicing Addendum.

Substitution Adjustment: As to any date on which a substitution occurs pursuant to Section 2.05 or Section 3.06 hereof, the amount, if any, by which (a) the aggregate principal balance of any Qualified Substitute Loans (after application of principal payments received on or before the related Transfer Cut-off Date) is less than (b) the aggregate of the Principal Balances of the related Deleted Loans as of the first day of the month in which such substitution occurs.

Termination Price: As of any Determination Date, an amount without. duplication equal to the greater of (A) the Note Redemption Amount and (B) the sum of (i) the Principal Balance of each Loan included in the Trust as of the end of the preceding Remittance Period; (ii) all unpaid interest accrued on the Principal Balance of each such Loan at the related Loan Interest Rate to the end of the preceding Remittance Period; (iii) the aggregate fair market value of each Foreclosure Property included in the Trust as of the end of the preceding Remittance Period, as determined by an Independent appraiser acceptable to the Majority Noteholders as of a date not more than 30 days prior to such Payment Date; (iv) the Note Principal Balance of the Advance Note as of such date; (v) all accrued and unpaid interest on the Advance Note; and (vi) all other amounts due under the Advance Documents.

Transfer Cut-off Date: With respect to each Loan, the first day of the month in which the Transfer Date with respect to such Loan occurs or if originated in such month, the date of origination.

Transfer Cut-off Date Principal Balance: As to each Loan, its Principal Balance as of the opening of business on the Transfer Cut-off Date (after giving effect to any payments received on the Loan before the Transfer Cut-off Date).

Transfer Date: With respect to each Loan, the day such Loan is either (i) sold and conveyed to the Depositor by the Loan Originator pursuant to the Loan Purchase and Contribution Agreement and to the Issuer by the Depositor pursuant to Section 2.01 hereof or (ii) sold to the Issuer pursuant to the Master Disposition Confirmation Agreement, which results in an increase in the Note Principal Balance by the related Additional Note Principal Balance; provided, that the aggregate Collateral Value of the Loans sold and conveyed on any Transfer Date shall not be less than $1 million. With respect to any Qualified Substitute Loan, the Transfer Date shall be the day such Loan is conveyed to the Trust pursuant to Section 2.05 or 3.06.

Transfer Obligation: The obligation of the Loan Originator under Section 5.06 hereof to make certain payments in connection with Dispositions and other related matters.

Transfer Obligation Account: The account designated as such, established and maintained pursuant to Section 5.05 hereof.

Transfer Obligation Target Amount: With respect to any Payment Date, the cumulative total of all withdrawals pursuant to Section 5.05(e), 5.05(f), 5.05(g), and 5.05(h) hereof from the Transfer Obligation Account to but not including such Payment Date minus any amount withdrawn from the Transfer Obligation Account to return to the Loan Originator pursuant to Section 5.05(i)(i).

Trust: Option One Owner Trust 2001-2, the Delaware business trust created pursuant to the Trust Agreement.

Trust Agreement: The Trust Agreement dated as of April 1, 2001 among the Depositor and the Owner Trustee.

Trust Account Property: The Trust Accounts, all amounts and investments held from time to time in the Trust Accounts and all proceeds of the foregoing.

Trust Accounts: The Distribution Account, the Collection Account and the Transfer Obligation Account.

Trust Certificate: The meaning assigned thereto in the Trust Agreement.

Trust Estate: Shall mean the assets subject to this Agreement, the Trust Agreement and the Indenture and assigned to the Trust, which assets consist of (i) such Loans as from time to time are subject to this Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof other than any Premium Recapture, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments other than any Premium Recapture, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments, (ix) the Advance Note and all right, title and interest of the Trust in and under the Advance Documents including, without limitation, all voting and consent rights of the Noteholders thereunder and (x) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement and/or the Master Disposition Confirmation Agreement, and all proceeds of any of the foregoing.

Trust Fees and Expenses: As of each Payment Date, an amount equal to the Servicing, Compensation, the Owner Trustee Fee, the Indenture Trustee Fee and the Custodian Fee, if any, and any expenses of the foregoing.

UCC: The Uniform Commercial Code as in effect in the State of New York.

UCC Assignment: A form "UCC-2" or "UCC-3" statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction to reflect an assignment of a secured party's interest in collateral.

UCC-1 Financing Statement: A financing statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction.

Underwriting Guidelines: The underwriting guidelines (including the loan origination guidelines) of the Loan Originator, as the same may be amended from time to time with notice to the Initial Noteholder.

Unfunded Fee Amount: With respect to each Accrual Period, the interest accrued at the applicable Unfunded Fee Rate with respect to such Accrual Period on the Unfunded Portion.

Unfunded Fee Rate: A rate of 0.15%.

Unfunded Portion: The positive difference between the Note Principal Balance and the Maximum Note Principal Balance.

Unfunded Transfer Obligation: With respect to any date of determination, an amount equal to (x) the sum of (A) 10% of the aggregate Collateral Value (as of the related Transfer Date) of all Loans sold hereunder, plus (B) 10% of the aggregate Collateral Value (as of the related Funding Date) of the initial principal balance of the Advance Note and all Additional Principal Balance related thereto purchased by the Issuer, plus (C) any amounts withdrawn from the Transfer Obligation Account for return to the Loan Originator pursuant to Section 5.05(i)(i) hereof prior to such Payment Date, less (y) the sum of (i) the aggregate amount of payments actually made by the Loan Originator in respect of the Transfer Obligation pursuant to Section 5.06, (ii) the amount obtained by multiplying (a) the Unfunded Transfer Obligation Percentage by (b) the aggregate Collateral Value (as of the related date of Disposition) of all Loans that have been subject to a Disposition and (iii) without duplication, the aggregate amount of the Repurchase Prices paid by the Servicer in respect of any Servicer Puts.

Unfunded Transfer Obligation Percentage: As of any date of determination, an amount equal to (x) the Unfunded Transfer Obligation as of such date, divided by (y) 100% of the aggregate Collateral Values as of the related Transfer Date of all Loans in the Loan Pool.

Unqualified Loan: As defined in Section 3.06(a) hereof.

Wet Funded Custodial File Delivery Date: With respect to a Wet Funded Loan, the fifteenth calendar day after the related Transfer Date, provided that if a Default or Event of Default shall have occurred, the Wet Funded Custodial File Delivery Date shall be the earlier of (x) such fifteenth calendar day and (y) the second Business Day after the occurrence of such event.

Wet Funded Loan: A Loan for which the related Custodial Loan File shall not have been delivered to the Custodian as of the related Transfer Date.

Whole Loan Sale: A Disposition of Loans pursuant to a whole-loan sale.

Section 1.1 Other Definitional Provisions.

(1) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

(2) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(3) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement or in any such certificate or other document shall control.

(4) The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Article, Section, Schedule and Exhibit references contained in this Agreement are references to Articles, Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(5) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

ARTICLE 2

CONVEYANCE OF THE TRUST ESTATE;
ADDITIONAL NOTE PRINCIPAL BALANCES

Section 2.1 Conveyance of the Trust Estate; Additional Note Principal Balances.

(a) (1) On the terns and conditions of this Agreement, on each Transfer Date during the Revolving Period, the Depositor agrees to offer for sale and to sell a portion of each of the Loans and contribute to the capital stock of the Issuer the balance of each of the Loans and deliver the related Loan Documents to or at the direction of the Issuer. To the extent the Issuer has or is able to obtain sufficient funds under the Note Purchase Agreement and the Notes for the purchase thereof, the Issuer agrees to purchase such Loans offered for sale by the Depositor. On the terms and conditions of this Agreement and the Master Disposition Confirmation Agreement, on each Transfer Date during the Revolving Period, the Issuer may acquire Loans from another QSPE Affiliate of the Loan Originator to the extent the Issuer has or is able to obtain sufficient funds for the purchase

thereof. On the terms and conditions of this Agreement and the Advance Note Purchase Agreement, on each Funding Date during the Revolving Period, the Issuer shall acquire Additional Note Balance from the Advance Trust to the extent the Issuer has or is able to obtain sufficient funds under the Note Purchase Agreement and the Notes for the purchase thereof.

(2) On each Transfer Date, in consideration of the payment of the Additional Note Principal Balance pursuant to Section 2.06(a) hereof and as a contribution to the assets of the Issuer, the Depositor as of the related Transfer Date and concurrently with the execution and delivery hereof, hereby sells, transfers, assigns, sets over and otherwise conveys to the Issuer, without recourse, but subject to the other terms and provisions of this Agreement, all of the right, title and interest of the Depositor in and to the Trust Estate.

(3) During the Revolving Period, on each Transfer Date, subject to the conditions precedent set forth in Section 2.06(a) and in accordance with the procedures set forth in Section 2.01(c), the Depositor, pursuant to an S&SA Assignment, will assign to the Issuer without recourse all of its respective right, title and interest, in and to the Loans and all proceeds thereof listed on the Loan Schedule attached to such S&SA Assignment, including all interest and principal received by the Loan Originator, the Depositor or the Servicer on or with respect to the Loans on or after the related Transfer Cut-off Date, together with all right, title and interest in and to the proceeds of any related Mortgage Insurance Policies and all of the Depositor's rights, title and interest in and to (but none of its obligations under) the Loan Purchase and Contribution Agreement and all proceeds of the foregoing.

(4) The foregoing sales, transfers, assignments, set overs and conveyances do not, and are not intended to, result in a creation or an assumption by the Issuer of any of the obligations of the Depositor, the Loan Originator or any other Person in connection with the Trust Estate or under any agreement or instrument relating thereto except as specifically set forth herein.

(1) As of the Closing Date and as of each Transfer Date and each Funding Date, the Issuer acknowledges the conveyance to it of the Trust Estate, including, as applicable, all rights, title and interest of the Depositor and any QSPE Affiliate in and to the Trust Estate, receipt of which is hereby acknowledged by the Issuer. Concurrently with such delivery, as of the Closing Date and as of each Transfer Date and each Funding Date, pursuant to the Indenture the Issuer pledges the Trust Estate to the Indenture Trustee. In addition, concurrently with such delivery and in exchange therefor, the Owner Trustee, pursuant to the instructions of the Depositor, has executed (not in its individual capacity, but solely as Owner Trustee on behalf of the Issuer) and caused the Trust Certificates to be authenticated and delivered to or at the direction of the Depositor.

(2) (i) Pursuant to and subject to the Note Purchase Agreement, the Trust may, at its sole option, from time to time request that the Initial Noteholder advance on any Transfer Date Additional Note Principal Balances and the Initial Noteholder shall remit on such Transfer Date to the Advance Account an amount equal to the Additional Note Principal Balance with respect to such Transfer Date. Pursuant to and subject to the Note Purchase Agreement, the Trust shall request that the Initial Noteholder advance on each Funding Date Additional Note Principal Balances equal

to the Additional Note Balance to be purchased by the Trust on such date and the Initial Noteholder shall remit on such Funding Date to the Funding Account an amount equal to such Additional Note Principal Balance.

(1) Notwithstanding anything to the contrary herein, in no event shall the Initial Noteholder be required to advance Additional Note Principal Balances on a Transfer Date if the conditions precedent with respect to such Transfer Date under Section 2.06(a) and the conditions precedent to the purchase of Additional Note Principal Balances set forth in Section 3.01 of the Note Purchase Agreement have not been fulfilled. Notwithstanding anything to the contrary herein, in no event shall the Initial Noteholder be required to advance Additional Note Principal Balances on a Funding Date if the conditions precedent with respect to such Funding Date under Section 2.06(b), the conditions precedent to the purchase of Additional Note Principal Balances set forth in Section 3.02 of the Note Purchase Agreement and the conditions precedent to the purchase of Additional Principal Balances set forth in Section 3.01 of the Advance Note Purchase Agreement have not been fulfilled.

(2) The Servicer shall appropriately note any Additional Note Principal Balance (and the increased Note Principal Balance) in the next succeeding Payment Statement; provided, however, that failure to make any such notation in such Payment Statement or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest and principal payments in respect of the Note Principal Balance held by such Noteholder. The Initial Noteholder shall record on the schedule attached to such Noteholder's Note, the date and amount of any Additional Note Principal Balance advanced by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance held by such Noteholder.

(3) Absent manifest error, the Note Principal Balance of each Note as set forth in the Initial Noteholder's records shall be binding upon the Noteholders and the Trust, notwithstanding any notation made by the Servicer in its Payment Statement pursuant to the preceding paragraph.

Section 2.2 Ownership and Possession of Loan Files.

With respect to each Loan, as of the related Transfer Date the ownership of the related Promissory Note, the related Mortgage and the contents of the related Servicer's Loan File and Custodial Loan File shall be vested in the Trust for the benefit of the Securityholders, although possession of the Servicer's Loan File on behalf of and for the benefit of the Securityholders shall

remain with the Servicer, and the Custodian shall take possession of the Custodial Loan Files as contemplated in Section 2.05 hereof.

Section 2.3 Books and Records Intention of the Parties.

(1) As of each Transfer Date, the sale of each of the Loans conveyed by the Depositor on such Transfer Date shall be reflected on the balance sheets and other financial statements of the Depositor and the Loan Originator, as the case may be, as a sale of assets by the Depositor and a sale of assets and a contribution to capital by the Loan Originator and the Depositor, as applicable, under GAAP. Each of the Servicer and the Custodian shall be responsible for maintaining, and shall maintain, a complete set of books and records for each Loan which shall be clearly marked to reflect the ownership of each Loan, as of the related Transfer Date, by the Issuer and for the benefit of the Securityholders.

(2) It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments on the initial Closing Date and on each Transfer Date shall constitute a sale of the Loans and all related property from the Depositor to the Issuer and such property shall not be property of the Depositor or the Loan Originator. It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments on each Funding Date shall constitute a sale of the Advance Note, the related Additional Note Balances and all related property from the Advance Trust to the Issuer and such property shall not be property of the Advance Depositor or the Receivables Seller. The parties hereto shall treat s the Notes as indebtedness for federal, state and local income and franchise tax purposes.

(3) If any of the assignments and transfers of the Loans and the other property of the Trust Estate specified in Section 2.01(a) hereof by the Depositor to the Issuer pursuant to this Agreement or the conveyance of the Loans or any of such other property of the Trust Estate by the Depositor to the Issuer, other than for federal, state and local income or franchise tax purposes, is held or deemed not to be a sale or is held or deemed to be a pledge of security for a loan, the Depositor intends that the rights and obligations of the parties shall be established pursuant to the terms of this Agreement and that, in such event, with respect to such property, (i) consisting of Loans and related property, the Depositor shall be deemed to have granted, as of the related Transfer Date, to the Issuer a first priority security interest in the entire right, title and interest of the Depositor in and to such Loans and proceeds and all other property conveyed to the Issuer as of such Transfer Date, (ii) consisting of any other property specified in Section 2.01(a), the Depositor shall be deemed to have granted, as of the initial Closing Date, to the Issuer a first priority security interest in the entire right, title and interest of the Depositor in and to such property and the proceeds thereof. In such event, with respect to such property, this Agreement shall constitute a security agreement under applicable law.

(4) On the Closing Date, the Depositor shall, at each party's sole expense, cause to be filed UCC-1 Financing Statements naming the Issuer as "secured party" and describing the Trust Estate being sold by the Depositor to the Issuer with the office of the Secretary of State of the state in which the Depositor is located and any other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. In addition, on the Closing Date, the Loan Originator shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Depositor as "secured party" and describing the Loans being sold by the Loan Originator to the Depositor with the office of the Secretary of the State in which the Loan Originator is located and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. On or before the initial Funding Date, the Issuer shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Issuer as "secured party" and describing the Advance Note being sold by the Advance Trust to the Issuer with the office of the Secretary of the State in which the Advance Trust is located and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate.

Section 2.4 Delivery of Loan Documents.

(1) The Loan Originator shall, prior to the related Transfer Date, in accordance with the terns and conditions set forth in the Custodial Agreement, deliver or cause to be delivered to the Custodian, as the designated agent of the Indenture Trustee, a Loan Schedule, the Borrowing Base Information (as defined in the Custodial Agreement) and each document constituting the Custodial Loan File (or, in the case of a Wet Funded Loan, the Custodial Loan File must be delivered on or before the related Wet Funded Custodial File Delivery Date).

(2) The Loan Originator shall, on the related Transfer Date (or in the case of a Wet Funded Loan, on or before the related Wet Funded Custodial File Delivery Date), deliver or cause to be delivered to the Servicer the related Servicer's Loan File (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders.

(3) The Indenture Trustee shall cause the Custodian to take and maintain continuous physical possession of the Custodial Loan Files in the State of California (or upon prior written notice from the Custodian to the Loan Originator and the Initial Noteholder and delivery of an Opinion of Counsel with respect to the continued perfection of the Indenture Trustee's security interest, in the State of Minnesota or Utah) and, in connection therewith, shall act solely as agent for the Noteholders in accordance with the terms hereof and not as agent for the Loan Originator, the Servicer or any other party.

Section 2.5 Acceptance by the Indenture Trustee of the Loans; Certain Substitutions and Repurchases; Certification by the Custodian.

(1) The Indenture Trustee declares that it will cause the Custodian to hold the Custodial Loan Files and any additions, amendments, replacements or supplements to the documents contained therein, as well as any other assets included in the Trust Estate and delivered to the Custodian, in trust, upon and subject to the conditions set forth herein. The Indenture Trustee further agrees to cause the Custodian to execute and deliver such certifications as are required under the Custodial Agreement and to otherwise direct the Custodian to perform all of its obligations with respect to the Custodial Loan Files in strict accordance with the terms of the Custodial Agreement.

(2) (i) With respect to any Loans which are set forth as exceptions in the Exceptions Report, the Loan Originator shall cure such exceptions by delivering such missing documents to the Custodian or otherwise curing the defect no later than, in the case of (x) a non-Wet Funded Loan, 5 Business Days, or (y) in the case of a Wet Funded Loan one Business Day after the Wet Funded Custodial File Delivery Date, in each case, following the receipt of the first Exceptions Report listing such exception with respect to such Loan.

(1) In the event that, with respect to any Loan, the Loan Originator does not comply with the document delivery requirements of this Section 2.05, the Loan Originator shall repurchase such Loan within one Business Day of notice thereof from the Indenture Trustee or the Initial Noteholder at the Repurchase Price thereof with respect to such Loan by depositing such Repurchase Price in the Collection Account. In lieu of such a repurchase, the Depositor and Loan Originator may comply with the substitution provisions of Section 3.06 hereof. The Loan Originator shall provide the Servicer, the Indenture Trustee, the Issuer and the Initial Noteholder with a certification of a Responsible Officer on or prior to such repurchase or substitution indicating that the Loan Originator intends to repurchase or substitute such Loan.

(2) It is understood and agreed that the obligation of the Loan Originator to repurchase or substitute any such Loan pursuant to this Section 2.05(6) shall constitute the sole remedy with respect to such failure to comply with the foregoing delivery requirements.

(3) In performing its reviews of the Custodial Loan Files pursuant to the Custodial Agreement, the Custodian shall have no responsibility to determine the genuineness of any document contained therein and any signature thereon. The Custodian shall not have any responsibility for determining whether any document is valid and binding, whether the text of any assignment or endorsement is in proper or recordable form, whether any document has been recorded in accordance with the requirements of any applicable jurisdiction, or whether a blanket assignment is permitted in any applicable jurisdiction.

(4) The Servicer's Loan File shall be held in the custody of the Servicer (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders. It is intended that, by the Servicer's agreement pursuant to this Section 2.05(d), the Indenture Trustee shall be deemed to have possession of the Servicer's Loan Files for purposes of Section 9-305 of the UCC of the state in which such documents or instruments are located. The Servicer shall promptly report to the Indenture Trustee any failure by it to hold the Servicer's Loan File as herein provided and shall promptly take appropriate action to remedy any such failure. In acting as custodian of such documents and instruments, the Servicer agrees not to assert any legal or beneficial ownership interest in the Loans or such documents or instruments. Subject to Section 8.01(d), the Servicer agrees to indemnify the Securityholders and the Indenture Trustee, their officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended for any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever which may be imposed on, incurred by or asserted against the Securityholders or the Indenture Trustee as the result of the negligence or willful misfeasance by the Servicer relating to the maintenance and custody of such documents or instruments which have been delivered to the Servicer provided, however, that the Servicer will not be liable for any portion of any such amount resulting from the negligence or willful misconduct of any Securityholders or the Indenture Trustee; and provided, further, that the Servicer will not be liable for any portion of any such amount resulting from the Servicer's compliance with any instructions or directions consistent with this Agreement issued to the Servicer by the Indenture Trustee or the Majority Noteholders. The Indenture Trustee shall have no duty to monitor or otherwise oversee the Servicer's performance as custodian of the Servicer Loan File hereunder.

Section 2.6 Conditions Precedent to Transfer Dates and Funding Dates.

(a) Two (2) Business Days prior to each Transfer Date, the Issuer shall give notice to the Initial Noteholder of such upcoming Transfer Date and provide an estimate of the number of Loans and aggregate Principal Balance of such Loans to be transferred on such Transfer Date. On the Business Day prior to each Transfer Date, the Issuer shall provide the Initial Noteholder a final Loan Schedule with respect to the Loans to be transferred on such Transfer Date. On each Transfer Date, the Depositor or the applicable QSPE Affiliate shall convey to the Issuer, the Loans and the other property and rights related thereto described in the related S&SA Assignment, and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Transfer Date, shall deposit or cause to be deposited cash in the amount of the Additional Note Principal Balance received from the Initial Noteholder in the Advance Account in respect thereof, and the Servicer shall, promptly after such deposit, withdraw the amount deposited in respect of applicable Additional Note Principal Balance from the Advance Account, and distribute such amount to or at the direction of the Depositor or the applicable QSPE Affiliate.

As of the Closing Date and each Transfer Date:

(1) the Depositor, the QSPE Affiliate and the Servicer, as applicable, shall have delivered to the Issuer and the Initial Noteholder duly executed Assignments, which shall have attached thereto a Loan Schedule setting forth the appropriate information with respect to all Loans conveyed on such Transfer Date and shall have delivered to the Initial, Noteholder a computer readable transmission of such Loan Schedule;

(2) the Depositor shall have deposited, or caused to be deposited, in the Collection Account all collections received with respect to each of the Loans on and after the applicable Transfer Cut-off Date or, in the case of purchases from a QSPE Affiliate, such QSPE Affiliate shall have deposited, or caused to be deposited, in the Collection Account as collections received with respect to each of the Loans and allocable to the period after the related Transfer Date;

(3) as of such Transfer Date, neither the Loan Originator, the Depositor nor the QSPE Affiliate, as applicable, shall (A) be insolvent, (B) be made insolvent by its respective sale of Loans or (C) have reason to believe that its insolvency is imminent;

(4) the Revolving Period shall not have terminated;

(5) as of such Transfer Date (after giving effect to the sale of Loans on such Transfer Date), there shall be no Overcollateralization Shortfall;

(6) in the case of non-Wet Funded Loans, the Issuer shall have delivered the Custodial Loan File to the Custodian in accordance with the Custodial Agreement and the Initial Noteholder shall have received a Trust Receipt by 4:30 p.m. New York City time, reflecting such delivery; provided that, in the event that any Additional Note Principal Balance is to be paid earlier than S a.m. New York City time on the Transfer Date, the Trust Receipt must be received by the Initial Noteholder prior to 6:00 p.m. New York City time on the Business Day prior to such Transfer Date;

(7) each of the representations and warranties made by the Loan Originator contained in Exhibit E with respect to the Loans shall be true and correct in all material respects as of the related Transfer Date with the same effect as if then made and the proviso set forth in Section 3.05 with respect to Loans sold by a QSPE Affiliate shall not be applicable to any Loans, and the Depositor or the QSPE Affiliate, as applicable, shall have performed all obligations to be performed by it under the Basic Documents on or prior to such Transfer Date;

(8) the Depositor or the QSPE Affiliate shall, at its own expense, within one Business Day following the Transfer Date, indicate in its computer files that the Loans identified in each S&SA Assignment have been sold to the Issuer pursuant to this Agreement and the S&SA Assignment;

(9) the Depositor or the QSPE Affiliate shall have taken any action requested by the Indenture Trustee, the Issuer or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate;

(10) no selection procedures believed by the Depositor or the QSPE Affiliate to be adverse to the interests of the Noteholders shall have been utilized in selecting the Loans to be conveyed on such Transfer Date;

(11) the Depositor shall have provided the Issuer, the Indenture Trustee and the Initial Noteholder no later than two Business Days prior to such date a notice of Additional Note Principal Balance in the form of Exhibit A hereto;

(12) after giving effect to the Additional Note Principal Balance associated therewith, the Note Principal Balance will not exceed the Maximum Note Principal Balance;

(13) all conditions precedent to the Depositor's purchase of Loans pursuant to the Loan Purchase and Contribution Agreement shall have been fulfilled as of such Transfer Date, and, in the case of purchases from a QSPE Affiliate, all conditions precedent to the Issuer's purchase of Loans pursuant to the Master Disposition Confirmation Agreement shall have been fulfilled as of such Transfer Date;

(14) all conditions precedent to the Noteholders' purchase of Additional Note Principal Balance pursuant to the Note Purchase Agreement shall have been fulfilled as of such Transfer Date; and

(15) with respect to each Loan acquired from any QSPE Affiliate that has a limited right of recourse to the Loan Originator under the terms of the applicable loan purchase agreement, the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of the related loan purchase contract providing for recourse by that QSPE Affiliate to the Loan Originator.

(b) Two (2) Business Days prior to each Funding Date, the Issuer shall deliver or cause to be delivered to the Initial Noteholder the Funding Notice and Funding Date Report delivered by the Receivables Seller pursuant to the Receivables Purchase Agreement. On each Funding Date, the Issuer shall purchase the Additional Note Balance issued by the Advance Trust on such Funding Date and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Funding Date, shall cause the Initial Noteholder to deposit the applicable Additional Note Principal Balance into the Funding Account.

As of the each Funding Date:

(i) the Receivables Seller and the Advance Depositor, shall have delivered to the Issuer the related Funding Notice and Bill of Sale, and the exhibits related thereto, pursuant to the Receivables Purchase Agreement;

(ii) neither the Loan Originator nor the Depositor shall (A) be insolvent or (B) have reason to believe that its insolvency is imminent;

(iii) the Revolving Period shall not have terminated;

(iv) after giving effect to the purchase of Additional Note Balance on such Funding Date, there shall be no Overcollateralization Shortfall;

(v) the Issuer shall have taken any action requested by the Indenture Trustee or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate;

(vi) the Issuer shall have provided the Indenture Trustee and the Initial Noteholder no later than two Business Days prior to such date a notice of Additional Note Principal Balance in the form of Exhibit A hereto;

(vii) after giving effect to the Additional Note Principal Balance associated therewith, the Note Principal Balance will not exceed the Maximum Note Principal Balance;

(viii) all conditions precedent to the Issuer's purchase of Additional Note Balance pursuant to the Advance Note Purchase Agreement shall have been fulfilled as of such Funding Date; and

(ix) all conditions precedent to the Noteholders' purchase of Additional Note Principal Balance pursuant to the Note Purchase Agreement shall have been fulfilled as of such Funding Date.

Section 2.7 Termination of Revolving Period.

Upon the occurrence of (i) an Event of Default or Default or (ii) a Rapid Amortization Trigger or (iii) the Unfunded Transfer Obligation Percentage equals 4% or less, the Initial Noteholder may, in any such case, in its sole discretion, terminate the Revolving Period.

Section 2.8 Correction of Errors.

The parties hereto who have relevant information shall cooperate to reconcile any errors in calculating the Sales Price from and after the Closing Date. In the event that an error in the Sales Price is discovered by either party, including without limitation, any error due to miscalculations of Market Value where insufficient information has been provided with respect to a Loan to make an accurate determination of Market Value as of any applicable Transfer Date, any miscalculations of Principal Balance, accrued interest, Overcollateralization Shortfall or aggregate unreimbursed Servicing Advances attributable to the applicable Loan, or any prepayments not properly credited, such party shall give prompt notice to the other parties hereto, and the party that shall have benefitted from such error shall promptly remit to the other, by wire transfer of immediately available funds. the amount of such error with no interest thereon.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Depositor.

The Depositor hereby represents, warrants and covenants to the other parties hereto and the Securityholders that as of the Closing Date, as of each Transfer Date and as of each date on which Loans are sold to the Depositor:

(1) The Depositor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has, and had at all relevant times, full power to own its property, to carry on its business as currently conducted, to enter into and perform its obligations under each Basic Document to which it is a party;

(2) The execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance of and compliance with all of the terms thereof will not violate the Depositor's organizational documents or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material contract, agreement or other instrument to which the Depositor is a party or which are applicable to the Depositor or any of its assets;

(3) The Depositor has the full power and authority to enter into and consummate the transactions contemplated by each Basic Document to which the Depositor is a party, has duly

authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by the other party or parties thereto, constitutes a valid, legal and binding obligation of the Depositor, enforceable against it in accordance with the terms thereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(4) The Depositor is not in violation of, and the execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance and compliance with the terms of each Basic Document to which the Depositor is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Depositor or any of its properties or materially and adversely affect the performance of any of its duties hereunder;

(5) There are no actions or proceedings against, or investigations of, the Depositor currently pending with regard to which the Depositor has received service of process and no action or proceeding against, or investigation of, the Depositor is, to the knowledge of the Depositor, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Depositor, would prohibit its entering into any of the Basic Documents to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any of the Basic Documents to which it is a party or (C) if determined adversely to the Depositor, would prohibit or materially and adversely affect the performance by the Depositor of its obligations under, or the validity or enforceability of, any of the Basic Documents to which it is a party or the Securities;

(6) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Depositor of, or compliance by the Depositor with, any of the Basic Documents to which the Depositor is a party or the Securities, or for the consummation of the transactions contemplated by any of the Basic Documents to which the Depositor is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(7) The Depositor is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations hereunder; it will not be rendered insolvent by the execution and delivery of any of the Basic Documents to which it is a party or the assumption of any of its obligations thereunder; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Depositor;

(8) The Depositor did not transfer the Loans sold thereon by the Depositor to the Trust with any intent to hinder, delay or defraud any of its creditors; nor will the Depositor be rendered insolvent as a result of such sale;

(9) The Depositor had good title to, and was the sole owner of, each Loan sold thereon by the Depositor free and clear of any lien other than any such lien released simultaneously with the sale contemplated herein, and, immediately upon each transfer and assignment herein contemplated, the Depositor will have delivered to the Trust good title to, and the Trust will be the sole owner of, each Loan transferred by the Depositor thereon free and clear of any lien;

(10) The Depositor acquired title to each of the Loans sold thereon by the Depositor in good faith, without notice of any adverse claim;

(11) None of the Basic Documents to which the Depositor is a party, nor any Officer's Certificate, statement, report or other document prepared by the Depositor and furnished or to be furnished by it pursuant to any of the Basic Documents to which it is a party or in connection with the transactions contemplated thereby contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading;

(12) The Depositor is not required to be registered as an "investment company," under the Investment Company Act of 1940, as amended;

(13) The transfer, assignment and conveyance of the Loans by the Depositor thereon pursuant to this Agreement is not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction;

(14) The Depositor's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto;

(15) The Depositor covenants that during the continuance of this Agreement it will comply in all respects with the provisions of its organizational documents in effect from time to time; and

(16) The representations and warranties. set forth in (h), (i), (j) and (m) above were true and correct (with respect to the applicable QSPE Affiliate) with respect to each Loan transferred to the Trust by any QSPE Affiliate at the time such Loan was transferred to a QSPE Affiliate.

Section 3.2 Representations and Warranties of the Loan Originator.

The Loan Originator hereby represents and warrants to the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(1) The Loan Originator is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property related to a Loan sold by it is located and (ii) is in compliance with the laws of any such jurisdiction, in both cases, to the extent necessary to ensure the enforceability of such Loans in accordance with the terms thereof and had at all relevant times, full corporate power to originate such Loans, to own its property, to carry on its business as currently conducted and to enter into and perform its obligations under each Basic Document to which it is a party;

(2) The execution and delivery by the Loan Originator of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Loan Originator's articles of organization or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any contract, agreement or other instrument to which the Loan Originator is a party or which may be applicable to the Loan Originator or any of its assets;

(3) The Loan Originator has the full power and authority to enter into and consummate all transactions contemplated by the Basic Documents to be consummated by it, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Loan Originator, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(4) The Loan Originator is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Loan Originator and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Loan Originator or its properties or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(5) There are no actions or proceedings against, or investigations of, the Loan Originator currently pending with regard to which the Loan Originator has received service of process and no action or proceeding against, or investigation of, the Loan Originator is, to the knowledge of the Loan Originator, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Loan Originator, would prohibit its entering into any Basic Document to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Loan Originator, would prohibit or materially and adversely affect the sale of the Loans to the Depositor, the performance by the Loan Originator of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities;

(6) No consent, approval, authorization or order of any court or governmental agency or body is required for: (1) the execution, delivery and performance by the Loan Originator of, or compliance by the Loan Originator with, any Basic Document to which it is a party, (2) the issuance of the Securities, (3) the sale and contribution of the Loans, or (4) the consummation of the transactions required of it by any Basic Document to which it is a party, except such as shall have been obtained before such date;

(7) Immediately prior to the sale of any Loan to the Depositor, the Loan Originator had good title to the Loans sold by it on such date without notice of any adverse claim;

(8) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Loan Originator to the Initial Noteholder in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Loan Originator to the Initial Noteholder in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(9) The Loan Originator is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations under each Basic Document to which it is a party; it will not be rendered insolvent by the execution and delivery of this Agreement or by the performance of its obligations under each Basic Document to which it is a party; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Loan Originator prior to the date hereof;

(10) The Loan Originator has transferred the Loans transferred by it on or prior to such Transfer Date without any intent to hinder, delay or defraud any of its creditors;

(11) The Loan Originator has received fair consideration and reasonably equivalent value in exchange for the Loans sold by it on such Transfer Date to the Depositor;

(12) The Loan Originator has not dealt with any broker or agent or other Person who might be entitled to a fee, commission or compensation in connection with the transaction contemplated by this Agreement; and

(13) The Loan Originator's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto.

It is understood and agreed that the representations and warranties set forth in this Section 3.02 shall survive delivery of the respective Custodial Loan Files to the Custodian (as the agent of the Indenture Trustee) and shall inure to the benefit of the Securityholders, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee or the Trust of a breach of any of the foregoing representations and warranties that materially and adversely affects the value of any Loan or the interests of the Securityholders in any Loan or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The obligations of the Loan Originator set forth in Sections 2.05 and 3.06 hereof to cure any breach or to substitute for or repurchase an affected Loan shall constitute the sole remedies available hereunder to the Securityholders, the Depositor, the Servicer, the Indenture Trustee or the Trust respecting a breach of the representations and warranties contained in this Section 3.02. The fact that the Initial Noteholder has conducted or has failed to conduct any partial or complete due diligence investigation of the Loan Files shall not affect the Securityholders, rights to demand repurchase or substitution as provided under this Agreement.

Section 3.3 Representations, Warranties and Covenants of the Servicer.

The Servicer hereby represents and warrants to and covenants with the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(1) The Servicer is a corporation duly organized, validly existing and in good standing under the laws of the State of California and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property is located, and (ii) is in compliance with the laws of any such state, in both cases, to the extent necessary to ensure the enforceability of the Loans in accordance with the terms thereof and to perform its duties under each

Basic Document to which it is a party and had at all relevant times, full corporate power to own its property, to carry on its business as currently conducted, to service the Loans and to enter into and perform its obligations under each Basic Document to which it is a party;

(2) The execution and delivery by the Servicer of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Servicer's articles of incorporation or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of any material contract, agreement or other instrument to which the Servicer is a party or which are s applicable to the Servicer or any of its assets;

(3) The Servicer has the full power and authority to enter into and consummate all transactions contemplated by each Basic Document to which it is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a. party and has duly executed and delivered each Basic Document to which it is a party. Each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Servicer, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(4) The Servicer is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Servicer and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Servicer or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(5) There are no actions or proceedings against, or investigations of, the Servicer currently pending with regard to which the Servicer has received service of process and no action or proceeding against, or investigation of, the Servicer is, to the knowledge of the Servicer, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Servicer, would prohibit its entering into any Basic Document to which it is a party, (B) seek to prevent the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Servicer, would prohibit or materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities;

(6) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Servicer of, or compliance by the Servicer with, any Basic Document to which it is a party or the Securities, or for the consummation of the transactions contemplated by any Basic Document to which it is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(7) The information, reports, financial statements, exhibits and schedules famished in writing by or on behalf of the Servicer to the Initial Noteholder in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit. to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Servicer to the Initial Noteholder in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(8) The Servicer is solvent and will not be rendered insolvent as a result of the performance of its obligations pursuant to under the Basic Documents to which it is a party;

(9) The Servicer acknowledges and agrees that the Servicing Compensation represents reasonable compensation for the performance of its services hereunder and that the entire Servicing Compensation shall be treated by the Servicer, for accounting purposes, as compensation for the servicing and administration of the Loans pursuant to this Agreement; and

(10) The Servicer is an Eligible Servicer and covenants to remain an Eligible Servicer or, if not an Eligible Servicer, each Subservicer is an Eligible Servicer and the Servicer covenants to cause each Subservicer to be an Eligible Servicer.

It is understood and agreed that the representations, warranties and covenants set forth in this Section 3.03 shall survive delivery of the respective Custodial Loan Files to the Indenture Trustee or the Custodian on its behalf and shall inure to the benefit of the Depositor, the Securityholders, the Indenture Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee or the Issuer of a breach of any of the foregoing representations, warranties and covenants that materially and adversely affects the value of any Loans or the interests of the Securityholders therein, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The fact that the Initial Noteholder has conducted or has failed to conduct any partial or complete due diligence investigation shall not affect the Securityholders, rights to exercise their remedies as provided under this Agreement.

Section 3.4 Reserved.

Section 3.5 Representations and Warranties Regarding Loans.

The Loan Originator makes each of the representations and warranties set forth on Exhibit E hereto with respect to each Loan, provided, however, that with respect to each Loan transferred to the Issuer by a QSPE Affiliate, to the extent that the Loan Originator has at the time of such transfer actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator shall notify the Initial Noteholder of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty. In addition, the Loan Originator represents and warrants with respect to each Loan sold by a QSPE Affiliate that the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of any loan purchase agreement providing for recourse by that QSPE Affiliate to the Loan Originator.

Section 3.6 Purchase and Substitution.

(1) It is understood and agreed that the representations and warranties set forth in Exhibit E hereto shall survive the conveyance of the Loans to the Indenture Trustee on behalf of the Issuer, and the delivery of the Securities to the Securityholders. Upon discovery by the Depositor, the Servicer, the Loan Originator, the Custodian, the Issuer, the Indenture Trustee or any Securityholder of a breach of any o such representations and warranties or the representations and warranties of the Loan Originator set forth in Section 3.02 which materially and adversely affects the value or enforceability of any Loan or the interests of the Securityholders in any Asset (notwithstanding that such representation and warranty was made to the Loan Originator's best knowledge) or which, as a result of the attributes of the aggregate Loan Pool, constitutes a breach of the representations and warranties set forth in Exhibit E, the party discovering such breach shall give prompt written notice to the others. The Loan Originator shall within 5 Business Days of the earlier of the Loan Originator's discovery or the Loan Originator's receiving notice of any breach of a representation or warranty, promptly cure such breach in all material respects. If within 5 Business Days after the earlier of the Loan Originator's discovery of such breach or the Loan Originator's receiving notice thereof such breach has not been remedied by the Loan Originator and such breach materially and adversely affects the interests of the Securityholders in the related Loan (an "Unqualified Loan"), the Loan Originator shall promptly upon receipt of written instructions from the Majority Noteholders either (i) remove such Unqualified Loan from the Trust (in which case it shall become a Deleted Loan) and substitute one or more Qualified Substitute Loans in the manner and subject to the conditions set forth in this Section 3.06 or (ii) purchase such Unqualified Loan at a purchase price equal to the Repurchase Price with respect to such Unqualified Loan by depositing or causing to be deposited such Repurchase Price in the Collection Account.

Any substitution of Loans pursuant to this Section 3.06(a) shall be accompanied by payment by the Loan Originator of the Substitution Adjustment, if any, (x) if no Overcollateralization Shortfall exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i) or (Y) otherwise to be deposited in the Collection Account pursuant to Section 5.01(b)(1) hereof.

(2) As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Indenture Trustee and Initial Noteholder a certification executed by a Responsible Officer of the Loan Originator to the effect that the Substitution Adjustment, if any, has been (x) if no Overcollateralization Shortfall exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i), or (y) otherwise deposited in the Collection Account. As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Custodian the documents constituting the Custodial Loan File for such Qualified Substitute Loan or Loans.

The Servicer shall deposit in the Collection Account all payments received in connection with each Qualified Substitute Loan after the date of such substitution. Monthly Payments received with respect to Qualified Substitute Loans on or before the date of substitution will be retained by the Loan Originator. The Trust will be entitled to all payments received on the Deleted Loan on or before the date of substitution and the Loan Originator shall thereafter be entitled to retain all amounts subsequently received in respect of such Deleted Loan. The Loan Originator shall give written notice to the Issuer, the Servicer (if the Loan Originator is not then acting as such), the Indenture Trustee and Initial Noteholder that such substitution has taken place and the Servicer shall amend the Loan Schedule to reflect (i) the removal of such Deleted Loan from the terms of this Agreement and (ii) the substitution of the Qualified Substitute Loan. The Servicer shall promptly deliver to the Issuer, the Loan Originator, the Indenture Trustee and Initial Noteholder, a copy of the amended Loan Schedule. Upon such substitution, such Qualified Substitute Loan or Loans shall be subject to the terms of this Agreement in all respects, and the Loan Originator shall be deemed to have made with respect to such Qualified Substitute Loan or Loans, as of the date of substitution, the covenants, representations and warranties set forth in Exhibit E hereto. On the date of such substitution, the Loan Originator will (x) if no Overcollateralization Shortfall exists as of the date of substitution (after giving effect to such substitution), remit to the Noteholders as provided in Section 5.01(c)(4)(i) or (y) otherwise deposit into the Collection Account, in each case an amount equal to the related Substitution Adjustment, if any. In addition, on the date of such substitution, the Servicer shall cause the Indenture Trustee to release the Deleted Loan from the lien of the Indenture and the Servicer will cause such Qualified Substitute Loan to be pledged to the Indenture Trustee under the Indenture as part of the Trust Estate.

(3) With respect to all Unqualified Loans or other Loans repurchased by the Loan Originator pursuant to this Agreement, upon the deposit of the Repurchase Price therefor into the Collection Account, (i) the Issuer shall assign to the Loan Originator, without representation or warranty, all of the Issuer's right, title and interest in and to such Unqualified Loan, which right, title

and interest were conveyed to the Issuer pursuant to Section 2.01 hereof and (ii) the Indenture Trustee shall assign to the Loan Originator, without recourse, representation or warranty, all the Indenture Trustee's right, title and interest in and to such Unqualified Loans or Loans, which right, title and interest were conveyed to the Indenture Trustee pursuant to Section 2.01 hereof and the Indenture. The Issuer and the Indenture Trustee shall, at the expense of the Loan Originator, take any actions as shall be reasonably requested by the Loan Originator to effect the repurchase of any such Loans and to have the Custodian return the Custodial Loan File of the deleted Loan to the Servicer.

(4) It is understood and agreed that the obligations of the Loan Originator set forth in this Section 3.06 to cure, purchase or substitute for a Unqualified Loan constitute the sole remedies hereunder of the Depositor, the Issuer, the Indenture Trustee, the Owner Trustee and the Securityholders respecting a breach of the representations and warranties contained in Sections 3.02 hereof and in Exhibit E hereto. Any cause of action against the Loan Originator relating to or arising out of a defect in a Custodial Loan File or against the Loan Originator relating to or arising out of a breach of any representations and warranties made in Sections 3.02 hereof and in Exhibit E hereto shall accrue as to any Loan upon (i) discovery of such defect or breach by any party and notice thereof to the Loan Originator or notice thereof by the Loan Originator to the Indenture Trustee, (ii) failure by the Loan Originator to cure such defect or breach or purchase or substitute such Loan as specified above, and (iii) demand upon the Loan Originator, as applicable, by the Issuer or the Majority Noteholders for all amounts payable in respect of such Loan.

(5) Neither the Issuer nor the Indenture Trustee shall have any duty to conduct any affirmative investigation other than as specifically set forth in this Agreement as to the occurrence of any condition requiring the repurchase or substitution of any Loan pursuant to this Section or the eligibility of any Loan for purposes of this Agreement.

Section 3.7 Dispositions.

(1) The Majority Noteholders may at any time in its sole discretion, and from time to time, require that the Issuer redeem all or any portion of the Note Principal Balance of the Notes by paying the Note Redemption Amount with respect to the Note Principal Balance to be redeemed. In connection with any such redemption, the Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with this Agreement, including in accordance with this Section 3.07.

(2) (i) In consideration of the consideration received from the Depositor under the Loan Purchase and Contribution Agreement, the Loan Originator hereby agrees and covenants that in connection with each Disposition it shall effect the following:

(1) make such representations and warranties concerning the Loans as of the "cut-off date" of the related Disposition to the Disposition Participants as may be necessary to effect the Disposition and such additional representations and warranties as may be necessary, in the reasonable opinion of any of the Disposition Participants, to effect such Disposition; provided, that, to the extent that the Loan Originator has at the time of the Disposition actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator may notify the Disposition Participants of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty;

(2) supply such information, opinions of counsel, letters from law and/or accounting firms and other documentation and certificates regarding the origination of the Loans as any Disposition Participant shall reasonably request to effect a Disposition and enter into such indemnification agreements customary for such transaction relating to or in connection with the Disposition as the Disposition Participants may reasonably require;

(3) make itself available for and engage in good faith consultation with the Disposition Participants concerning information to be contained in any document, agreement, private placement memorandum, or filing with the Securities and Exchange Commission relating to the Loan Originator or the Loans in connection with a Disposition and shall use reasonable efforts to compile any information and prepare any reports and certificates, into a form, whether written or electronic, suitable for inclusion in such documentation;

(4) to implement the foregoing and to otherwise effect a Disposition, enter into, or arrange for its Affiliates to enter into insurance and indemnity agreements, underwriting or placement agreements, servicing agreements, purchase agreements and any other documentation which may reasonably be required of or reasonably deemed appropriate by the Disposition Participants in order to effect a Disposition; and

(5) take such further actions as may be reasonably necessary to effect the foregoing;

provided, that notwithstanding anything to the contrary, (a) the Loan Originator shall have no liability for the Loans arising from or relating to the ongoing ability of the related Borrowers to pay under the Loans; (b) none of the indemnities hereunder shall constitute an unconditional guarantee by the Loan Originator of collectibility of the Loans; (c) the Loan Originator shall have no obligation with respect to the financial inability of any Borrower to pay principal, interest or other amount

owing by such Borrower under a Loan; and (d) the Loan Originator shall only be required to enter into documentation in connection with Dispositions that is consistent with the prior public securitizations of affiliates of the Loan Originator, provided that to the extent an Affiliate of the Initial Noteholder acts as "depositor" or performs a similar function in a Securitization, additional indemnities and informational representations and warranties are provided which are consistent with those in the Basic Documents and may upon request of the Loan Originator be set forth in a separate agreement between an Affiliate of the Initial Noteholder and the Loan Originator.

(2) In the event of any Disposition to the Loan Originator or any of its Affiliates (except in connection with a Securitization or a Disposition to a QSPE Affiliate), the purchase price paid by the Loan Originator or any such Affiliate shall be the "fair market value" of the Loans subject to such Disposition (as determined by the Market Value Agent based upon recent sales of comparable loans or such other objective criteria as may be approved for determining "fair market value" by a "Big Five" national accounting firm).

(3) As long as no Event of Default or Default shall have occurred and be continuing under this Agreement or the Indenture, the Servicer may continue to service the Loans included in any Disposition subject to any applicable "term-to-term" servicing provisions in Section 9.01 (c) and subject to any required amendments to the related servicing provisions as may be necessary to effect the related Disposition including but not limited to the obligation to make recoverable principal and interest advances on the Loans.

After the termination of the Revolving Period, the Loan Originator, the Issuer and the Depositor shall use commercially reasonable efforts to effect a Disposition at the direction of the Market Value Agent.

(3) The Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with the terms of this Agreement and the Basic Documents. In connection therewith, the Trust agrees to assist the Loan Originator in such Dispositions and accordingly it shall, at the request and direction of the Majority Noteholders:

(1) transfer, deliver and sell all or a portion of the Loans, as of the "cut-off dates" of the related Dispositions, to such Disposition Participants as may be necessary to effect the Dispositions; provided, that any such sale shall be for "fair market value," as determined by the Market Value Agent in its reasonable discretion;

(2) deposit the cash Disposition Proceeds into the Distribution Account pursuant to Section 5.01(c)(2)(D);

(3) to the extent that a Securitization creates any Retained Securities, to accept such Retained Securities as a part of the Disposition Proceeds in accordance with the terms of this Agreement; and

(4) take such further actions, including executing and delivering documents, certificates and agreements, as may be reasonably necessary to effect such Dispositions.

(4) The Servicer hereby covenants that it will take such actions as may be reasonably necessary to effect Dispositions as the Disposition Participants may request and direct, including without limitation providing the Loan Originator such information as may be required to make representations and warranties required hereunder, and covenants that it will make such representations and warranties regarding its servicing of the Loans hereunder as of the Cut-off Date of the related Disposition as reasonably required by the Disposition Participants.

(5) [reserved]

(6) The Majority Noteholders may effect Whole Loan Sales upon written notice to the Servicer of its intent to cause the Issuer to effect a Whole Loan Sale at least 5 Business Days in advance thereof. The Disposition Agent shall serve as agent for Whole Loan Sales and will receive a reasonable fee for such services provided that no such fee shall be payable if (i) the Loan Originator or its Affiliates purchase such Loans, and (ii) no Event of Default or Default shall have occurred. The Loan Originator or its Affiliates may concurrently bid to purchase Loans in a Whole Loan Sale; provided, however, that neither the Loan Originator nor any such Affiliates shall pay a price in excess of the fair market value thereof as reasonably determined by the Market Value Agent. In the event that the Loan Originator does not bid in any such Whole Loan Sale, it shall have a right of first refusal to purchase the Loans offered for sale at the price offered by the highest bidder. The Disposition Agent shall conduct any Whole Loan Sale subject to the Loan Originator's right of first refusal and shall promptly notify the Loan Originator of the amount of the highest bid. The Loan Originator shall have five (5) Business Days following its receipt of such notice to exercise its right of first refusal by notifying the Disposition Agent in writing.

(7) Except as otherwise expressly set forth under this Section 3.07, the parties' rights and obligations under this Section 3.07 shall continue notwithstanding the occurrence of an Event of Default.

(8) The Disposition Participants (and the Majority Noteholders to the extent directing the Disposition Participants) shall be independent contractors to the Issuer and shall have no fiduciary obligations to the Issuer or any of its Affiliates. In that connection, the Disposition Participants shall not be liable for any error of judgment made in good faith and shall not be liable with respect to any action they take or omits to take in good faith in the performance of their duties.

Section 3.8 Servicer Put; Servicer Call.

(1) Servicer Put. The Servicer shall (within 48 hours) purchase, upon the written demand of the Majority Noteholders, any Put/Call Loan. Provided that the Servicer may, upon receipt of such notice, elect to repurchase such Put/Call Loan pursuant to (b) below, in which case such repurchase shall be deemed a Servicer Call.

(2) Servicer Call. The Servicer may repurchase any Put/Call Loan at any time. Such Servicer Calls shall be solely at the option of the Servicer. Prior to exercising a Servicer Call, the Servicer shall deliver written notice to the Majority Noteholders and the Indenture Trustee which notice shall identify each Loan to be purchased and the Repurchase Price therefor; provided, however, that the Servicer may irrevocably waive its right to repurchase any Put/Call Loan as soon as reasonably practicable following its receipt of notice of the occurrence of any event or events giving rise to such Loan being a Put/Call Loan.

(3) In connection with each Servicer Put, the Servicer shall remit for deposit into the Collection Account, the Repurchase Price for the Loans to be repurchased. In connection with each Servicer Call, the Servicer shall deposit into the Collection Account the Repurchase Price for the Loans to be purchased. The aggregate Repurchase Price of all Loans transferred pursuant to Section 3.08(a) shall in no event exceed the Unfunded Transfer Obligation at the time of any Servicer Put.

Section 3.9 Modification of Underwriting Guidelines.

The Loan Originator shall give the Initial Noteholder prompt written notification of any modification or change to the Underwriting Guidelines. If the Noteholder objects in writing to any modification or change to the Underwriting Guidelines within 15 days after receipt of such notice, no Loans may be conveyed to the Issuer pursuant to this Agreement unless such Loans have been originated pursuant to the Underwriting Guidelines without giving effect to such modification or change. Notwithstanding anything contained in this Agreement to the contrary, any Loan conveyed to the Issuer pursuant to this Agreement pursuant to a modification or change to the Underwriting Guidelines that has been rejected by the Initial Noteholder or which the Initial Noteholder did not receive notice of, such Loan shall be deemed an Unqualified Loan and be repurchased or substituted for in accordance with Section 3.06.

ARTICLE 4

ADMINISTRATION AND SERVICING OF THE LOANS

Section 4.1 Servicer's Servicing Obligations.

The Servicer, as independent contract servicer, shall service and administer the Loans in accordance with the terms and provisions set forth in the Servicing Addendum, which Servicing Addendum is incorporated herein by reference.

ARTICLE 5

ESTABLISHMENT OF TRUST ACCOUNTS; TRANSFER OBLIGATION

Section 5.1 Collection Account and Distribution Account.

(1) (1) Establishment of Collection Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained one or more Collection Accounts (collectively, the "Collection Account"), which shall be separate Eligible Accounts entitled "Option One Owner Trust 2001-2 Collection Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-2 Mortgage-Backed Notes." The Collection Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Collection Account shall be invested in accordance with Section 5.03 hereof. Net investment earnings shall not be considered part of funds available in the Collection Account.

(1) Establishment of Distribution Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained, one or more Distribution Accounts (collectively, the "Distribution Account"), which shall be separate Eligible Accounts, entitled "Option One Owner Trust 2001-2 Distribution Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-2 Mortgage-Backed Notes." The Distribution Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Distribution Account shall be invested in accordance with Section 5.03 hereof. The Servicer may, at its option, maintain one account to serve as both the Distribution Account and the Collection Account, in which case, the account shall be entitled "Option One Owner Trust 2001-2 Collection/Distribution Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-2 Mortgage-Backed Notes." If the Servicer makes such an election, all references herein or in any other Basic Document to either the Collection Account or the Distribution Account shall mean the Collection Account/Distribution Account described in the preceding sentence.

(2) The Servicer will inform the Indenture Trustee of the location of any accounts held in the Indenture Trustee's name, including any location to which an account is transferred.

(2) (1) Deposits to Collection Account. The Servicer shall deposit or cause to be deposited (without duplication):

(1) all payments on or in respect of each Loan collected on or after the related Transfer Cut-off Date or with respect to each Loan purchased from a QSPE Affiliate, all such payments allocable to such Loan on or after the related Transfer Date (net, in each case, of any Servicing Compensation retained therefrom) within two (2) Business Days after receipt thereof;

(2) all Net Liquidation Proceeds within two (2) Business Days after receipt thereof;

(3) all Mortgage Insurance Proceeds within two (2) Business Days after receipt thereof;

(4) all Released Mortgaged Property Proceeds within two (2) Business Days after receipt thereof;

(5) any amounts payable in connection with the repurchase of any Loan and the amount of any Substitution Adjustment pursuant to Sections 2.05 and 3.06 hereof concurrently with payment thereof;

(6) any Repurchase Price payable in connection with a Servicer Call pursuant to Section 3.08 hereof concurrently with payment thereof;

(7) the deposit of the Termination Price under Section 10.02 hereof concurrently with payment thereof,

(8) [reserved];

(9) [reserved];

(10) any payments received under Hedging Instruments or the return of amounts by the Hedging Counterparty pledged pursuant to prior Hedge Funding Requirements in accordance with the last sentence of this Section 5.01(b)(1); and

(11) any Repurchase Price payable in connection with a Servicer Put remitted by the Servicer pursuant to Section 3.08.

Except as otherwise expressly provided in Section 5.01(c)(4)(i), the Servicer agrees that it will cause the Loan Originator, Borrower or other appropriate Person paying such amounts, as the case may be, to remit directly to the Servicer for deposit into the Collection Account all amounts referenced in clauses (i) through (xi) to the extent such amounts are in excess of a Monthly Payment on the related Loan. To the extent the Servicer receives any such amounts, it will deposit them into the Collection Account on the same Business Day as receipt thereof.

(3) Withdrawals From Collection Account; Deposits to Distribution Account.

(1) Withdrawals From Collection Account — Reimbursement Items. The Paying Agent shall periodically but in any event on each Determination Date, make the following withdrawals from the Collection Account prior to any other withdrawals, in no particular order of priority:

(1) to withdraw any amount not required to be deposited in the Collection Account or deposited therein in error, including Servicing Compensation;

(2) to withdraw the Servicing Advance Reimbursement Amount; and

(3) to clear and terminate the Collection Account in connection with the termination of this Agreement.

(2) Deposits to Distribution Account — Payment Dates.

(1) On the Business Day prior to each Payment Date, the Paying Agent shall deposit into the Distribution Account such amounts as are required from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g) and 5.05(h).

(2) After making all withdrawals specified in Section 5.01(c)(1) above, on each Remittance Date, the Paying Agent (based on information provided by the Servicer for such Payment Date), shall withdraw the Monthly Remittance Amount (or, with respect to an additional Payment Date pursuant to Section 5.01(c)(4)(ii), all amounts on deposit in the Collection Account on such date up to the amount necessary to make the payments due on the related Payment Date in accordance with Section 5.01(c)(3)) from the Collection Account not later than 5:00 P.M., New York City time and deposit such amount into the Distribution Account.

(3) On each Payment Date, the Servicer shall cause to be deposited in the Distribution Account all payments on the Advance Note made on or before such Payment Date and not previously distributed pursuant to Section 5.01(c)(3).

(4) The Servicer shall deposit or cause to be deposited in the Distribution Account any cash Disposition Proceeds pursuant to Section 3.07. To the extent the Servicer receives such amounts, it will deposit them into the Distribution Account on the same Business Day as receipt thereof.

(3) Withdrawals From Distribution Account — Payment Dates. On each Payment Date, to the extent funds are available in the Distribution Account, the Paying Agent (based on the information provided by the Servicer contained in the Servicer's Remittance Report for such Payment Date) shall make withdrawals therefrom for application in the following order of priority:

(1) to distribute on such Payment Date the following amounts in the following order: (a) to the Indenture Trustee, an amount equal to the Indenture Trustee Fee and all unpaid Indenture Trustee Fees from prior Payment Dates and all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid by the Servicer or the Depositor up to an amount not to exceed $25,000 per annum, (b) to the Custodian, an amount equal to the Custodian Fee and all unpaid Custodian Fees from prior Payment Dates, (c) to the Servicer, (x) an amount equal to the Servicing Compensation and all unpaid Servicing Compensation from prior Payment Dates (to the extent not retained from collections or remitted to the Servicer pursuant to Section 5.01(c)) and (y) all Nonrecoverable Servicing Advances not previously reimbursed and (d) to the Servicer, in trust for the Owner Trustee, an amount equal to the Owner Trustee Fee and all unpaid Owner Trustee Fees from prior Payment Dates;

(2) to distribute on such Payment Date, the Hedge Funding Requirement to the appropriate Hedging Counterparties; provided, that only cash on or in respect of fixed rate Loans (including cash Disposition Proceeds received therefrom) and amounts deposited in

the Distribution Account pursuant to Section 5.05(g) shall be distributed for such purpose and; provided, further, that amounts distributed pursuant to clause (i) above to the extent not attributable to a specific Loan shall be deemed paid from fixed rate Loans, pro rata based on their aggregate Principal Balances relative to the Pool Principal Balance on such Payment Date;

(3) to the holders of the Notes pro rata, the sum of the Unfunded Fee Amount for such Payment Date, the Interest Payment Amount for such Payment Date and the Interest Carry-Forward Amount for the preceding Payment Date;

(4) to the holders of the Notes pro rata, the Overcollateralization Shortfall for such Payment Date; provided, however, that if (a) a Rapid Amortization Trigger shall have occurred and not been Deemed Cured or (b) an Event of Default under the Indenture or Default shall have occurred, the holders of the Notes shall receive, in respect of principal, all remaining amounts on deposit in the Distribution Account;

(5) to the appropriate Person, amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and Due Diligence Fees until such amounts are paid in full;

(6) to the Transfer Obligation Account, all remaining amounts until the balance therein equals the Transfer Obligation Target Amount;

(7) to the Indenture Trustee all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid pursuant to clause (i) above; and

(8) to the holders of the Trust Certificates, in accordance with Section 5.2(6) of the Trust Agreement, all amounts remaining therein.

(4) (i) If the Loan Originator or the Servicer, as applicable, repurchases, purchases or substitutes a Loan pursuant to Section 2.05, 3.06, 3.08(a), 3.08(6) or 3.08(c), then the Noteholders and the Issuer shall deem such date to be an additional Payment Date and the Issuer shall provide written notice to the Indenture Trustee and the Paying Agent of such additional Payment Date at least one Business Day prior to such Payment Date. On such additional Payment Date, the Loan Originator or the Servicer, in satisfaction of its obligations under 2.05, 3.06, 3.08(a) 3.08(6) or 3.08(c) and in satisfaction of the obligations of the Issuer and the Paying Agent to distribute such amounts to the Noteholders pursuant to Section 5.01(c), shall remit to the Noteholders, on behalf of the Issuer and the Paying Agent, an amount equal to the Repurchase Prices and any Substitution Adjustments (as applicable)

to be paid by the Loan Originator or the Servicer by 12:00 p.m. New York City time, as applicable, under such Section, on such Payment Date, and the Note Principal Balance will be reduced accordingly. Such amounts shall be deemed deposited into the Collection Account and the Distribution Account, as applicable, and such amounts will be deemed distributed pursuant to the terms of Section 5.01(c). Upon notice of an additional Payment Date to the Paying Agent and the Indenture Trustee as provided above, the Paying Agent shall provide the Loan Originator or the Servicer (as applicable) information necessary so that remittances to the Noteholders pursuant to this clause (4)(i) may be made by the Loan Originator or the Servicer, as applicable, in compliance with Section 5.02(a) hereof.

(1) To the extent that there is deposited in the Collection Account or the Distribution Account any amounts referenced in Section 5.01(b)(1)(vii) and 5.01(c)(2)(D), the Majority Noteholders and the Issuer may agree, upon reasonable written notice to the Paying Agent and the Indenture Trustee, to additional Payment Dates. The Issuer and the Majority Noteholder shall give the Paying Agent and the Indenture Trustee at least one (1) Business Day's written notice prior to such additional Payment Date and such notice shall specify each amount in Section 5.01(c) to be withdrawn from the Collection Account and Distribution Account on such day.

(2) To the extent that there is deposited in the Distribution Account any amounts referenced in Section 5.05(f), the Majority Noteholders may, in their sole discretion, establish an additional Payment Date by written notice delivered to the Paying Agent and the Indenture Trustee at least one Business Day prior to such additional Payment Date. On such additional Payment Date, the Paying Agent shall pay the sum of the Overcollateralization Shortfall to the Noteholders in respect of principal on the Notes.

Notwithstanding that the Notes have been paid in full, the Indenture Trustee, the Paying Agent and the Servicer shall continue to maintain the Distribution Account hereunder until this Agreement has been terminated.

Section 5.2 Payments to Securityholders.

(1) All distributions made on the Notes on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made on a pro rata basis among the Noteholders of record of the Notes on the next preceding Record Date based on the Percentage Interest represented by their respective Notes, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest (as defined in the Indenture) of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee, 5 Business Days prior to the related Record Date and otherwise by check mailed to the address of such Noteholder appearing in the Notes Register. The final distribution on

each Note will be made in like manner, but only upon presentment and surrender of such Note at the location specified in the notice to Noteholders of such final distribution.

(2) All distributions made on the Trust Certificates on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made in accordance with the Percentage Interest among the holders of the Trust Certificates of record on the next preceding Record Date based on their Percentage Interests (as defined in the Trust Agreement) on the date of distribution, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of each such holder, if such holder shall own of record a Trust Certificate in an original denomination aggregating at least 25% of the Percentage Interests and shall have so notified the Paying Agent and the Indenture Trustee 5 Business Days prior to the related Record Date, and otherwise by check mailed to the address of such Certificateholder appearing in the Certificate Register. The final distribution on each Trust Certificate will be made in like manner, but only upon presentment and surrender of such Trust Certificate at the location specified in the notice to holders of the Trust Certificates of such final distribution. Any amount distributed to the holders of the Trust Certificates on any Payment Date shall not be subject to any claim or interest of the Noteholders. In the event that at any time there shall be more than one Certificateholder, the Indenture Trustee shall be entitled to reasonable additional compensation from the Servicer for any increases in its obligations hereunder.

Section 5.3 Trust Accounts; Trust Account Property.

(1) Control of Trust Accounts. Each of the Trust Accounts established hereunder has been pledged by the Issuer to the Indenture Trustee under the Indenture and shall be subject to the lien of the Indenture. Amounts distributed from each Trust Account in accordance with the terms of this Agreement shall be released for the benefit of the Securityholders from the Trust Estate upon such distribution thereunder or hereunder. The Indenture Trustee shall possess all right, title and interest in and to all funds on deposit from time to time in the Trust Accounts and in all proceeds thereof (including all income thereon) and all such funds, investments, proceeds and income shall be part of the Trust Account Property and the Trust Estate. If, at any time, any Trust Account ceases to be an Eligible Account, the Indenture Trustee shall, within ten Business Days (or such longer period, not to exceed 30 calendar days, with the prior written consent of the Majority Noteholders) (i) establish a new Trust Account as an Eligible Account, (ii) terminate the ineligible Trust Account, and (iii) transfer any cash and investments from such ineligible Trust Account to such new Trust Account.

With respect to the Trust Accounts, the Issuer and the Indenture Trustee agree, that each such Trust Account shall be subject to the sole and exclusive dominion, custody and control of the Indenture Trustee for the benefit of the Noteholders, and, except as may be consented to in writing by the Majority Noteholders, the Indenture Trustee shall have sole signature and withdrawal authority with respect thereto.

The Servicer (unless it is also the Paying Agent) shall not be entitled to make any withdrawals or payments from the Trust Accounts.

(2) (1) Investment of Funds. Funds held in the Collection Account, the Distribution Account and the Transfer Obligation Account may be invested (to the extent practicable and consistent with any requirements of the Code) in Permitted Investments, as directed by the Servicer prior to the occurrence of an Event of Default and by the Majority Noteholders thereafter, in writing or facsimile transmission confirmed in writing by the Servicer or Majority Noteholders, as applicable. In the event the Indenture Trustee has not received such written direction, such Funds shall be invested in any Permitted Investment described in clause (i) of the definition of Permitted Investments. In any case, funds in the Collection Account, the Distribution Account and the Transfer Obligation Account must be available for withdrawal without penalty, and any Permitted Investments must mature or otherwise be available for withdrawal, one Business Day prior to the next Payment Date and shall not be sold or disposed of prior to its maturity subject to Subsection (b)(2) of this Section. All interest and any other investment earnings on amounts or investments held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be paid to the Servicer immediately upon receipt by the Indenture Trustee. All Permitted Investments in which funds in the Collection Account, the Distribution Account or the Transfer Obligation Account are invested must be held by or registered in the name of "Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, in trust for the Option One Owner Trust 2001-2 Mortgage-Backed Notes."

(1) Insufficiency and Losses in Trust Accounts. If any amounts are needed for disbursement from the Collection Account, the Distribution Account or the Transfer Obligation Account held by or on behalf of the Indenture Trustee and sufficient uninvested funds are not available to make such disbursement, the Indenture Trustee shall cause to be sold or otherwise converted to cash a sufficient amount of the investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be. The Indenture Trustee shall not be liable for any investment loss or other charge resulting therefrom, unless such loss or charge is caused by the failure of the Indenture Trustee to perform in accordance with written directions provided pursuant to this Section 5.03.

If any losses are realized in connection with any investment in the Collection Account, the Distribution Account or the Transfer Obligation Account pursuant to this Agreement during a period in which the Servicer has the right to direct investments pursuant to Section 5.03(b), then the Servicer shall deposit the amount of such losses (to the extent not offset by income from other investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be) into the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be, immediately upon the realization of such loss. All interest and any other investment earnings on amounts held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be taxed to the Issuer and for federal and state income tax purposes the Issuer shall be deemed to be the owner of the Collection Account, the Distribution Account and/or the Transfer Obligation Account, as the case may be.

(3) Subject to Section 6.01 of the Indenture, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in any Trust Account held by the Indenture Trustee resulting from any investment loss on any Permitted Investment included therein.

(4) With respect to the Trust Account Property, the Indenture Trustee acknowledges and agrees that:

(1) any Trust Account Property that is held in deposit accounts shall be held solely in the Eligible Accounts, subject to the last sentence of Subsection (a) of this Section 5.03; and each such Eligible Account shall be subject to the sole and exclusive dominion, custody and control of the Indenture Trustee; and, without limitation on the foregoing, the Indenture Trustee shall have sole signature authority with respect thereto;

(2) any Trust Account Property that constitutes Physical Property shall be delivered to the Indenture Trustee in accordance with paragraphs (a) and (b) of the definition of "Delivery" in Section 1.01 hereof and shall be held, pending maturity or disposition, solely by the Indenture Trustee or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Indenture Trustee;

(3) any Trust Account Property that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations shall be delivered in accordance with paragraph (c) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued book-entry registration of such Trust Account Property as described in such paragraph; and

(4) any Trust Account Property that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (3) above shall be delivered to the Indenture Trustee in accordance with paragraph (d) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued registration of the Indenture Trustee's (or its nominee's) ownership of such security.

Section 5.4 Advance Account.

(1) The Servicer shall cause to be established and maintained in its name, an Advance Account (the "Advance Account"), which need not be a segregated account. The Advance Account shall be maintained with any financial institution the Servicer elects.

(2) Deposits and Withdrawals. Amounts in respect of Additional Note Principal Balances purchased on Transfer Dates related to Loans shall be deposited in and withdrawn from the Advance Account as provided in Sections 2.01(c) and 2.06 hereof and Section 3.01 of the Note Purchase Agreement.

Section 5.5 Transfer Obligation Account.

(1) The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained in the name of the Indenture Trustee a Transfer Obligation Account (the "Transfer Obligation Account"), which shall be a separate Eligible Account and may be interest-bearing, entitled "Option One Owner Trust 2001-2 Transfer Obligation Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-2 Mortgage-Backed Notes." The Indenture Trustee shall have no monitoring or calculation obligation with respect to withdrawals from the Transfer Obligation Account. Amounts in the Transfer Obligation Account shall be invested in accordance with Section 5.03.

(2) In accordance with Section 5.06, the Loan Originator shall deposit into the Transfer Obligation Account any amounts as may be required thereby.

(3) On each Payment Date, the Paying Agent will deposit in the Transfer Obligation Account any amounts required to be deposited therein pursuant to Section 5.01(c)(3)(vi).

(4) On the date of each Disposition, the Paying Agent shall withdraw from the Transfer Obligation Account such amount on deposit therein in respect of the payment of Transfer Obligations as may be requested by the Disposition Agent in writing to effect such Disposition.

(5) On each Payment Date, the Paying Agent shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account and (y) the Interest Carry-Forward Amount as of such date.

(6) If with respect to any Business Day there exists an Overcollateralization Shortfall, the Paying Agent, upon the written direction of the Servicer or the Initial Noteholder shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Business Day the lesser of the amount then on deposit in the Transfer Obligation Account and the amount of such Overcollateralization Shortfall as of such date.

(7) If with respect to any Payment Date there shall exist a Hedge Funding Requirement, the Paying Agent, upon the written direction of the Servicer or the Initial Noteholder

shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on the Business Day prior to such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account (after making all other required withdrawals therefrom with respect to such Payment Date) and (y) the amount of such Hedge Funding Requirement as of such date.

(8) In the event of the occurrence of an Event of Default under the Indenture, the Paying Agent shall withdraw all remaining funds from the Transfer Obligation Account and apply such funds in satisfaction of the Notes as provided in Section 5.04(b) of the Indenture.

(9) (i) The Paying Agent shall return to the Loan Originator (as the Loan Originator shall agree) all amounts on deposit in the Transfer Obligation Account (after making all other withdrawals pursuant to this Section 5.05) until the Majority Noteholders provide written notice to the Indenture Trustee (with a copy to the Loan Originator and the Servicer) of the occurrence of a default or event of default (however defined) under any Basic Document with respect to the Issuer, the Depositor, the Loan Originator or any of their Affiliates and (ii) upon the date of the termination of this Agreement pursuant to Article X, the Paying Agent shall withdraw any remaining amounts from the Transfer Obligation Account and remit all such amounts to the Loan Originator.

Section 5.6 Transfer Obligation.

(1) In consideration of the transactions contemplated by the Basic Documents, the Loan Originator agrees and covenants with the Depositor that:

(i) In connection with each Disposition it shall fund, or cause to be funded, reserve funds, pay credit enhancer fees, pay, or cause to be paid, underwriting fees, fund any difference between the cash Disposition Proceeds and the aggregate Note Principal Balance at the time of such Disposition, and make, or cause to be made, such other payments as may be, in the reasonable opinion of the Disposition Agent, commercially reasonably necessary to effect Dispositions, in each case to the extent that Disposition Proceeds are insufficient to pay such amounts;

(ii) In connection with Hedging Instruments, on the Business Day prior to each Payment Date, it shall deliver to the Servicer for deposit into the Transfer Obligation Account any Hedge Funding Requirement (to the extent amounts available on the related Payment Date pursuant to Section 5.01 are insufficient to make such payment), when as and if due to any Hedging Counterparty;

(iii) if any Interest Carry-Forward Amount shall occur, it shall deposit into the Transfer Obligation Account any such Interest Carry-Forward Amount on or before the Business Day preceding such related Payment Date;

(iv) If on any Business Day, there exists an Overcollateralization Shortfall, upon the written direction of the Initial Noteholder, it shall, on such Business Day deposit into the Transfer Obligation Account the full amount of the Overcollateralization Shortfall as of such date, provided, that in the event that notice of such Overcollateralization Shortfall is provided to the Loan Originator after 3:00 p.m. New York City time, the Loan Originator shall make such deposit on the following Business Day; and

(v) Notwithstanding anything to the contrary herein, in the event of the occurrence of an Event of Default under the Indenture, the Loan Originator shall promptly deposit into the Transfer Obligation Account the entire amount of the Unfunded Transfer Obligation;

provided, that notwithstanding anything to the contrary contained herein, the Loan Originator's cumulative payments under or in respect of the Transfer Obligations (after subtracting therefrom any amounts returned to the Loan Originator pursuant to Section 5.05(i)(i)) together with the Servicer's payments in respect of any Servicer Puts shall not in the aggregate exceed the Unfunded Transfer Obligation.

(b) The Loan Originator agrees that the Noteholders, as ultimate assignee of the rights of the Depositor under this Agreement and the other Basic Documents, may enforce the rights of the Depositor directly against the Loan Originator.

ARTICLE 6

STATEMENTS AND REPORTS; SPECIFICATION OF TAX MATTERS

Section 6.1 Statements.

(1) No later than 12 noon (New York City time) on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Initial Noteholder by facsimile, the receipt and legibility of which shall be confirmed by telephone, and with hard copy thereof to be delivered no later than one (1) Business Day after such Remittance Date, the Servicer's Remittance Report, setting forth the date of such Report (day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2001-2"), and the date of this Agreement, all in substantially the form set out in Exhibit B hereto. Furthermore, on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Initial Noteholder a magnetic tape or computer disk providing, with respect to each Loan in the Loan Pool as of the last day of the related Remittance Period (i) if such Loan is an ARM, the current Loan Interest Rate; (ii) the Principal Balance with respect to such Loan; (iii) the date of the last Monthly Payment paid in full; and (iv) such other information as may be reasonably requested by the Initial Noteholder and the Indenture Trustee. In addition, no later than 12:00 noon (New York City time) on the 15th day of each calendar month (or if such day is not a Business Day, the preceding Business Day), the Custodian shall prepare and provide to the Servicer and the Indenture Trustee by facsimile, the Custodian Fee Notice for the Payment Date falling in such calendar month.

(2) (i) No later than 12 noon (New York City time) on each Remittance Date, the Servicer shall prepare (or cause to be prepared) and provide to the Indenture Trustee electronically or via fax, receipt confirmed by telephone, the Initial Noteholder and each Noteholder, a statement (the "Payment Statement"), stating each date and amount of a purchase of Additional Note Principal Balance (day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2001-2"), the date of this Agreement and the following information:

(1) the aggregate amount of collections in respect of principal of the Loans received by the Servicer during the preceding Remittance Period;

(2) the aggregate amount of collections in respect of interest on the Loans received by the Servicer during the preceding Remittance Period;

(3) all Mortgage Insurance Proceeds received by the Servicer during the preceding Remittance Period and not required to be applied to restoration or repair of the related Mortgaged Property or returned to the Borrower under applicable law or pursuant to the terms of the applicable Mortgage Insurance Policy;

(4) all Net Liquidation Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(5) all Released Mortgaged Property Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(6) the aggregate amount of all Servicing Advances made by the Servicer during the preceding Remittance Period;

(7) the aggregate of all amounts deposited into the Distribution Account in respect of the repurchase of Unqualified Loans and the repurchase of Loans pursuant to Section 2.05 hereof during the preceding Remittance Period;

(8) the aggregate Principal Balance of all Loans for which a Servicer Call was exercised during the preceding Remittance Period;

(9) the aggregate Principal Balance of all Loans for which a Servicer Put was exercised during the preceding Remittance Period;

(10) the aggregate amount of all payments received under Hedging Instruments during the preceding Remittance Period;

(11) the aggregate amount of all withdrawals from the Distribution Account pursuant to Section 5.01(c)(1)(i) hereof during the preceding Remittance Period;

(12) the aggregate amount of cash Disposition Proceeds received during the preceding Remittance Period;

(13) withdrawals from the Collection Account in respect of the Servicing Advance Reimbursement Amount with respect to the related Payment Date;

(14) [reserved];

(15) the number and aggregate Principal Balance of all Loans that are (i) 30-59 days Delinquent, (ii) 60-89 days Delinquent, (iii) 90 or more days Delinquent as of the end of the related Remittance Period;

(16) the aggregate amount of Liquidated Loan Losses incurred (i) during the preceding Remittance Period, and (ii) during the preceding three Remittance Periods;

(17) the aggregate of the Principal Balances of all Loans in the Loan Pool as of the end of the related Remittance Period;

(18) the aggregate amount of all deposits into the Distribution Account from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g), and 5.05(h) on the related Payment Date;

(19) the aggregate amount of distributions in respect of Servicing Compensation to the Servicer, and unpaid Servicing Compensation from prior Payment Dates for the related Payment Date;

(20) the aggregate amount of distributions in respect of Indenture Trustee Fees and unpaid Indenture Trustee Fees from prior Payment Dates for the related Payment Date;

(21) the aggregate amount of distributions in respect of the Custodian Fee and unpaid Custodian Fees from prior Payment Dates for the related Payment Date;

(22) the aggregate amount of distributions in respect of the Owner Trustee Fees and unpaid Owner Trustee Fees from prior Payment Dates and for the related Payment Date;

(23) the Unfunded Transfer Obligation and Overcollateralization Shortfall on such Payment Date for the related Payment Date;

(24) the aggregate amount of distributions to the Transfer Obligation Account for the related Payment Date;

(25) the aggregate amount of distributions in respect of Trust/Depositor Indemnities for the related Payment Date;

(26) the aggregate amount of distributions to the holders of the Trust Certificates for the related Payment Date;

(27) the Note Principal Balance of the Notes as of the last day of the related Remittance Period (without taking into account any Additional Note Principal Balance between the last day of such Remittance Period and the related Payment Date) before and after giving effect to distributions made to the holders of the Notes for such Payment Date;

(28) the Pool Principal Balance as of the end of the preceding Remittance Period; and

(29) whether a Performance Trigger or a Rapid Amortization Trigger shall exist with respect to such Payment Date.

Such Payment Statement shall also be provided on the Remittance Date to the Initial Noteholder and Indenture Trustee in the form of a magnetic tape, computer disk or other electronic form mutually agreed to by and between the Initial Noteholder, the Indenture Trustee and the Servicer. The Indenture Trustee shall have no duty to monitor the occurrence of a Performance Trigger, Rapid Amortization Trigger or any events resulting in withdrawals from the Transfer Obligation Account.

(3) Within 45 days of the end of each financial quarter, the Loan Originator shall prepare and deliver to the Initial Noteholder a quarterly compliance certificate and board report in the form of Exhibit G attached hereto.

Section 6.2 Specification of Certain Tax Matters.

The Paying Agent shall comply with all requirements of the Code and applicable state and local law with respect to the withholding from any distributions made to any Securityholder of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith, giving due effect to any applicable exemptions from such withholding and effective certifications or forms provided by the recipient. Any amounts withheld pursuant to this Section 6.02 shall be deemed to have been distributed to the Securityholders, as the case may be, for all purposes of this Agreement. The Indenture Trustee shall have no responsibility for preparing or filing any tax returns.

Section 6.3 Valuation of Loans, Hedge Value and Retained Securities Value; Market Value Agent.

(1) The Initial Noteholder hereby irrevocably appoints, and the Issuer hereby consents to the appointment of, the Market Value Agent as agent on behalf of the Noteholders to determine the Market Value of each Loan, the Hedge Value of each Hedging Instrument and the Retained Securities Value of all Retained Securities.

(2) Except as otherwise set forth in Section 3.07, the Market Value Agent shall determine the Market Value of each Loan, for purposes of the Basic Documents, in its sole judgment. In determining the Market Value of each Loan, the Market Value Agent may consider any information that it may deem relevant and shall base such determination primarily on the lesser of its estimate of the projected proceeds from such Loan's inclusion in (i) a Securitization (inclusive of the projected Retained Securities Value of any Retained Securities to be issued in connection with such Securitization) and (ii) a Whole Loan Sale, in each case net of such Loan's ratable share of all costs and fees associated with such Disposition, including, without limitation, any "costs of issuance, sale, underwriting and funding reserve accounts. The Market Value Agent's determination, in its sole judgment, of Market Value shall be conclusive and binding upon the parties hereto, absent manifest error (including without limitation, any error contemplated in Section 2.08).

(3) On each Business Day the Market Value Agent shall determine in its sole judgment the Hedge Value of each Hedging Instrument as of such Business Day. In making such determination the Market Value Agent may rely exclusively on quotations provided by the Hedging Counterparty, by leading dealers in instruments similar to such Hedging Instrument, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

(4) On each Business Day, the Market Value Agent shall determine in its sole judgment the Retained Securities Value of the Retained Securities, if any, expected to be issued pursuant to such Securitization as of the closing date of such Securitization. In making such determination the Market Value Agent may rely exclusively on quotations provided by leading dealers in instruments similar to such Retained Securities, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

ARTICLE 7

HEDGING

Section 7.1 Hedging Instruments.

(1) On each Transfer Date, the Trust shall enter into such Hedging Instruments as the Market Value Agent, on behalf of the Majority Noteholders shall reasonably determine are necessary, in order to hedge the interest rate risk with respect to the Loans being purchased on such Transfer Date. The Market Value Agent shall determine, in its sole discretion, whether any Hedging Instrument conforms to the requirements of Section 7.01(b), (c) and (d).

(2) Each Hedging Instrument shall expressly provide that in the event of a Disposition or other removal of the Loan from the Trust, such portion of the Hedging Instrument shall terminate as the Disposition Agent deems appropriate to facilitate the hedging of the risks specified in Section 7.01(a). In the event that the Hedging Instrument is not otherwise terminated, it shall contain provisions that allow the position of the Trust to be assumed by an Affiliate of the Trust upon the liquidation of the Trust. The terms of the assignment documentation and the credit quality of the successor to the Trust shall be subject to the Hedging Counterparty's approval.

(3) Any Hedging Instrument that provides for any payment obligation on the part of the Issuer must (i) be without recourse to the assets of the Issuer, (ii) contain a non-petition covenant provision in the form of Section 11.13, (iii) limit payment dates thereunder to Payment Dates and (iv) contain a provision limiting any cash payments due on any day under such Hedging Instrument solely to funds available therefor in the Collection Account on such day pursuant to Section 5.01(c)(3)(ii) hereof and funds available therefor in the Transfer Obligation Account.

(4) Each Hedging Instrument must (i) provide for the direct payment of any amounts thereunder to the Collection Account pursuant to Section 5.01(b)(1)(x), (ii) contain an

assignment of all of the Issuer's rights (but none of its obligations) under such Hedging Instrument to the Indenture Trustee and shall include an express consent to the Hedging Counterparty to such assignment, (iii) provide that in the event of the occurrence of an Event of Default, such Hedging Instrument shall terminate upon the direction of the Majority Noteholders, (iv) prohibit the Hedging Counterparty from "setting-off" or "netting" other obligations of the Issuer or its Affiliates against such Hedging Counterparty's payment obligations thereunder, (v) provide that the appropriate portion of the Hedging Instrument will terminate upon the removal of the related Loans from the Trust Estate and (vi) have economic terms that are fixed and not subject to alteration after the date of assumption or execution.

(5) If agreed to by the Majority Noteholders, the Issuer may pledge its assets in order to secure its obligations in respect of Hedge Funding Requirements, provided that such right shall be limited solely to Hedging Instruments for which an Affiliate of the Initial Noteholder is a Hedging Counterparty.

(6) The aggregate notional amount of all Hedging Instruments shall not exceed the Note Principal Balance as of the date on which each Hedging Instrument is entered into by the Issuer and a Hedging Counterparty.

ARTICLE 8

THE SERVICER

Section 8.1 Indemnification; Third Party Claims.

(1) The Servicer shall indemnify the Loan Originator, the Owner Trustee, the Trust, the Depositor, the Indenture Trustee and the Noteholders, their respective officers, directors, employees, agents and "control persons," as such term is used under the Act and under the Securities Exchange Act of 1934 as amended (each a "Servicer Indemnified Party") and hold harmless each of them against any and all claims, losses, damages, penalties, fines, forfeitures, reasonable legal fees and related costs, judgments, and other costs and expenses resulting from any claim, demand, defense or assertion based on or grounded upon, or resulting from, a breach of any of the Servicer's representations and warranties and covenants contained in this Agreement or in any way relating to the failure of the Servicer to perform its duties and service the Loans in compliance with the terms of this Agreement except to the extent such loss arises out of such Servicer Indemnified Party's gross negligence or willful misconduct; provided, however, that if the Servicer is not liable pursuant to the provisions of Section 8.01 (b) hereof for its failure to perform its duties and service the Loans in compliance with the terms of this Agreement, then the provisions of this Section 8.01 shall have no force and effect with respect to such failure.

(2) None of the Loan Originator, the Depositor or the Servicer or any of their respective Affiliates, directors, officers, employees or agents shall be under any liability to the Owner Trustee, the Issuer, the Indenture Trustee or the Securityholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, directors, officers, employees, agents against the remedies provided herein for the breach of any warranties, representations or covenants made herein, or against any expense or liability specifically required to be borne by such party without right of reimbursement pursuant to the terms hereof, or against any expense or liability which would otherwise be imposed by reason of misfeasance, bad faith or negligence in the performance of the respective duties of the Servicer, the Depositor or the Loan Originator, as the case may be. The Loan Originator, the Depositor, the Servicer and any of their respective Affiliates, directors, officers, employees, agents may rely in good faith on any document of any kind which, prima facie, is properly executed and submitted by any Person respecting any matters arising hereunder.

(3) The Loan Originator agrees to indemnify and hold harmless the Depositor and the Noteholders, as the ultimate assignees from the Depositor (each an "Originator Indemnified Party," together with the Servicer Indemnified Parties, the "Indemnified Parties"), from and against any loss, liability, expense, damage, claim or injury arising out of or based on (i) any breach of any representation, warranty or covenant of the Loan Originator, the Servicer or their Affiliates, in any Basic Document, including, without limitation, the origination or prior servicing of the Loans by reason of any acts, omissions, or alleged acts or omissions arising out of activities of the Loan Originator, the Servicer or their Affiliates, and (ii) any untrue statement by the Loan Originator, the Servicer or its Affiliates of any material fact or any such Person's failure to state a material fact necessary to make such statements not misleading with respect to any such Person's statements contained in any Basic Document, including, without limitation, any Officer's Certificate, statement, report or other document or information prepared by any such Person and furnished or to be furnished by it pursuant to or in connection with the transactions contemplated thereby and not corrected prior to completion of the relevant transaction including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the Loans or any such Person's business, operations or financial condition, including reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim; provided that the Loan Originator shall not indemnify an Originator Indemnified Party to the extent such loss, liability, expense, damage or injury is due to either an Originator Indemnified Party's willful misfeasance, bad faith or negligence or by reason of an Originator Indemnified Party's reckless disregard of its obligations hereunder; provided, further, that the Loan Originator shall not be so required to indemnify an Originator Indemnified Party or to otherwise be liable to an Originator Indemnified Party for any losses in respect of the performance of the Loans, the creditworthiness of the Borrowers under the Loans, changes in the market value of the Loans or other similar investment risks associated with the Loans arising from a breach of any representation or warranty set forth in Exhibit E hereto, a remedy for the breach of which is provided in Section 3.06 hereof. The provisions of this indemnity shall run directly to and be enforceable by an Originator Indemnified Party subject to the limitations hereof.

(4) With respect to a claim subject to indemnity hereunder made by any Person against an Indemnified Party (a "Third Party Claim"), such Indemnified Party shall notify the related indemnifying parties (each an "Indemnifying Party") in writing of the Third Party Claim within a reasonable time after receipt by such Indemnified Party of written notice of the Third Party Claim unless the Indemnifying Parties shall have previously obtained actual knowledge thereof. Thereafter, the Indemnified Party shall deliver to the Indemnifying Parties, within a reasonable time after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim. No failure to give such notice or deliver such documents shall effect the rights to indemnity hereunder. Each Indemnifying Party shall promptly notify the Indenture Trustee and the Indemnified Party (if other than the Indenture Trustee) of any claim of which it has been notified and shall promptly notify the Indenture Trustee and the Indemnified Party (if applicable) of its intended course of action with respect to any claim.

(5) If a Third Party Claim is made against an Indemnified Party, while maintaining control over its own defense, the Indemnified Party shall cooperate and consult fully with the Indemnifying Party in preparing such defense, and the Indemnified Party may defend the same in such manner as it may deem appropriate, including settling such claim or litigation after giving notice to the Indemnifying Party of such terms and the Indemnifying Party will promptly reimburse the Indemnified Party upon written request; provided, however, that the Indemnified Party may not settle any claim or litigation without the consent of the Indemnifying Party; provided, further, that the Indemnifying Party shall have the right to reject the selection of counsel by the Indemnified Party if the Indemnifying Party reasonably determines that such counsel is inappropriate in light of the nature of the claim or litigation and shall have the right to assume the defense of such claim or litigation if the Indemnifying Party determines that the manner of defense of such claim or litigation is unreasonable.

Section 8.2 Merger or Consolidation of the Servicer.

The Servicer shall keep in full effect its existence, rights and franchises as a corporation, and will obtain and preserve its qualification to do business as a foreign corporation and maintain such other licenses and permits in each jurisdiction necessary to protect the validity and enforceability of each Basic Document to which it is a party and each of the Loans and to perform its duties under each Basic Document to which it is a party; provided, however, that the Servicer may merge or consolidate with any other corporation upon the satisfaction of the conditions set forth in the following paragraph.

Any Person into which the Servicer may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Servicer shall be a party, or any Person succeeding to the business of the Servicer, shall be an Eligible Servicer and shall be the successor of the Servicer, as applicable hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary

notwithstanding. The Servicer shall send notice of any such merger, conversion, consolidation or succession to the Indenture Trustee and the issuer.

Section 8.3 Limitation on Liability of the Servicer and Others.

The Servicer and any director, officer, employee or agent of the Servicer may rely on any document of any kind which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper authorities respecting any matters arising hereunder. Subject to the terms of Section 8.01 hereof, the Servicer shall have no obligation to appear with respect to, prosecute or defend any legal action which is not incidental to the Servicer's duty to service the Loans in accordance with this Agreement.

Section 8.4 Servicer Not to Resign; Assignment.

The Servicer shall not resign from the obligations and duties hereby imposed on it except (a) with the consent of the Majority Noteholders or (b) upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination pursuant to clause (b) of the preceding sentence permitting the resignation of the Servicer shall be evidenced by an Independent opinion of counsel to such effect delivered (at the expense of the Servicer) to the Indenture Trustee and the Majority Noteholders. No resignation of the Servicer shall become effective until a successor servicer, appointed pursuant to the provisions of Section 9.02 hereof shall have assumed the Servicer's responsibilities, duties, liabilities (other than those liabilities arising prior to the appointment of such successor) and obligations under this Agreement.

Except as expressly provided herein, the Servicer shall not assign or transfer any of its rights, benefits or privileges hereunder to any other Person, or delegate to or subcontract with, or authorize or appoint any other Person to perform any of the duties, covenants or obligations to be performed by the Servicer hereunder and any agreement, instrument or act purporting to effect any such assignment, transfer, delegation or appointment shall be void.

The Servicer agrees to cooperate with any successor Servicer in effecting the transfer of the Servicer's servicing responsibilities and rights hereunder pursuant to the first paragraph of this Section 8.04, including, without limitation, the transfer to such successor of all relevant records and documents (including any Loan Files in the possession of the Servicer) and all amounts received with respect to the Loans and not otherwise permitted to be retained by the Servicer pursuant to this Agreement. In addition, the Servicer, at its sole cost and expense, shall prepare, execute and deliver any and all documents and instruments to the successor Servicer including all Loan Files in its possession and do or accomplish all other acts necessary or appropriate to effect such termination and transfer of servicing responsibilities.

Section 8.5 Relationship of Servicer to Issuer and the Indenture Trustee.

The relationship of the Servicer (and of any successor to the Servicer as servicer under this Agreement) to the Issuer, the Owner Trustee and the Indenture Trustee under this Agreement is intended by the parties hereto to be that of an independent contractor and not of a joint venturer, agent or partner of the issuer, the Owner Trustee or the Indenture Trustee.

Section 8.6 Servicer May Own Securities.

Each of the Servicer and any Affiliate of the Servicer may in its individual or any other capacity become the owner or pledgee of Securities with the same rights as it would have if it were not the Servicer or an Affiliate thereof except as otherwise specifically provided herein; provided, however, that at any time that Option One or any of its Affiliates is the Servicer, neither the Servicer nor any of its Affiliates (other than an Affiliate which is a corporation whose purpose is limited to holding securities and related activities and which cannot incur recourse debt) may be a Noteholder. Securities so owned by or pledged to the Servicer or such Affiliate shall have an equal and proportionate benefit under the provisions of this Agreement, without preference, priority, or distinction as among all of the Securities; provided, however, that any Securities owned by the Servicer or any Affiliate thereof, during the time such Securities are owned by them, shall be without voting rights for any purpose set forth in this Agreement unless the Servicer or such Affiliate owns all outstanding Securities of the related class. The Servicer shall notify the Indenture Trustee promptly after it or any of its Affiliates becomes the owner or pledgee of a Security.

Section 8.7 Indemnification of the Indenture Trustee and Initial Noteholder.

The Servicer agrees to indemnify the Indenture Trustee and its employees, officers, directors and agents, and reimburse its reasonable out-of-pocket expenses in accordance with Section 6.07 of the Indenture as if it was a signatory thereto. The Servicer agrees to indemnify the Initial Noteholder in accordance with Section 9.01 of the Note Purchase Agreement as if it were signatory thereto.

ARTICLE 9

SERVICER EVENTS OF DEFAULT

Section 9.1 Servicer Events of Default.

(1) In case one or more of the following Servicer Events of Default by the Servicer shall occur and be continuing, that is to say:

(1) any failure by Servicer to deposit into the Collection Account or the Distribution Account or any failure by the Servicer to make payments therefrom in accordance with Section 5.01; or

(2) any failure on the part of the Servicer duly to observe or perform in any material respect any other of the material covenants or agreements on the part of the Servicer, contained in any Basic Document to which it is a party, which continues unremedied for a period of 30 days (or, in the case of payment of insurance premiums, for a period of 15 days) after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by Holders of 25% of the Percentage Interests of the Notes or the Trust Certificates; or

(3) any breach on the part of the Servicer of any representation or warranty contained in any Basic Document to which it is a party that materially and adversely affects the interests of any of the parties hereto or any Securityholder and which continues unremedied for a period of 30 days after the date on which notice of such breach, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by the Initial Noteholder or Holders of 25% of the Percentage Interests (as defined in the Indenture) of the Notes; or

(4) there shall have been commenced before a court or agency or supervisory authority having jurisdiction in the premises an involuntary proceeding against the Servicer under any present or future federal or state bankruptcy, insolvency or similar law for the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, which action shall not have been dismissed for a period of 60 days; or

(5) the Servicer shall consent to the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to it or of or relating to all or substantially all of its property; or

(6) the Servicer (or the Loan Originator if the Servicer is not Option One) fails to comply with the Financial Covenants; or

(7) the Servicer ceases to be a 100% indirect wholly-owned subsidiary of H&R Block Inc.; or

(8) the Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy, insolvency

or reorganization statute, make an assignment for the benefit of its creditors, voluntarily suspend payment of its obligations, or take any corporate action in furtherance of the foregoing.

(2) Then, and in each and every such case, so long as a Servicer Event of Default shall not have been remedied, the Indenture Trustee or the Majority Noteholders, by notice in writing to the Servicer may, in addition to whatever rights such Person may have at law or in equity to damages, including injunctive relief and specific performance, may terminate all the rights and obligations of the Servicer under this Agreement and in and to the Loans and the proceeds thereof, as servicer under this Agreement. Upon receipt by the Servicer of such written notice, all authority and power of the Servicer under this Agreement, whether with respect to the Loans or otherwise, shall, subject to Section 9.02 hereof, pass to and be vested in a successor servicer, and the successor servicer is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments and do or cause to be done all other acts or things necessary or appropriate to effect the purposes of such notice of termination, including, but not limited to, the transfer and endorsement or assignment of the Loans and related documents. The Servicer agrees to cooperate with the successor servicer in effecting the termination of the Servicer's responsibilities and rights hereunder, including, without limitation, the transfer to the successor servicer for administration by it of all amounts which shall at the time be credited by the Servicer to each Collection Account or thereafter received with respect to the Loans.

(3) Upon the occurrence of (i) an Event of Default or Default under any of the Basic Documents, (ii) a Servicer Event of Default under this Agreement, (iii) a Rapid Amortization Trigger or (iv) a material adverse change in the business or financial conditions of the Servicer (each, a "Term Event"), the Servicer's right to service the Loans pursuant to the terms of this Agreement shall be in effect for an initial period commencing on the date on which such Term Event occurred and shall automatically terminate at 5:00 p.m., New York City time, on the last business day of the calendar month in which such Term Event occurred (the "Initial Term"). Thereafter, the Initial Term shall be extendible in the sole discretion of the Initial Noteholder by written notice (each, a "Servicer Extension Notice") of the Noteholder for successive one-month terms (each such term ending at 5:00 p.m., New York City time ("EST"), on the last business day of the related month). Following a Term Event, the Servicer hereby agrees that the Servicer shall be bound for the duration of the Initial Term and the term covered by any such Servicer Extension Notice to act as the Servicer pursuant to this Agreement. Following a Term Event, the Servicer agrees that if, as of 3:00 p.m. (EST) on the last business day of any month, the Servicer shall not have received a Servicer Extension Notice from the Initial Noteholder, the Servicer shall give written notice of such non-receipt to the Initial Noteholder by 4:00 p.m. (EST). Following a Term Event, the failure of the Initial Noteholder, to deliver a Servicer Extension Notice by 5:00 p.m. (EST) shall result in the automatic and immediate termination of the Servicer (the "Termination Date"). Notwithstanding these time frames, the Servicer and the Initial Noteholder shall comply with all applicable laws in connection with such transfer and the Servicer shall continue to service the Loans until completion of such transfer.

Section 9.2 Appointment of Successor.

On and after the date the Servicer receives a notice of termination pursuant to Section 9.01 hereof or is automatically terminated pursuant to Section 9.01 (c) hereof, or the Owner Trustee receives the resignation of the Servicer evidenced by an Opinion of Counsel or accompanied by the consents required by Section 8.04 hereof, or the Servicer is removed as servicer pursuant to this Article IX or Section 4.01 of the Servicing Addendum, then, the Majority Noteholders shall appoint a successor servicer to be the successor in all respects to the Servicer in its capacity as Servicer under this Agreement and the transactions set forth or provided for herein and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, provided, however, that the successor servicer shall not be liable for any actions of any servicer prior to it.

The successor servicer shall be obligated to make Servicing Advances hereunder. As compensation therefor, the successor servicer appointed pursuant to the following paragraph, shall be entitled to all funds relating to the Loans which the Servicer would have been entitled to receive from the Collection Account pursuant to Section 5.01 hereof as if the Servicer had continued to act as servicer hereunder, together with other Servicing Compensation in the form of assumption fees, late payment charges or otherwise as provided in Section 4.15 of the Servicing Addendum. The Servicer shall not be entitled to any termination fee if it is terminated pursuant to Section 9.01 hereof but shall be entitled to any accrued and unpaid Servicing Compensation to the date of termination.

Any collections received by the Servicer after removal or resignation shall be endorsed by it to the Indenture Trustee and remitted directly to the successor servicer. The compensation of any successor servicer appointed shall be the Servicing Fee, together with other Servicing Compensation provided for herein. The Indenture Trustee, the Issuer, any Custodian, the Servicer and any such successor servicer shall take such action, consistent with this Agreement, as shall be reasonably necessary to effect any such succession. Any costs or expenses incurred by the Indenture Trustee in connection with the termination of the Servicer and the succession of a successor servicer shall be an expense of the outgoing Servicer and, to the extent not paid thereby, an expense of such successor servicer. The Servicer agrees to cooperate with the Indenture Trustee and any successor servicer in effecting the termination of the Servicer's servicing responsibilities and rights hereunder and shall promptly provide the successor servicer all documents and records reasonably requested by it to enable it to assume the Servicer's functions hereunder and shall promptly also transfer to the successor servicer all amounts which then have been or should have been deposited in any Trust Account maintained by the Servicer or which are thereafter received with respect to the Loans. Upon the occurrence of an Event of Default, the Majority Noteholders shall have the right to order the Servicer's Loan Files and all other files of the Servicer relating to the Loans and all other records of the Servicer and all documents relating to the Loans which are then or may thereafter come into the possession of the Servicer or any third party acting for the Servicer to be delivered to such custodian or servicer as it selects and the Servicer shall deliver to such custodian or servicer such assignments as the Majority Noteholders shall request. No successor servicer shall be held liable by reason of any failure to make, or any delay in making, any distribution hereunder or any portion thereof caused by (i) the failure of the Servicer to deliver, or any delay in delivering, cash, documents or records to it or (ii) restrictions imposed by any regulatory authority having jurisdiction over the Servicer hereunder. No appointment of a successor to the Servicer hereunder shall be effective until written notice of such proposed appointment shall have been provided to the

Initial Noteholder, the Indenture Trustee, the Issuer and the Depositor, the Majority Noteholders and the Issuer shall have consented in writing thereto.

In connection with such appointment and assumption, the Majority Noteholder may make such arrangements for the compensation of such successor servicer out of payments on the Loans as they and such successor servicer shall agree.

Section 9.3 Waiver of Defaults.

The Majority Noteholders may waive any events permitting removal of the Servicer as servicer pursuant to this Article IX. Upon any waiver of a past default, such default shall cease to exist and any Servicer Event of Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall .extend to any subsequent or other default or impair any right consequent thereto except to the extent expressly so waived.

Section 9.4 Accounting Upon Termination of Servicer.

Upon termination of the Servicer under this Article IX, the Servicer shall, at its own expense:

(1) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee the funds in any Trust Account maintained by the Servicer;

(2) deliver to its successor or, if none shall yet have been appointed, to the Custodian all Loan Files and related documents and statements held by it hereunder and a Loan portfolio computer tape;

(3) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee and to the Issuer and the Securityholders a full accounting of all funds, including a statement showing the Monthly Payments collected by it and a statement of monies held in trust by it for payments or charges with respect to the Loans; and

(4) execute and deliver such instruments and perform all acts reasonably requested in order to effect the orderly and efficient transfer of servicing of the Loans to its successor and to more fully and definitively vest in such successor all rights, powers, duties, responsibilities, obligations and liabilities of the Servicer under this Agreement.

ARTICLE 10

TERMINATION; PUT OPTION

Section 10.1 Termination.

(1) This Agreement shall terminate upon either: (A) the later of (i) the satisfaction and discharge of the Indenture and the provisions thereof, to the Noteholders of all amounts due and owing in accordance with the provisions hereof or (ii) the disposition of all funds with respect to the last Loan and final payment of the Advance Note and the remittance of all funds due hereunder and the payment of all amounts due and payable, including, in both cases, without limitation, indemnification payments payable pursuant to any Basic Document to the Indenture Trustee, the Owner Trustee, the Issuer, the Servicer and the Custodian, written notice of the occurrence of either of which shall be provided to the Indenture Trustee by the Servicer; or (B) the mutual consent of the Servicer, the Depositor and all Securityholders in writing and delivered to the Indenture Trustee by the Servicer.

(2) The Securities shall be subject to an early redemption or termination at the option of the Servicer and the Majority Noteholders in the manner and subject to the provisions of Section 10.04 of this Agreement.

(3) Except as provided in this Article X, none of the Depositor, the Servicer nor any Certificateholder or Noteholder shall be entitled to revoke or terminate the Trust.

Section 10.2 Optional Termination.

(1) The Servicer may, at its option, effect an early termination of the Trust on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans and the Advance Note at a purchase price, payable in cash, equal to or greater than the Termination Price. The expense of any Independent appraiser required in connection with the calculation and payment of the Termination Price under this Section 10.02 shall be a nonreimbursable expense of the Servicer.

Any such early termination by the Servicer shall be accomplished by depositing into the Collection Account on the third Business Day prior to the Payment Date on which the purchase is to occur the amount of the Termination Price to be paid. The Termination Price and any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c)(1) hereof) shall be deposited in the Distribution Account and distributed by the Indenture Trustee pursuant to Section 5.01(c)(3) of this Agreement and Section 9.1 of the Trust Agreement on the next succeeding Payment Date; and any amounts received with respect to the

Loans and Foreclosure Properties subsequent to the final Payment Date shall belong to the purchaser thereof.

Section 10.3 Notice of Termination.

Notice of termination of this Agreement or of early redemption and termination of the Issuer pursuant to Section 10.01 shall be sent by the Indenture Trustee to the Noteholders in accordance with Section 10.02 of the Indenture.

Section 10.4 Put Option.

The Majority Noteholders may, at their option, effect a put of the entire outstanding Note Principal Balance, or any portion thereof, to the Trust on any date by exercise of the Put Option. The Majority Noteholders shall effect such put by providing notice thereof in accordance with Section 10.05 of the Indenture.

Unless otherwise agreed by the Majority Noteholders, on the third Business Day prior to the Put Date the Issuer shall deposit the Note Redemption Amount into the Distribution Account and, if the Put Date occurs after the termination of the Revolving Period and constitutes a put of the entire outstanding Note Principal Balance, any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c)(1) hereof) shall be deposited in the Distribution Account and distributed by the Paying Agent pursuant to Section 5.01(c)(3) of this Agreement on the Put Date; and any amounts received with respect to the Loans and Foreclosure Properties subsequent to the Put Date shall belong to the Issuer.

ARTICLE 11

MISCELLANEOUS PROVISIONS

Section 11.1 Acts of Securityholders.

Except as otherwise specifically provided herein and except with respect to Section 11.02(b), whenever action, consent or approval of the Securityholders is required under this Agreement, such action, consent or approval shall be deemed to have been taken or given on behalf of, and shall be binding upon, all Securityholders if the Majority Noteholders agree to take such, action or give such consent or approval.

Section 11.2 Amendment.

(1) This Agreement may be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement with notice thereof to the Securityholders, without the consent of any of the Securityholders, to cure any error or ambiguity, to correct or supplement any provisions hereof which may be defective or inconsistent with any other provisions hereof or to add any other provisions with respect to matters or questions arising under this Agreement; provided, however, that such action will not adversely affect in any material respect the interests of the Securityholders, as evidenced by an Opinion of Counsel to such effect provided at the expense of the party requesting such Amendment.

(2) This Agreement may also be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement, with the prior written consent of the Majority Noteholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, or of modifying in any manner the rights of the Securityholders; provided, however, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, collections of payments on Loans or distributions which are required to be made on any Security, without the consent of the holders of 100% of the Securities, (ii) adversely affect in any material respect the interests of any of the holders of the Securities in any manner other than as described in clause (i), without the consent of the holders of 100% of the Securities, or (iii) reduce the percentage of the Securities, the consent of which is required for any such amendment, without the consent of the holders of 100% of the Securities.

(3) It shall not be necessary for the consent of Securityholders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the execution of any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and rely upon an Opinion of Counsel provided at the expense of the party requesting such amendment stating that the execution of such amendment is authorized or permitted by this Agreement. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment which affects the Issuer's own rights, duties or immunities of the Issuer or the Indenture Trustee, as the case may be, under this Agreement.

Section 11.3 Recordation of Agreement.

To the extent permitted by applicable law, this Agreement, or a memorandum thereof if permitted under applicable law, is subject to recordation in all appropriate public offices for real property records in all of the counties or other comparable jurisdictions in which any or all of the Mortgaged Property is situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Servicer at the Securityholders' expense on direction of the Majority Noteholders but only when accompanied by an Opinion of Counsel to the effect that such

recordation materially and beneficially affects the interests of the Securityholders or is necessary for the administration or servicing of the Loans.

Section 11.4 Duration of Agreement.

This Agreement shall continue in existence and effect until terminated as herein provided.

Section 11.5 Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

Section 11.6 Notices.

All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered personally, mailed by overnight mail, certified mail or registered mail, postage prepaid, or (ii) transmitted by telecopy, upon telephone confirmation of receipt thereof, as follows: (1) in the case of the Depositor, to Option One Loan Warehouse Corporation, 3 Ada, Irvine, California 92618, or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Depositor; (2) in the case of the Trust, to Option One Owner Trust 2001-2, c/o Wilmington Trust Company, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, telephone number: (302) 651-1000, telecopy number: (302) 636-4144, or such other address or telecopy or telephone numbers as may hereafter be furnished to the Noteholders and the other parties hereto in writing by the Trust; (3) in the case of the Loan Originator, to Option One Mortgage Corporation, 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Loan Originator, (4) in the case of the Servicer, to Option One Mortgage Corporation 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Servicer; and (5) in the case of the Indenture Trustee, at the Corporate Trust Office, as defined in the Indenture, any such notices shall be deemed to be effective with respect to any party hereto upon the receipt of such notice or telephone confirmation thereof by such party, except; provided, that notices to the Securityholders shall be effective upon mailing or personal delivery.

Section 11.7 Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held invalid for any reason whatsoever, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other covenants, agreements, provisions or terms of this Agreement.

Section 11.8 No Partnership.

Nothing herein contained shall be deemed or construed to create any partnership or joint venture between the parties hereto and the services of the Servicer shall be rendered as an independent contractor.

Section 11.9 Counterparts.

This Agreement may be executed in one or more counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original; such counterparts, together, shall constitute one and the same Agreement.

Section 11.10 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the Servicer, the Loan Originator, the Depositor, the Indenture Trustee, the Issuer and the Securityholders and their respective successors and permitted assigns.

Section 11.11 Headings.

The headings of the various Sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

Section 11.12 Actions of Securityholders.

(1) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Depositor, the Servicer or the Issuer. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and conclusive in favor of the Depositor, the Servicer and the Issuer if made in the manner provided in this Section 11.12.

(2) The fact and date of the execution by any Securityholder of any such instrument or writing may be proved in any reasonable manner which the Depositor, the Servicer or the Issuer may deem sufficient.

(3) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Securityholder shall bind every holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, or omitted to be done, by the Depositor, the Servicer or the Issuer in reliance thereon, whether or not notation of such action is made upon such Security.

(4) The Depositor, the Servicer or the Issuer may require additional proof of any matter referred to in this Section 11.12 as it shall deem necessary.

Section 11.13 Non-Petition Agreement.

Notwithstanding any prior termination of any Basic Document, the Loan Originator, the Servicer, the Depositor and the Indenture Trustee each severally and not jointly covenants that it shall not, prior to the date which is one year and one day after the payment in full of the all of the Notes, acquiesce, petition or otherwise, directly or indirectly, invoke or cause the Trust or the Depositor to invoke the process of any governmental authority for the purpose of commencing or sustaining a case against the Issuer or Depositor under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or Depositor or any substantial part of their respective property or ordering the winding up or liquidation of the affairs of the Issuer or the Depositor.

Section 11.14 Holders of the Securities.

(1) Any sums to be distributed or otherwise paid hereunder or under this Agreement to the holders of the Securities shall be paid to such holders pro rata based on their Percentage Interests;

(2) Where any act or event hereunder is expressed to be subject to the consent or approval of the holders of the Securities, such consent or approval shall be capable of being given by the holder or holders evidencing in the aggregate not less than 51% of the Percentage Interests.

Section 11.15 Due Diligence Fees; Due Diligence.

The Loan Originator acknowledges that the Initial Noteholder has the right to perform continuing due diligence reviews with respect to the Loans, for purposes of verifying compliance with the representations, warranties and specifications made hereunder, or otherwise, and the Loan Originator agrees that upon reasonable prior notice (with no notice being required upon the occurrence of an Event of Default) to the Loan Originator, the Initial Noteholder, the Indenture Trustee and Custodian or its authorized representatives will be permitted during normal business hours to examine, inspect, and make copies and extracts of, the Loan Files and any and all documents, records, agreements, instruments or information relating to such Loans in the possession or under the control of the Servicer and the Indenture Trustee. The Loan Originator also shall make available to the Initial Noteholder a knowledgeable financial or accounting officer for the purpose of answering questions respecting the Loan Files and the Loans. Without limiting the generality of the foregoing, the Loan Originator acknowledges that the Initial Noteholder may purchase Notes based solely upon the information provided by the Loan Originator to the Initial Noteholder in the Loan Schedule and the representations, warranties and covenants contained herein, and that the Initial Noteholder, at its option, has the right at any time to conduct a partial or complete due diligence review on some or all of the Loans securing such purchase, including without limitation ordering new credit reports and new appraisals on the related Mortgaged Properties and otherwise re-generating the information used to originate such Loan. The Initial Noteholder may underwrite such Loans itself or engage a mutually agreed upon third party underwriter to perform such underwriting. The Loan Originator agrees to cooperate with the Initial Noteholder and any third party underwriter in connection with such underwriting, including, but not limited to, providing the Initial Noteholder and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such Loans in the possession, or under the control, of the Servicer. The Loan Originator further agrees that the Loan Originator shall reimburse the Initial Noteholder for any and all reasonable out-of-pocket costs and expenses incurred by the Initial Noteholder in connection with the Initial Noteholder's activities pursuant to this Section 11.15 hereof (the "Due Diligence Fees"), provided that, unless an Event of Default shall occur, the aggregate reimbursement obligation of the Loan Originator under this Agreement shall be limited to $25,000 per annum. In addition to the obligations set forth in Section 11. 17 of this Agreement, the Initial Noteholder agrees (on behalf of itself and its Affiliates, directors, officers, employees and representatives) to use reasonable precaution to keep confidential, in accordance with its customary procedures for handling confidential information and in accordance with safe and sound practices, and not to disclose to any third party, any non-public information supplied to it or otherwise obtained by it hereunder with respect to the Loan Originator or any of its Affiliates (including, but not limited to, the Loan File); provided, however, that nothing herein shall prohibit the disclosure of any such information to the extent required by statute, rule, regulation or judicial process; provided, further that, unless specifically prohibited by applicable law or court order, the Initial Noteholder shall, prior to disclosure thereof, notify the Loan Originator of any request for disclosure of any such non-public information. The Initial Noteholder further agrees not to use any such non-public information for any purpose unrelated to this Agreement and that the Initial Noteholder shall not disclose such nonpublic information to any third party underwriter in connection with a potential Disposition without obtaining a written agreement from such third party underwriter to comply with the confidentiality provisions of this Section 11.15.

Section 11.16 No Reliance.

Each of the Loan Originator, the Depositor and the Issuer hereby acknowledges that it has not relied on the Initial Noteholder or any of its officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended, for any tax, accounting, legal or other professional advice in connection with the transactions contemplated by the Basic Documents, that each of the Loan Originator, the Depositor and the Issuer has retained and been advised by such tax, accounting, legal and other professionals as it has deemed necessary in connection with the transactions contemplated by the Basic Documents and that the Initial Noteholder makes no representation or warranty, and shall have no liability with respect to, the tax, accounting or legal treatment or implications relating to the transactions contemplated by the Basic Documents.

Section 11.17 Confidential Information.

In addition to the confidentiality requirements set forth in Section 11.15 of the Agreement, each Noteholder, as well as the Indenture Trustee and the Disposition Agent (each of said parties singularly referred to herein as a "Receiving Party" and collectively referred to herein as the "Receiving Parties"), agrees to hold and treat all Confidential Information (as defined below) in confidence and in accordance with this Section. Such Confidential Information will not, without the prior written consent of the Servicer and the Loan Originator, be disclosed or used by such Receiving Parties or their subsidiaries, Affiliates, directors, officers, members, employees, agents or controlling persons (collectively, the "Information Recipients") other than for the purpose of making a decision to purchase or sell Notes or taking any other permitted action under this Agreement or any other Basic Document. Each Receiving Party agrees to disclose Confidential Information only to its Information Recipients who need to know it for the purpose of making a decision to purchase or sell Notes or taking any other permitted action under this Agreement or any other Basic Document (including in connection with the servicing of the Loans and in connection with any servicing transfers) and who are informed by such Receiving Party of its confidential nature and who agree to be bound by the terms of this Section 11.17. Disclosure that is not in violation of the Right to Financial Privacy Act, the Gramm-Leach-Bliley Act or other applicable law by such Receiving Party of any Confidential Information at the request of its outside auditors or governmental regulatory authorities in connection with an examination of a Receiving Party by any such authority shall not constitute a breach of its obligations under this Section 11.17 and shall not require the prior consent of the Servicer and the Loan Originator.

Each Receiving Party shall be responsible for any breach of this Section 11.17 by its Information Recipients. The Initial Noteholder may use Confidential Information for internal due diligence purposes in connection with its analysis of the transactions contemplated by the Basic Documents. The Disposition Agent may disclose Confidential Information to the Disposition Participants as required to effect Dispositions. This Section 11.17 shall terminate upon the occurrence of an Event of Default; provided, however, that such termination shall not relieve the Receiving Parties or their respective Information Recipients from the obligation to comply with the Gramm-Leach-Bliley Act or other applicable law with respect to their use or disclosure of Confidential Information following the occurrence of an Event of Default.

As used herein, "Confidential Information" means non-public personal information (as defined in the Gramm-Leach-Bliley Act and its enabling regulations issued by the Federal Trade Commission) regarding Borrowers. Confidential Information shall not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by a Receiving Party or any Information Recipients; (ii) was available to a Receiving Party on a non-confidential basis prior to its disclosure to such Receiving Party by the Servicer or the Loan Originator; (iii) is required to be disclosed by a governmental authority or related governmental agencies or as otherwise required by law; (iv) becomes available to a Receiving Party on a non-confidential basis from a Person other than the Servicer or the Loan Originator who, to the best knowledge of such Receiving Party, is not otherwise bound by a confidentiality agreement with the Servicer or the Loan Originator and is not otherwise prohibited from transmitting the information to such Receiving Party.

Section 11.18 Conflicts.

Notwithstanding anything contained in the Basic Documents to the contrary, in the event of the conflict between the terns of this Agreement and any other Basic Document, the terms of this Agreement shall control.

Section 11.19 Limitation on Liability.

It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-2, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Agreement or any other related documents.

Section 11.20 No Agency.

Nothing contained herein or in the Basic Documents shall be construed to create an agency or fiduciary relationship between the Initial Noteholder or the Majority Noteholders or any of their Affiliates and the Issuer, the Depositor, the Loan Originator or the Servicer. None of the Initial Noteholder, the Majority Noteholders or any of their Affiliates shall be liable for any acts or actions affected in connection with a disposition of Loans, including without limitation, any Securitization pursuant to Section 3.06, any Loan Originator Put or Servicer Call pursuant to Section 3.07 hereof nor any Whole Loan Sale pursuant to Section 3.10 hereof.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the Issuer, the Depositor, the Servicer, the Indenture Trustee and the Loan Originator have caused their names to be signed by their respective officers thereunto duly authorized, as of the day and year first above written, to this Amended and Restated Sale and Servicing Agreement.

OPTION ONE OWNER TRUST 2001-2,

BY: Wilmington Trust Company not in its individual capacity but solely as Owner Trustee

BY: /s/ Patricia A. Evans

Name: Patricia A. Evans
Title: Assistant Vice President

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

BY: /s/ Bob Fulton

Name: Bob Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION, as Loan Originator and Servicer

BY: /s/ Bob Fulton

Name: Bob Fulton
Title: Assistant Secretary

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee

BY: /s/ Reid Denny

Name: Reid Denny
Title: V.P.

EXHIBIT 10.9

AMENDMENT NUMBER ONE
to the
AMENDED AND RESTATED SALE AND SERVICING AGREEMENT,
Dated as of November 25, 2003,
among
OPTION ONE OWNER TRUST 2001-2,
OPTION ONE LOAN WAREHOUSE CORPORATION,
OPTION ONE MORTGAGE CORPORATION
and
WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION

This AMENDMENT NUMBER ONE (this "Amendment") is made and is effective as of this 30th day of April, 2004, among Option One Owner Trust 2001-2 (the "Issuer"), Option One Loan Warehouse Corporation (the "Depositor"), Option One Mortgage Corporation (the "Loan Originator" and the "Servicer") and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee (the "Indenture Trustee"), to the Amended and Restated Sale and Servicing Agreement, dated as of November 25, 2003 (as amended, the "Sale and Servicing Agreement"), among the Issuer, the Depositor, the Loan Originator, the Servicer and the Indenture Trustee, as otherwise amended.

RECITALS

WHEREAS, the parties hereto desire to amend the Sale and Servicing Agreement subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Sale and Servicing Agreement.

SECTION 2. Amendments.

(a) Effective as of April 30, 2004, Section 1.01 of the Sale and Servicing Agreement is hereby amended by deleting the definition of "Trust Accounts" and replacing such definition with the following:

"Trust Accounts: The Distribution Account, the Collection Account, the Advance Account and the Transfer Obligation Account."

(b) Effective as of April 30, 2004, Section 2.06(a) of the Sale and Servicing Agreement is hereby amended by deleting the first paragraph of such Section and replacing it in its entirety with the following:

"Two (2) Business Days prior to each Transfer Date, the Issuer shall give notice to the Initial Noteholder of such upcoming Transfer Date and provide an estimate of the number of Loans and aggregate Principal Balance of such Loans to be transferred on such Transfer Date. On the Business Day prior to each Transfer Date, the Issuer shall provide the Initial Noteholder a final Loan Schedule with respect to the Loans to be transferred on such Transfer Date. On each Transfer Date, the Depositor or the applicable QSPE Affiliate shall convey to the Issuer, the Loans and the other property and rights related thereto described in the related S&SA Assignment, and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Transfer Date, shall deposit or cause to be deposited cash in the amount of the Additional Note Principal Balance received from the Initial Noteholder in the Advance Account in respect thereof, and the Paying Agent shall, promptly after such deposit, withdraw the amount deposited in respect of applicable Additional Note Principal Balance from the Advance Account, and distribute such amount to or at the direction of the Depositor or the applicable QSPE Affiliate in payment of the Sales Price for the related Loans. If amounts are withdrawn from the Advance Account in payment of the Sales Price of any Wet Funded Loan that is not actually funded to the related Borrower on the date of withdrawal, the Loan Originator shall redeposit or cause to be redeposited such amounts into the Advance Account prior to the close of business on such day. If the related Loan is not funded to the related Borrower by 4:00 p.m. New York City time on the immediately following Business Day, such amount shall be returned by the Paying Agent to the Initial Noteholder by wire transfer not later than 4:30 p.m. New York City time on such immediately following Business Day."

(c) Effective as of April 30, 2004, Section 5.04 of the Sale and Servicing Agreement is hereby amended by deleting such Section and replacing it in its entirety with the following:

"Section 5.04 Advance Account.

(a) The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained an Advance Account (the "Advance Account"), which shall be a separate Eligible Account entitled "Option One Owner Trust 2001-2 Advance Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-2 Mortgage-Backed Notes." The Advance Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Collection Account shall not be invested.

(b) Deposits and Withdrawals. Amounts in respect of Additional Note Principal Balances purchased on Transfer Dates related to Loans shall be deposited in and withdrawn from the Advance Account as provided in Sections 2.01(c) and 2.06 hereof and Section 3.01 of the Note Purchase Agreement. All amounts on deposit in the Advance Account at any time shall be the property of the Initial Noteholder and shall be held in escrow by the Indenture Trustee for application in accordance with this Agreement."

SECTION 3. Representations. In order to induce the parties hereto to execute and deliver this Amendment, each of the Issuer, the Depositor and the Loan Originator hereby jointly and severally represents to the other parties hereto and the Noteholders that as of the date hereof, after

giving effect to this Amendment, (a) all of its respective representations and warranties in the Note Purchase Agreement and the other Basic Documents are true and correct, and (b) it is otherwise in full compliance with all of the terms and conditions of the Sale and Servicing Agreement.

SECTION 4. Limited Effect. Except as expressly amended and modified by this Amendment, the Sale and Servicing Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Sale and Servicing Agreement or any other instrument or document executed in connection therewith or herewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Sale and Servicing Agreement, any reference in any of such items to the Sale and Servicing Agreement being sufficient to refer to the Sale and Servicing Agreement as amended hereby.

SECTION 5. Fees and Expenses. The Issuer and the Depositor jointly and severally covenant to pay as and when billed by the Initial Noteholder all of the reasonable out-of-pocket costs and expenses incurred in connection with the transactions contemplated hereby and in the other Basic Documents including, without limitation, (i) all reasonable fees, disbursements and expenses of counsel to the Initial Noteholder, (ii) all reasonable fees and expenses of the Indenture Trustee and Owner Trustee and their counsel and (iii) all reasonable fees and expenses of the Custodian and its counsel.

SECTION 6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 8. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Amendment is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-2 in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Amendment or any other related documents.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the day and year first above written.

OPTION ONE OWNER TRUST 2001-2

By: Wilmington Trust Company, not in its individual capacity but solely as owner trustee

By: /s/ Patricia A. Evans
Name: Patricia A. Evans
Title: Assistant Vice President

OPTION ONE LOAN WAREHOUSE CORPORATION

By: /s/ Bob Fulton
Name: Bob Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION

By: /s/ Bob Fulton
Name: Bob Fulton
Title: Assistant Secretary

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Reid Denny
Name: Reid Denny
Title: V.P.

EXHIBIT 10.10

AMENDMENT NUMBER TWO
to the
AMENDED AND RESTATED SALE AND SERVICING AGREEMENT,
Dated as of November 25, 2003,
among
OPTION ONE OWNER TRUST 2001-2,
OPTION ONE LOAN WAREHOUSE CORPORATION,
OPTION ONE MORTGAGE CORPORATION
and
WELLS FARGO BANK N.A.

This AMENDMENT NUMBER TWO (this "Amendment") is made and is effective as of this 17th day of December, 2004, among Option One Owner Trust 2001-2 (the "Issuer"), Option One Loan Warehouse Corporation (the "Depositor"), Option One Mortgage Corporation (the "Loan Originator" and the "Servicer") and Wells Fargo Bank N.A., as Indenture Trustee (the "Indenture Trustee"), to the Amended and Restated Sale and Servicing Agreement, dated as of November 25, 2003 (as amended, the "Sale and Servicing Agreement"), among the Issuer, the Depositor, the Loan Originator, the Servicer and the Indenture Trustee, as otherwise amended.

RECITALS

WHEREAS, the parties hereto desire to amend the Sale and Servicing Agreement subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Sale and Servicing Agreement.

SECTION 2. Amendments. Effective as of December 17, 2004 the following amendments shall be in full force and effect.

(i) Section 1.01 of the Sale and Servicing Agreement is hereby amended by deleting in its entirety clause (a) in the definition of "Financial Covenants" and replacing such definition with the following:

(a) Option One must maintain a minimum "Tangible Net Worth" (defined and determined in accordance with GAAP and exclusive of (i) any loans outstanding to any officer or director of Option One or its Affiliates (ii) any intangibles (other than originated or purchased servicing rights) and (iii) any receivables from H&R Block) of $425 million as of any day;

(ii) Section 1.01 of the Sale and Servicing Agreement is hereby amended by deleting clause (b) in its entirety and replacing it with the following:

(b) Option One must maintain a ratio of 1.0 or greater at any time pursuant to the Capital Adequacy Test, attached as Exhibit H hereto.

(iii) Section 1.01 of the Sale and Servicing Agreement is hereby amended by deleting the number "100%" in clause (c) of the definition of "Financial Covenants", of the third line thereof and replacing it with "91%".

(iv) Section 1.01 of the Sale and Servicing Agreement is hereby amended by deleting the number "80% in clause (c) of the definition of "Financial Covenants", of the third line thereof and replacing it with "90%".

(v) Section 1.01 of the Sale and Servicing Agreement is hereby amended by adding the following after clause (d) of the definition of "Financial Covenants":

(e) Option One must maintain a minimum "Net Income" (defined and determined in accordance with GAAP) of $1 for each quarter and the 3 quarters preceding such quarter.

(vi) Schedule One to this Amendment shall be attached as Exhibit H of the Sale and Servicing Agreement.

SECTION 3. Representations. In order to induce the parties hereto to execute and deliver this Amendment, each of the Issuer, the Depositor and the Loan Originator hereby jointly and severally represents to the other parties hereto and the Noteholders that as of the date hereof, after giving effect to this Amendment, (a) all of its respective representations and warranties in the Note Purchase Agreement and the other Basic Documents are true and correct, and (b) it is otherwise in full compliance with all of the terms and conditions of the Sale and Servicing Agreement.

SECTION 4. Limited Effect. Except as expressly amended and modified by this Amendment, the Sale and Servicing Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Sale and Servicing Agreement or any other instrument or document executed in connection therewith or herewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Sale and Servicing Agreement, any reference in any of such items to the Sale and Servicing Agreement being sufficient to refer to the Sale and Servicing Agreement as amended hereby.

SECTION 5. Fees and Expenses. The Issuer and the Depositor jointly and severally covenant to pay as and when billed by the Initial Noteholder all of the reasonable out-of-pocket costs and expenses incurred in connection with the transactions contemplated hereby and in the other Basic Documents including, without limitation, (i) all reasonable fees, disbursements and expenses of counsel to the Initial Noteholder, (ii) all reasonable fees and expenses of the Indenture Trustee and Owner Trustee and their counsel and (iii) all reasonable fees and expenses of the Custodian and its counsel.

SECTION 6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE

STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 8. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Amendment is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-2 in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Amendment or any other related documents.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the day and year first above written.

OPTION ONE OWNER TRUST 2001-2

By: Wilmington Trust Company, not in its individual capacity but solely as owner trustee

By: /s/ Mary Kay Pupillo
Name: Mary Kay Pupillo
Title: Assistant Vice President

OPTION ONE LOAN WAREHOUSE CORPORATION

By: /s/ C. R. Fulton
Name: Charles R. Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION

By: /s/ C. R. Fulton
Name: Charles R. Fulton
Title: Vice President

WELLS FARGO BANK N.A., as Indenture Trustee

By: /s/ Reid Denny
Name: Reid Denny
Title: Vice President

[Signature Page to Amendment Two to the Amended and Restated Sale and Servicing Agreement]

SCHEDULE ONE

Capital Adequacy Test

*For each field multiply the HRB% by the Balance Sheet Amount for Required Capital

	HRB TEST	Balance Sheet	Required Capital
Unrestricted Cash and Equivalents	0%		
Restricted Cash	0%		
Loans Held for Sale	9%		
Servicing Advances	10%		
Beneficial Interests in trusts	10%		
Subprime Mortgage NIM Residual Interest	60%		
Real Estate Held for Sale	10%		
Furniture and Equipment	0%		
Mortgage Servicing Rights	25%		
Prepaid Expenses and Other Assets	10%		
Accrued interest receivable	10%		
Receivable from H&R Block	0%		
Intangibles and goodwill	100%		
Deferred Tax Assets	10%		
Derivative Assets	10%		
Total Required Capital			

Total Owners Equity on Balance Sheet
Date Less: Receivables from H&R Block

Adjusted Net Worth

Adjusted Net Worth divided by Required Capital = Ratio for Capital Adequacy Test

Exhibit 10.11

AMENDED AND RESTATED NOTE PURCHASE AGREEMENT

among

OPTION ONE OWNER TRUST 2001-2
as Issuer

and

OPTION ONE LOAN WAREHOUSE CORPORATION
as Depositor

and

BANK OF AMERICA, N.A.
as Purchaser

Dated as of November 25, 2003

OPTION ONE OWNER TRUST 2001-2
MORTGAGE-BACKED NOTES

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NOTE PURCHASE AGREEMENT

AMENDED AND RESTATED NOTE PURCHASE AGREEMENT, dated and effective as of November 25, 2003 (the "Note Purchase Agreement"), among OPTION ONE OWNER TRUST 2001-2 (the "Issuer"), OPTION ONE LOAN WAREHOUSE CORPORATION (the "Depositor"), and BANK OF AMERICA, N.A. ("Bank of America," and in its capacity as Purchaser hereunder, the "Purchaser").

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION I.1. Certain Defined Terms. Capitalized terms used herein without definition shall have the meanings set forth in the Indenture and the Sale and Servicing Agreement (as defined below). Additionally, the following terms shall have the following meanings:

"Closing" shall have the meaning set forth in Section 2.02.

"Closing Date" shall have the meaning set forth in Section 2.02.

"Commitment" means the commitment of the Purchaser to purchase Additional Note Principal Balances pursuant to Section 2.01.

"Confidential Information" means all marketing information, financial information, terms sheets and other information concerning the transactions contemplated thereby, prepared by the Purchaser and its Affiliates.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Governmental Actions" means any and all consents, approvals, permits, orders, authorizations, waivers, exceptions, variances, exemptions or licenses of, or registrations, declarations or filings with, any Governmental Authority required under any Governmental Rules.

"Governmental Authority" means the United States of America, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and having jurisdiction over the applicable Person.

"Governmental Rules" means any and all laws, statutes, codes, rules, regulations, ordinances, orders, writs, decrees and injunctions, of any Governmental Authority and any and all legally binding conditions, standards, prohibitions, requirements and judgments of any Governmental Authority.

"Indemnified Party" means the Purchaser and any of its officers, directors, employees, agents, representatives, assignees and Affiliates and any Person who controls the Purchaser or its Affiliates within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act.

"Indenture" means the Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003, between the Issuer as Issuer and Wells Fargo Bank Minnesota, National Association as Indenture Trustee, as the same may be further amended or supplemented from time to time.

"Investment Company Act" shall have the meaning provided in Section 5.01(i).

"Lien" means, with respect to any asset, (a) any mortgage, lien, pledge, charge, security interest, hypothecation, option or encumbrance of any kind in respect of such asset or (b) the interest of a vendor or lessor under any conditional sale agreement, financing lease or other title retention agreement relating to such asset.

"Loan Originator" means Option One Mortgage Corporation, a California corporation.

"Maximum Note Principal Balance" means an amount equal to $2,000,000,000, less any reductions pursuant to Section 2.06 of the Sale and Servicing Agreement.

"Purchaser" means the Purchaser and its permitted successors and assigns.

"Purchased Note" means the Series 2001-2 Note issued by the Issuer pursuant to the Indenture.

"REMIC Servicer" shall have the meaning set forth in the Advance Indenture.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement, dated as of April 1, 2001, and as amended and restated through and including November 25, 2003, among the Issuer, the Depositor, the Loan Originator, the Servicer and Wells Fargo Bank Minnesota, National Association as the Indenture Trustee, as the same may be further amended or supplemented from time to time.

"Servicer" means Option One Mortgage Corporation or its permitted successors and assigns.

SECTION I.2. Other Definitional Provisions.

(1) All terms defined in this Note Purchase Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(2) As used herein and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in Section 1.01, and accounting terms

partially defined in Section 1.01 to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms herein are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained herein shall control.

(3) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Note Purchase Agreement shall refer to this Note Purchase Agreement as a whole and not to any particular provision of this Note Purchase Agreement; and Section, subsection, Schedule and Exhibit references contained in this Note Purchase Agreement are references to Sections, subsections, and Exhibits in or to this Note Purchase Agreement unless otherwise specified.

ARTICLE II

COMMITMENT; CLOSING AND PURCHASES OF ADDITIONAL NOTE PRINCIPAL BALANCES

SECTION II.1. Commitment.

At any time during the Revolving Period, to the extent that the aggregate Note Principal Balance (after giving effect to the proposed purchase) is less than the Maximum Note Principal Balance, and subject to the terms and conditions hereof and in accordance with the other Basic Documents, the Issuer may request that the Purchaser purchase Additional Note Principal Balances (each such request, a "Purchase Request"). Each Purchase Request shall identify (i) with respect to each Transfer Date, the proposed Transfer Date and an estimate of the number of Loans and aggregate Principal Balances of such Loans to be purchased by the Issuer on such Transfer Date and (ii) with respect to each Funding Date, the proposed Funding Date and the aggregate Receivables Balance of the Receivables to be purchased by the Advance Trust on such Funding Date. On the identified Transfer Date or Funding Date, the Purchaser agrees to purchase the Additional Note Principal Balances requested in the Purchase Request, subject to the terms and conditions and in reliance upon the covenants, representations and warranties set forth herein and in the other Basic Documents.

SECTION II.2. Closing.

The closing (the "Closing") of the execution of the Basic Documents and Purchased Note shall take place at 10:00 a.m. at the offices of Thacher Proffitt & Wood, 2 World Trade Center, New York, New York 10048 on April 18, 2001, or if the conditions to closing set forth in Article IV of this Note Purchase Agreement shall not have been satisfied or waived by such date, as soon as practicable after such conditions shall have been satisfied or waived, or at such other time, date and place as the parties shall agree upon (the date of the Closing being referred to herein as the "Closing Date").

ARTICLE 2

TRANSFER DATES AND FUNDING DATES

SECTION II.1. Transfer Dates.

(1) Subject to the conditions and terms set forth herein and in Section 2.06 of the Sale and Servicing Agreement with respect to each Transfer Date, the Issuer may request, and the Purchaser agrees to purchase Additional Note Principal Balances from the Issuer from time to time in accordance with, and upon the satisfaction, as of the applicable Transfer Date, of each of the following additional conditions:

(1) With respect to each Transfer Date, each condition set forth in Section 2.06 of the Sale and Servicing Agreement shall have been satisfied. Prior to the first Transfer Date on which Wet Funded Loans are conveyed, counsel to the Servicer shall have delivered to the Purchaser a favorable opinion, dated as of the Closing Date to the effect that the Indenture Trustee has a first priority perfected security interest in all cash and Permitted Investments held in the Reserve Account satisfactory in form and substance to the Purchaser and its counsel;

(2) Each of the representations and warranties of the Issuer, the Servicer, the Loan Originator and the Depositor made in the Basic Documents shall be true and correct as of such date (except to the extent they expressly relate to an earlier or later time);

(3) The Issuer, the Servicer, the Loan Originator and the Depositor shall be in compliance with all of their respective covenants contained in the Basic Documents and the Purchased Note;

(4) No Event of Default and no Default shall have occurred or shall be occurring; and

(5) With respect to each Transfer Date, the Purchaser shall have received evidence reasonably satisfactory to it of the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignments required to be effected on such Transfer Date in accordance with the Sale and Servicing Agreement including, without limitation, the assignment of the Loans and the proceeds thereof required to be assigned pursuant to the related LPA Assignment, S&SA Assignment and the Indenture.

(2) The Purchaser shall determine in its reasonable discretion whether each of the above conditions have been met in accordance with the Sale and Servicing Agreement and its determination shall be binding on the parties hereto.

(3) The price paid by the Purchaser on each Transfer Date for the Additional Note Principal Balance purchased on such Transfer Date shall be equal to the amount of such Additional Note Principal Balance and shall be remitted not later than 4:00 p.m. New York City time on the Transfer Date by wire transfer of immediately available funds to the Advance Account, provided that a portion thereof equivalent to the aggregate Sales Price of Wet Funded Loans conveyed on such date shall be remitted to the Reserve Account by the Purchaser.

(4) The Purchaser shall record on the schedule attached to the Purchased Note, the date and amount of any Additional Note Principal Balance purchased by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect the Purchaser's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance actually held. Absent manifest error, the Note Principal Balance of the Purchased Note as set forth in the Purchaser's records shall be binding upon the parties hereto, notwithstanding any notation or record made or kept by any other party hereto.

SECTION II.2. Funding Dates.

(5) Subject to the conditions and terms set forth herein and in Section 2.06 of the Sale and Servicing Agreement with respect to each Funding Date, the Issuer may request, and the Purchaser agrees to purchase Additional Note Principal Balances from the Issuer from time to time in accordance with, and upon the satisfaction, as of the applicable Funding Date, of each of the following additional conditions:

(1) With respect to each Funding Date, each condition set forth in Section 2.06 of the Sale and Servicing Agreement shall have been satisfied;

(2) Each of the representations and warranties of (x) the Issuer, the Servicer, the Loan Originator and the Depositor made in the Basic Documents and (y) the Advance Trust, the REMIC Servicer, the Receivables Seller and the Advance Depositor made in the Advance Documents shall be true and correct as of such date (except to the extent they expressly relate to an earlier or later time);

(3) Each of (x) the Issuer, the Servicer, the Loan Originator and the Depositor shall be in compliance with all of its respective covenants contained in the Basic Documents and the Purchased Note and (y) the Advance Trust, the REMIC Servicer, the Receivables Seller and the Advance Depositor shall be in compliance with all of its respective covenants contained in the Advance Documents and the Advance Note;

(4) No Event of Default and no Default shall have occurred or shall be occurring; and

(5) With respect to each Funding Date, the Purchaser shall have received evidence reasonably satisfactory to it of the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the Indenture Trustee's security interest in the Advance Note and the proceeds thereof.

(6) The Purchaser shall determine in its reasonable discretion whether each of the above conditions have been met in accordance with the Sale and Servicing Agreement and its determination shall be binding on the parties hereto.

(7) The price paid by the Purchaser on each Funding Date for the Additional Note Principal Balance purchased on such Funding Date shall be equal to the amount of such Additional

Note Principal Balance and shall be remitted not later than 4:00 p.m. New York City time on the Funding Date by wire transfer of immediately available funds to the Funding Account.

(8) The Purchaser shall record on the schedule attached to the Purchased Note, the date and amount of any Additional Note Principal Balance purchased by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect the Purchaser's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance actually held. Absent manifest error, the Note Principal Balance of the Purchased Note as set forth in the Purchaser's records shall be binding upon the parties hereto, notwithstanding any notation or record made or kept by any other party hereto.

(9) On or prior to the first Funding Date, the Advance Note shall be delivered to the Indenture Trustee under the Indenture.

ARTICLE III

CONDITIONS PRECEDENT TO EFFECTIVENESS OF COMMITMENT

SECTION III.1. Closing Subject to Conditions Precedent. The effectiveness of the Commitment hereunder is subject to the satisfaction at the time of the Closing of the following conditions (any or all of which may be waived by the Purchaser in its sole discretion):

(10) Performance by the Issuer, the Depositor, the Servicer and the Loan Originator. All the terms, covenants, agreements and conditions of the Basic Documents to be complied with and performed by the Issuer, the Depositor, the Servicer and the Loan Originator on or before the Closing Date shall have been complied with and performed in all material respects.

(11) Representations and Warranties. Each of the representations and warranties of the Issuer, the Depositor, the Servicer and the Loan Originator made in the Basic Documents shall be true and correct in all material respects as of the Closing Date (except to the extent they expressly relate to an earlier or later time).

(12) Officer's Certificate. The Purchaser shall have received in form and substance reasonably satisfactory to the Purchaser an Officer's Certificate from the Loan Originator, the Depositor and the Servicer and a certificate of an Authorized Officer of the Issuer, dated the Closing Date, certifying to the satisfaction of the conditions set forth in the preceding paragraphs (a) and (b).

(13) Opinions of Counsel to the Issuer, the Loan Originator, the Servicer and the Depositor. Counsel to the Issuer, the Loan Originator, the Servicer and the Depositor shall have delivered to the Purchaser favorable opinions, dated as of the Closing Date and satisfactory in form and substance to the Purchaser and its counsel. In addition to the foregoing, the Loan Originator shall have caused its counsel to deliver to the Purchaser a favorable opinion to the effect that (i) the Issuer will not be treated as an association (or publicly traded partnership) taxable as a corporation or as a taxable mortgage pool, for federal income tax purposes and (ii) the Purchased Note shall be treated as the issuance of debt instruments by the Loan Originator or an Affiliate thereof for federal

income tax purposes, in each case satisfactory in form and substance of the Purchaser and its counsel.

(14) Opinions of Counsel to the Indenture Trustee. Counsel to the Indenture Trustee shall have delivered to the Purchaser a favorable opinion, dated as of the Closing Date and reasonably satisfactory in form and substance to the Purchaser and its counsel.

(15) Opinions of Counsel to the Owner Trustee. Delaware counsel to the Owner Trustee of the Issuer and the Depositor shall have delivered to the Purchaser favorable opinions regarding the formation, existence and standing of the Issuer and the Depositor and of the Issuer's and the Depositor's execution, authorization and delivery of each of the Basic Documents to which it is a party and such other matters as the Purchaser may reasonably request, dated as of the Closing Date and reasonably satisfactory in form and substance to the Purchaser and its counsel.

(16) Filings and Recordations. The Purchaser shall have received evidence reasonably satisfactory to it of (i) the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignment by the Loan Originator to the Depositor of the Loan Originator's ownership interest in the Trust Estate including, without limitation, the Loans conveyed pursuant to the Loan Purchase Agreement and the proceeds thereof, (ii) the completion of all recordings, registrations and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignment by the Depositor to the Issuer of the Depositor's ownership interest in the Trust Estate including, without limitation, the Loans and the proceeds thereof and (iii) the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the grant of a first priority perfected security interest in the Issuer's ownership interest in the Trust Estate including, without limitation, the Loans, in favor of the Indenture Trustee, subject to no Liens prior to the Lien of the Indenture.

(17) Documents. The Purchaser shall have received a duly executed counterpart of each of the Basic Documents, the Purchased Note and each and every document or certification delivered by any party in connection with any of the Basic Documents or the Purchased Note, and each such document shall be in full force and effect.

(18) Actions or Proceedings. No action, suit, proceeding or investigation by or before any Governmental Authority shall have been instituted to restrain or prohibit the consummation of, or to invalidate, any of the transactions contemplated by the Basic Documents, the Purchased Note and the documents related thereto in any material respect.

(19) Approvals and Consents. All Governmental Actions of all Governmental Authorities required with respect to the transactions contemplated by the Basic Documents, the Purchased Note and the documents related thereto shall have been obtained or made.

(20) Accounts. The Purchaser shall have received evidence reasonably satisfactory to it that each Trust Account has each been established in accordance with the terms of the Sale and Servicing Agreement.

(21) Fees and Expenses. The fees and expenses payable by the Issuer and the Depositor pursuant to Section 8.02(b) shall have been paid.

(22) Other Documents. The Issuer, the Loan Originator, the Depositor and the Servicer shall have furnished to the Purchaser such other opinions, information, certificates and documents as the Purchaser may reasonably request.

(23) Proceedings in Contemplation of Sale of Purchased Note. All actions and proceedings undertaken by the Issuer, the Loan Originator, the Depositor and the Servicer in connection with the issuance and sale of the Purchased Note as herein contemplated shall be satisfactory in all respects to the Purchaser and its counsel.

If any condition specified in this Section 4.01 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Purchaser by notice to the Loan Originator at any time at or prior to the Closing Date, and the Purchaser shall incur no liability as a result of such termination.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE ISSUER AND THE DEPOSITOR

The Issuer and the Depositor hereby jointly and severally make the following representations and warranties to the Purchaser, as of the Closing Date and as of each Transfer Date and each Funding Date, and the Purchaser shall be deemed to have relied on such representations and warranties in making (or committing to make) purchases of Additional Note Principal Balances on each Transfer Date and each Funding Date:

SECTION IV.1. Issuer.

(24) The Issuer has been duly organized and is validly existing and in good standing as a statutory trust under the laws of the State of Delaware, with requisite trust power and authority to own its properties and to transact the business in which it is now engaged, and is duly qualified to do business and is in good standing (or is exempt from such requirements) in each State of the United States where the nature of its business requires it to be so qualified and the failure to be so qualified and in good standing would have a material adverse effect on the Issuer or any adverse effect on the interests of the Purchaser.

(25) The issuance, sale, assignment and conveyance of the Purchased Note and the Additional Note Principal Balances, the performance of the Issuer's obligations under each Basic Document to which it is a party and the consummation of the transactions therein contemplated will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than any Lien created by the Basic Documents), charge or encumbrance upon any of the property or assets of the Issuer or any of its Affiliates pursuant to the terms of, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it or any of its Affiliates is bound or to which any of its property or

assets is subject, nor will such action result in any violation of the provisions of its organizational documents or any Governmental Rule applicable to the Issuer, in each case which could be expected to have a material adverse effect on the transactions contemplated therein.

(26) No Governmental Action which has not been obtained is required by or with respect to the Issuer in connection with the execution and delivery to the Purchaser of the Purchased Note. No Governmental Action which has not been obtained is required by or with respect to the Issuer in connection with the execution and delivery of any of the Basic Documents to which the Issuer is a party or the consummation by the Issuer of the transactions contemplated thereby except for any requirements under state securities or "blue sky" laws in connection with any transfer of the Purchased Note.

(27) The Issuer possesses all material licenses, certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by it, and has not received any notice of proceedings relating to the revocation or modification of any such license, certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect its condition, financial or otherwise, or its earnings, business affairs or business prospects.

(28) Each of the Basic Documents to which the Issuer is a party has been duly authorized, executed and delivered by the Issuer and is a valid and legally binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to enforcement of bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

(29) The execution, delivery and performance by the Issuer of each of its obligations under each of the Basic Documents to which it is a party will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any agreement or instrument to which the Issuer is a party or by which the Issuer is bound or to which any of its properties are subject or of any statute, order or regulation applicable to the Issuer of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Issuer or any of its properties, in each case which could be expected to have a material adverse effect on any of the transactions contemplated therein.

(30) The Issuer is not in violation of its organizational documents or in default under any agreement, indenture or instrument the effect of which violation or default would be material to the Issuer or the transactions contemplated by the Basic Documents. The Issuer is not a party to, bound by or in breach or violation of any indenture or other agreement or instrument, or subject to or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Issuer that materially and adversely affects, or may in the future materially and adversely affect (i) the ability of the Issuer to perform its obligations under any of the Basic Documents to which it is a party or (ii) the business, operations, financial condition, properties, assets or prospects of the Issuer.

(31) There are no actions or proceedings against, or investigations of, the Issuer pending, or, to the knowledge of the Issuer threatened, before any Governmental Authority, court,

arbitrator, administrative agency or other tribunal (i) asserting the invalidity of any of the Basic Documents or (ii) seeking to prevent the issuance of the Purchased Note or the consummation of any of the transactions contemplated by the Basic Documents or the Purchased Note or (iii) that, if adversely determined, could materially and adversely affect the business, operations, financial condition, properties, assets or prospects of the Issuer or the validity or enforceability of, or the performance by the Issuer of its respective obligations under, any of the Basic Documents to which it is a party or (iv) seeking to affect adversely the income tax attributes of the Purchased Note.

(32) The Issuer is not, and neither the issuance and sale of the Purchased Note to the Purchaser nor the activities of the Issuer pursuant to the Basic Documents, shall render the Issuer an "investment company" or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

(33) It is not necessary to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

(34) The Issuer is solvent and has adequate capital for its business and undertakings.

(35) The chief executive offices of the Issuer are located at Option One Owner Trust 2001-2, c/o Wilmington Trust Company, as Owner Trustee, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, or, with the consent of the Purchaser, such other address as shall be designated by the Issuer in a written notice to the other parties hereto.

(36) There are no contracts, agreements or understandings between the Issuer and any Person granting such Person the right to require the filing at any time of a registration statement under the Act with respect to the Purchased Note.

SECTION IV.2. Securities Act. Assuming the accuracy of the representations and warranties of and compliance with the covenants of the Purchaser, contained herein, the sale of the Purchased Note and the sale of Additional Note Principal Balances pursuant to this Agreement are each exempt from the registration and prospectus delivery requirements of the Act. In the case of the offer or sale of the Purchased Note, no form of general solicitation or general advertising was used by the Issuer, any Affiliates of the Issuer or any person acting on its or their behalf, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. Neither the Issuer, any Affiliates of the Issuer nor any Person acting on its or their behalf has offered or sold, nor will the Issuer or any Person acting on its behalf offer or sell directly or indirectly, the Purchased Note or any other security in any manner that, assuming the accuracy of the representations and warranties and the performance of the covenants given by the Purchaser and compliance with the applicable provisions of the Indenture with respect to each transfer of the Purchased Note, would render the issuance and sale of the Purchased Note as contemplated hereby a violation of Section 5 of the Securities Act or the registration or qualification requirements of any state securities laws, nor has any such Person authorized, nor will it authorize, any Person to act in such manner.

SECTION IV.3. No Fee. Neither the Issuer, nor the Depositor, nor any of their Affiliates has paid or agreed to pay to any Person any compensation for soliciting another to purchase the Purchased Note.

SECTION IV.4. Information. The information provided pursuant to Section 7.01 (a) hereof will, at the date thereof, be true and correct in all material respects.

SECTION IV.5. The Purchased Note. The Purchased Note has been duly and validly authorized, and, when executed and authenticated in accordance with the terms of the Indenture, and delivered to and paid for in accordance with this Note Purchase Agreement, will be duly and validly issued and outstanding and will be entitled to the benefits of the Indenture.

SECTION IV.6. Use of Proceeds. No proceeds of a purchase hereunder will be used (i) for a purpose that violates or would be inconsistent with Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction in violation of Section 13 or 14 of the Exchange Act.

SECTION 2.2. The Depositor. The Depositor hereby makes to the Purchaser each of the representations, warranties and covenants set forth in Section 3.01 of the Sale and Servicing Agreement as of the Closing Date and as of each Transfer Date (except to the extent that any such representation, warranty or covenant is expressly made as of another date).

SECTION IV.7. Taxes, etc. Any taxes, fees and other charges of Governmental Authorities applicable to the Issuer and the Depositor, except for franchise or income taxes, in connection with the execution, delivery and performance by the Issuer and the Depositor of each Basic Document to which they are parties, the issuance of the Purchased Note or otherwise applicable to the Issuer or the Depositor in connection with the Trust Estate have been paid or will be paid by the Issuer or the Depositor, as applicable, at or prior to the Closing Date and each Transfer Date, to the extent then due.

SECTION IV.8. Financial Condition. On the date hereof and on each Transfer Date and each Funding Date, neither the Issuer nor the Depositor is or will be insolvent or the subject of any voluntary or involuntary bankruptcy proceeding.

ARTICLE V

REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE PURCHASER

The Purchaser hereby makes the following representations and warranties, as to itself, to the Issuer and the Depositor on which the same are relying in entering into this Note Purchase Agreement.

SECTION V.1. Organization. The Purchaser has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization with power and authority to own its properties and to transact the business in which it is now engaged.

SECTION V.2. Authority, etc. The Purchaser has all requisite power and authority to enter into and perform its obligations under this Note Purchase Agreement and to consummate the transactions herein contemplated. The execution and delivery by the Purchaser of this Note Purchase Agreement and the consummation by the Purchaser of the transactions contemplated hereby have been duly and validly authorized by all necessary organizational action on the part of the Purchaser. This Note Purchase Agreement has been duly and validly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject as to enforcement to bankruptcy, reorganization, insolvency, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity. Neither the execution and delivery by the Purchaser of this Note Purchase Agreement nor the consummation by the Purchaser of any of the transactions contemplated hereby, nor the fulfillment by the Purchaser of the terms hereof, will conflict with, or violate, result in a breach of or constitute a default under any term or provision of the Purchaser's organizational documents or any Governmental Rule applicable to the Purchaser.

SECTION 2.3. Securities Act. The Purchaser will acquire the Purchased Note pursuant to this Note Purchase Agreement without a view to any public distribution thereof, and will not offer to sell or otherwise dispose of the Purchased Note (or any interest therein) in violation of any of the registration requirements of the Act or any applicable state or other securities laws, or by means of any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) and will comply with the requirements of the Indenture. The Purchaser acknowledges that it has no right to require the Issuer or any other Person to register the Purchased Note under the Securities Act or any other securities law.

SECTION V.3. Conflicts With Law. The execution, delivery and performance by the Purchaser of its obligations under this Note Purchase Agreement will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Purchaser is a party or by which the Purchaser is bound or of any statute, order or regulation applicable to the Purchaser of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Purchaser, in each case which could be expected to have a material adverse effect on the transactions contemplated therein.

SECTION V.4. Conflicts With Agreements, etc. The Purchaser is not in violation of its organizational documents or in default under any agreement, indenture or instrument the effect of which violation or default would be materially adverse to the Purchaser in the performance of its obligations or duties under any of the Basic Documents to which it is a party. The Purchaser is not a party to, bound by or in breach or violation of any indenture or other agreement or instrument, or subject to or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Purchaser that materially and adversely affects, or which could be expected in the future to materially and adversely affect the ability of the Purchaser to perform its obligations under this Note Purchase Agreement.

ARTICLE VI

COVENANTS OF THE ISSUER AND THE DEPOSITOR

SECTION VI.1. Information from the Issuer. So long as the Purchased Note remains outstanding, the Issuer and the Depositor shall each furnish to the Purchaser:

(1) such information (including financial information), documents, records or reports with respect to the Trust Estate, the Loans, the Advance Note, the Issuer, the Loan Originator, the Servicer or the Depositor as the Purchaser may from time to time reasonably request;

(2) as soon as possible and in any event within five (5) Business Days after the occurrence thereof, notice of each Event of Default under the Sale and Servicing Agreement or the Indenture, and each Default; and

(3) promptly and in any event within 30 days after the occurrence thereof, written notice of a change in address of the chief executive office of the Issuer, the Loan Originator or the Depositor.

SECTION VI.2. Access to Information. So long as the Purchased Note remains outstanding, each of the Issuer and the Depositor shall, at any time and from time to time during regular business hours, or at such other reasonable times upon reasonable notice to the Issuer or the Depositor, as applicable, permit the Purchaser, or their agents or representatives to:

(4) examine all books, records and documents (including computer tapes and disks) in the possession or under the control of the Issuer or the Depositor relating to the Loans or the Basic Documents as may be requested, and

(5) visit the offices and property of the Issuer and the Depositor for the purpose of examining such materials described in clause (a) above.

Except as provided in Section 10.05, information obtained by the Purchaser pursuant to this Section 7.02 and Section 7.01 herein shall be held in confidence in accordance with and to the extent provided in Sections 11.15 and 11.17 of the Sale and Servicing Agreement.

SECTION VI.3. Ownership and Security Interests; Further Assurances. The Depositor will take all action necessary to maintain the Issuer's ownership interest in the Loans and the other items sold pursuant to Article II of the Sale and Servicing Agreement. The Issuer will take all action necessary to maintain the Indenture Trustee's security interest in the Loans and the other items pledged to the Indenture Trustee pursuant to the Indenture.

The Issuer and the Depositor agree to take any and all acts and to execute any and all further instruments reasonably necessary or requested by the Purchaser to more fully effect the purposes of this Note Purchase Agreement.

SECTION VI.4. Covenants. The Issuer and the Depositor shall each duly observe and perform each of their respective covenants set forth in each of the Basic Documents to which they are parties.

SECTION VI.5. Amendments. Neither the Issuer nor the Depositor shall make, or permit any Person to make, any amendment, modification or change to, or provide any waiver under any Basic Document to which the Issuer or the Depositor, as applicable, is a party without the prior written consent of the Purchaser.

SECTION VI.6. With Respect to the Exempt Status of the Purchased Note.

(6) Neither the Issuer nor the Depositor, nor any of their respective Affiliates, nor any Person acting on their behalf will, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Purchased Note under the Securities Act.

(7) Neither the Issuer nor the Depositor, nor any of their Affiliates, nor any Person acting on their behalf will engage in any form of general solicitation or general advertising (within the meaning of Regulation D promulgated under the Securities Act) in connection with any offer or sale of the Purchased Note.

(8) On or prior to any Transfer Date or Funding Date, the Issuer and the Depositor will furnish or cause to be furnished to the Purchaser and any subsequent purchaser therefrom of Additional Note Principal Balance, if the Purchaser or such subsequent purchaser so requests, a letter from each Person furnishing a certificate or opinion on the Closing Date as described in Section 4.01 hereof or on or before any such Transfer Date or Funding Date in which such Person shall state that such subsequent purchaser may rely upon such original certificate or opinion as though delivered and addressed to such subsequent purchaser and made on and as of the Closing Date or such Transfer Date or Funding Date, as the case may be, except for such exceptions set forth in such letter as are attributable to events occurring after the Closing Date or such Transfer Date or Funding Date.

ARTICLE VII

ADDITIONAL COVENANTS

SECTION VII.1. Legal Conditions to Closing. The parties hereto will take all reasonable action necessary to obtain (and will cooperate with one another in obtaining) any consent, authorization, permit, license, franchise, order or approval of, or any exemption by, any Governmental Authority or any other Person, required to be obtained or made by it in connection with any of the transactions contemplated by this Note Purchase Agreement.

SECTION VII.2. Expenses.

(9) Subject to the limitation on Due Diligence Fees set forth in Section 11.15 of the Sale and Servicing Agreement, the Issuer and the Depositor jointly and severally covenant that, whether or not the Closing takes place, except as otherwise expressly provided herein, all reasonable costs and expenses incurred in connection with this Note Purchase Agreement and the transactions contemplated hereby shall be paid by the Issuer or the Depositor.

(10) The Issuer and the Depositor jointly and severally covenant to pay on the Closing Date all of the reasonable out-of-pocket costs and expenses incurred in connection with the consummation and administration of the transactions contemplated hereby and in the other Basic Documents including, without limitation, (i) all reasonable fees, disbursements and expenses of counsel to the Purchaser; (ii) all reasonable fees and expenses of the Indenture Trustee and the Owner Trustee and their counsel and (iii) all reasonable fees and expenses of the Custodian and its counsel.

SECTION VII.3. Mutual Obligations. On and after the Closing, each party hereto will do, execute and perform all such other acts, deeds and documents as the other party may from time to time reasonably require in order to carry out the intent of this Note Purchase Agreement.

SECTION VII.4. Restrictions on Transfer. The Purchaser agrees that it will comply with the restrictions on transfer of the Purchased Note set forth in the Indenture and resell the Purchased Note only in compliance with such restrictions.

SECTION VII.5. Confidentiality. Each of the Purchaser, the Issuer and the Depositor shall hold in confidence all Confidential Information and shall not, at any time hereafter, use, disclose or divulge any such information, knowledge or data to any Person except:

(1) Information which at the time of disclosure is a part of the public knowledge or literature and readily accessible;

(2) Information as required to be disclosed by a Governmental Authority;

(3) Disclosure to a Person that has entered into a confidentiality agreement, acceptable to the Purchaser, the Issuer and the Depositor; or

(4) Information that is deemed by the Purchaser reasonably necessary to disclose in connection with its exercise of any rights or remedies under the Basic Documents.

SECTION 2.4. Information Provided by the Purchaser. The Purchaser hereby covenants to determine One-Month LIBOR in accordance with the definition thereof in the Basic Documents and shall give notice to the Indenture Trustee, the Issuer and the Depositor of the Interest Payment Amount on each Determination Date. The Purchaser shall cause the Market Value Agent to give notice to the Indenture Trustee, the Issuer and the Depositor of any Hedge Funding Requirement on or before the Determination Date related to any Payment Date. In addition, on each Determination Date, the Purchaser hereby covenants to give notice to the Indenture Trustee, the Issuer and the Depositor of (i) the Issuer/Depositor Indemnities (as defined in the Trust Agreement), (ii) Due Diligence Fees and (iii) the Collateral Value for each Loan for the related Payment Date.

ARTICLE VIII

INDEMNIFICATION

SECTION VIII.1. Indemnification of Purchaser. Each of the Issuer and the Depositor hereby agree to, jointly and severally, indemnify and hold harmless each Indemnified Party against any and all losses, claims, damages, liabilities, expenses or judgments (including accounting fees and reasonable legal fees and other expenses incurred in connection with this Note Purchase Agreement or any other Basic Document and any action, suit or proceeding or any claim asserted) (collectively, "Losses"), as incurred (payable promptly upon written request), for or on account of or arising from or in connection with any information prepared by and furnished or to be furnished by any of the Issuer, the Loan Originator or the Depositor, the Advance Trust, the Advance Depositor or the Receivables Seller pursuant to or in connection with the transactions contemplated hereby including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the business, operations, financial condition of the Issuer, the Loan Originator, the Depositor, the Advance Trust, the Advance Depositor or the Receivables Seller or with respect to the Loans or the Advance Note, to the extent such information contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained therein in the light of the circumstances under which such statements were made not misleading, except with respect to any such information used by such Indemnified Party in violation of the Basic Documents which results in such Losses. The indemnities contained in this Section 9.01 will be in addition to any liability which the Issuer or the Depositor may otherwise have pursuant to this Note Purchase Agreement and any other Basic Document.

SECTION VIII.2. Procedure and Defense. In case any action or proceeding (including any governmental or regulatory investigation or proceeding) shall be instituted involving any Indemnified Party in respect of which indemnity may be sought pursuant to Section 9.01, such Indemnified Party shall promptly notify the Issuer and the Depositor in writing and, upon request of the Indemnified Party, the Issuer and the Depositor shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party to represent such Indemnified Party and any others the indemnifying party may designate and shall pay the reasonable fees and disbursements of such counsel related to such proceeding; provided that failure to give such notice or deliver such documents shall not affect the rights to indemnity hereunder unless such failure materially prejudices the rights of the Indemnified Party. The Indemnified Party will have the right to employ its own counsel in any such action in addition to the counsel of the Issuer and/or the Depositor, but the reasonable fees and expenses of such counsel will be at the expense of such Indemnified Party, unless (i) the employment of counsel by the Indemnified Party at its expense has been reasonably authorized in writing by the Depositor or the Issuer, (ii) the Depositor or the Issuer has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action or (iii) the named parties to any such action or proceeding (including any impleaded parties) include the Depositor or the Issuer and one or more Indemnified Parties, and the Indemnified Parties shall have been advised by counsel that there may be one or more legal defenses available to them which are different from or additional to those available to the Depositor or the Issuer. Reasonable expenses of counsel to any Indemnified Party shall be reimbursed by the Issuer and the Depositor as they are incurred. The Issuer and the Depositor shall not be liable for any settlement of any proceeding affected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Neither the Issuer nor the Depositor will, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened

proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

ARTICLE IX

MISCELLANEOUS

SECTION IX.1. Amendments. No amendment or waiver of any provision of this Note Purchase Agreement shall in any event be effective unless the same shall be in writing and signed by all of the parties hereto, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION IX.2. Notices. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including telecopies) and mailed, telecopied (with a copy delivered by overnight courier) or delivered, as to each party hereto, at its address as set forth in Schedule I hereto or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be deemed effective upon receipt thereof, and in the case of telecopies, when receipt is confirmed by telephone.

SECTION IX.3. No Waiver; Remedies. No failure on the part of any party hereto to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION IX.4. Binding Effect; Assignability.

(1) This Note Purchase Agreement shall be binding upon and inure to the benefit of the Issuer, the Depositor and the Purchaser and their respective permitted successors and assigns (including any subsequent holders of the Purchased Note); provided, however, neither the Issuer nor the Depositor shall have any right to assign their respective rights hereunder or interest herein (by operation of law or otherwise) without the prior written consent of the Purchaser.

(2) The Purchaser may, in the ordinary course of its business and in accordance with the Basic Documents and applicable law, including applicable securities laws, at any time sell to one or more Persons (each, a "Participant"), participating interests in all or a portion of its rights and obligations under this Note Purchase Agreement. Notwithstanding any such sale by the Purchaser of participating interests to a Participant, the Purchaser's rights and obligations under this Note Purchase Agreement shall remain unchanged, the Purchaser shall remain solely responsible for the performance thereof, and the Issuer and the Depositor shall continue to deal solely and directly with the Purchaser and shall have no obligations to deal with any Participant in connection with the Purchaser's rights and obligations under this Note Purchase Agreement.

(3) This Note Purchase Agreement shall create and constitute the continuing obligation of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time as all amounts payable with respect to the Purchased Note shall have been paid in full.

SECTION IX.5. Provision of Documents and Information. Each of the Issuer and the Depositor acknowledges and agrees that the Purchaser is permitted to provide to any subsequent Purchaser, permitted assignees and Participants, opinions, certificates, documents and other information relating to the Issuer, the Depositor and the Loans delivered to the Purchaser pursuant to this Note Purchase Agreement provided that with respect to Confidential Information, such subsequent Purchaser, permitted assignees and Participants agree to be bound by Section 8.05 hereof.

SECTION IX.6. GOVERNING LAW; JURISDICTION. THIS NOTE PURCHASE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS. EACH OF THE PARTIES TO THIS NOTE PURCHASE AGREEMENT HEREBY AGREES TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENTS THEREOF. EACH OF THE PARTIES HEREBY WAIVES ANY OBJECTION BASED ON FORUM *NON CONVENIENS* AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION IX.7. No Proceedings. Until the date that is one year and one day after the last day on which any amount is outstanding under this Note Purchase Agreement, the Depositor and the Purchaser hereby covenant and agree that they will not institute against the Issuer or the Depositor, or join in any institution against the Issuer or the Depositor of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law.

SECTION IX.8. Execution in Counterparts. This Note Purchase Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

SECTION IX.9. No Recourse — Purchaser and Depositor.

(4) The obligations of the Purchaser under this Note Purchase Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by the Purchaser or any officer thereof are solely the partnership or corporate obligations of the Purchaser, as the case may be. No recourse shall be had for payment of any fee or other obligation or claim arising out of or relating to this Note Purchase Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Purchaser or any officer thereof in

connection therewith, against any stockholder, limited partner, employee, officer, director or incorporator of the Purchaser.

(5) The obligations of the Depositor under this Note Purchase Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by the Depositor or any officer thereof are solely the partnership or corporate obligations of the Depositor, as the case may be. No recourse shall be had for payment of any fee or other obligation or claim arising out of or relating to this Note Purchase Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Purchaser or any officer thereof in connection therewith, against any stockholder, limited partner, employee, officer, director or incorporator of the Depositor.

(6) The Purchaser, by accepting the Purchased Note, acknowledges that such Purchased Note represents an obligation of the Issuer and does not represent an interest in or an obligation of the Loan Originator, the Servicer, the Depositor, the Administrator, the Owner Trustee, the Indenture Trustee or any Affiliate thereof and no recourse may be had against such parties or their assets, except as may be expressly set forth or contemplated in this Agreement, the Purchased Note or the Basic Documents.

SECTION IX.10. Survival. All representations, warranties, covenants, guaranties and indemnifications contained in this Note Purchase Agreement and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the sale, transfer or repayment of the Purchased Note.

SECTION IX.11. Tax Characterization. Each party to this Note Purchase Agreement (a) acknowledges and agrees that it is the intent of the parties to this Note Purchase Agreement that for all purposes, including federal, state and local income, single business and franchise tax purposes, the Purchased Note will be treated as evidence of indebtedness secured by the Loans and proceeds thereof and the trust created under the Indenture will not be characterized as an association (or publicly traded partnership) taxable as a corporation, (b) agrees to treat the Purchased Note for federal, state and local income and franchise tax purposes as indebtedness and (c) agrees that the provisions of all Basic Documents shall be construed to further these intentions of the parties.

SECTION IX.12. Conflicts. Notwithstanding anything contained herein to the contrary, in the event of the conflict between the terms of the Sale and Servicing Agreement and this Note Purchase Agreement, the terms of the Sale and Servicing Agreement shall control.

SECTION IX.13. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Note Purchase Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-2, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if

any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Note Purchase Agreement or any other related documents.

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Note Purchase Agreement to be executed by their respective officers hereunto duly authorized, as of the date first above written.

OPTION ONE OWNER TRUST 2001-2

By: Wilmington Trust Company, not in its individual capacity but solely as owner trustee

By: _____
Name:
Title:

OPTION ONE LOAN WAREHOUSE CORPORATION

By: _____
Name:
Title:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Note Purchase Agreement to be executed by their respective officers hereunto duly authorized, as of the date first above written.

OPTION ONE OWNER TRUST 2001-2

By: Wilmington Trust Company, not in its individual capacity but solely as owner trustee

By: /s/ Patricia A. Evans
Name: Patricia A. Evans
Title: Assistant Vice President

OPTION ONE LOAN WAREHOUSE CORPORATION

By: /s/ Bob Fulton
Name: Bob Fulton
Title: Assistant Secretary

BANK OF AMERICA, N.A.

By: /s/ Garrett Dolt
Name: Garret Dolt
Title: Principal

Schedule I
Information for Notices

1. if to the Issuer:

Option One Owner Trust 2001-2
c/o Wilmington Trust Company
as Owner Trustee
One Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration
Telecopy: (302) 636-4144
Telephone: (302) 651-1000

with a copy to:

Option One Mortgage Corporation
3 Ada Road
Irvine, California 92618
Attention: William O'Neill
Telecopy: (949) 790-7540
Telephone: (949) 790-7504

2. if to the Depositor:

Option One Loan Warehouse Corporation
3 Ada Road
Irvine, California 92618
Attention: William O'Neill
Telecopy: (949) 790-7540
Telephone: (949) 790-7504

3. if to the Purchaser:

Bank of America, N.A.
901 Main Street
Dallas, Texas 75202
Attention: Garrett Dolt
Telecopy: (214) 209-0338
Telephone: (214) 209-2664

EXHIBIT 10.12

AMENDMENT NUMBER ONE
to the
AMENDED AND RESTATED NOTE PURCHASE AGREEMENT,
dated as of November 25, 2003
among
OPTION ONE OWNER TRUST 2001-2,
OPTION ONE LOAN WAREHOUSE CORPORATION
and
BANK OF AMERICA, N.A.

This AMENDMENT NUMBER ONE (this "Amendment") is made and is effective as of this 17th day of December, 2004, among Option One Owner Trust 2001-2 (the "Issuer"), Option One Loan Warehouse Corporation (the "Depositor") and Bank of America, N.A. ("BofA", and in its capacity as Purchaser, the "Purchaser") to the Amended and Restated Note Purchase Agreement, dated as of November 25, 2003 (the "Note Purchase Agreement"), among the Issuer, the Depositor and the Purchaser.

RECITALS

WHEREAS, the Issuer has requested that the Purchaser agree to amend the Note Purchase Agreement to increase the Maximum Note Principal Balance from $2,000,000,000 to $3,000,000,000, for 60 days and the Purchaser has agreed to make such amendments, subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Note Purchase Agreement.

SECTION 2. Amendment. Effective as of December 17, 2004, the definition of "Maximum Note Principal Balance" in Section 1.01 is hereby deleted in its entirety and replaced with the following:

"Maximum Note Principal Balance" means, from December 17, 2004 to February 15, 2005, an amount equal to $3,000,000,000, less any reductions pursuant to Section 2.06 of the Sale and Servicing Agreement. After February 15, 2005 such term shall mean an amount equal to $2,000,000,000, less any reductions pursuant to Section 2.06 of the Sale and Servicing Agreement.

SECTION 3. Representations. To induce the Purchaser to execute and deliver this Amendment, each of the Issuer and the Depositor hereby jointly and severally represents to the Purchaser that as of the date hereof, after giving effect to this Amendment, (a) all of its respective representations and warranties in the Note Purchase Agreement and the other Basic Documents are true and correct, and (b) it is otherwise in full compliance with all of the terms and conditions of the Note Purchase Agreement.

SECTION 4. Fees and Expenses. The Issuer and the Depositor jointly and severally covenant to pay as and when billed by the Purchaser all of the reasonable out-of-pocket costs and expenses incurred in connection with the transactions contemplated hereby and in the other Basic Documents including, without limitation, (i) all reasonable fees, disbursements and expenses of counsel to the Purchaser, (ii) all reasonable fees and expenses of the Indenture Trustee and Owner Trustee and their counsel and (iii) all reasonable fees and expenses of the Custodian and its counsel.

SECTION 5. Limited Effect. Except as expressly amended and modified by this Amendment, the Note Purchase Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Note Purchase Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Note Purchase Agreement, any reference in any of such items to the Note Purchase Agreement being sufficient to refer to the Note Purchase Agreement as amended hereby.

SECTION 6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto in any number of separate counterparts, each of which when so executed shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 8. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Amendment is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-2 in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Amendment or any other related documents.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the day and year first above written.

OPTION ONE OWNER TRUST 2001-2

By: Wilmington Trust Company, not in its
individual capacity but solely as owner trustee

By: /s/ Mary Kay Pupillo
Name: Mary Kay Pupillo
Title: Assistant Vice President

OPTION ONE LOAN WAREHOUSE
CORPORATION

By: /s/ C.R. Fulton
Name: Charles R. Fulton
Title: Assistant Secretary

BANK OF AMERICA, N.A.

By: /s/ Garrett Dolt
Name: Garrett Dolt
Title: Principal

[Signature Page to Amendment One to the Amended and Restated Note Purchase Agreement]

EXHIBIT 10.13

AMENDMENT NUMBER TWO
to the
AMENDED AND RESTATED NOTE PURCHASE AGREEMENT,
dated as of November 25, 2003
among
OPTION ONE OWNER TRUST 2001-2,
OPTION ONE LOAN WAREHOUSE CORPORATION
and
BANK OF AMERICA, N.A.

This AMENDMENT NUMBER TWO (this "Amendment") is made and is effective as of this 15th day of February, 2005, among Option One Owner Trust 2001-2 (the "Issuer"), Option One Loan Warehouse Corporation (the "Depositor") and Bank of America, N.A. ("BofA", and in its capacity as Purchaser, the "Purchaser") to the Amended and Restated Note Purchase Agreement, dated as of November 25, 2003, as amended (the "Note Purchase Agreement"), among the Issuer, the Depositor and the Purchaser.

RECITALS

WHEREAS, the Issuer has requested that the Purchaser agree to amend the Note Purchase Agreement to extend the time period with respect to the increase of the Maximum Note Principal Balance from $2,000,000,000 to $3,000,000,000, for 90 days after the date hereof and the Purchaser has agreed to make such amendments, subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Note Purchase Agreement.

SECTION 2. Amendment. Effective as of February 15, 2005, the definition of "Maximum Note Principal Balance" in Section 1.01 is hereby deleted in its entirety and replaced with the following:

"Maximum Note Principal Balance" means, from February 15, 2005 to and including May 15, 2005, an amount equal to $3,000,000,000, less any reductions pursuant to Section 2.06 of the Sale and Servicing Agreement. After May 15, 2005 such term shall mean an amount equal to $2,000,000,000, less any reductions pursuant to Section 2.06 of the Sale and Servicing Agreement.

SECTION 3. Representations. To induce the Purchaser to execute and deliver this Amendment, each of the Issuer and the Depositor hereby represents to the Purchaser that as of the date hereof, after giving effect to this Amendment, (a) all of its respective representations and warranties in the Note Purchase Agreement and the other Basic Documents are true and

correct, and (b) it is otherwise in full compliance with all of the terms and conditions of the Note Purchase Agreement.

SECTION 4. Fees and Expenses. The Issuer and the Depositor jointly and severally covenant to pay as and when billed by the Purchaser all of the reasonable out-of-pocket costs and expenses incurred in connection with the transactions contemplated hereby and in the other Basic Documents including, without limitation, (i) all reasonable fees, disbursements and expenses of counsel to the Purchaser, (ii) all reasonable fees and expenses of the Indenture Trustee and Owner Trustee and their counsel and (iii) all reasonable fees and expenses of the Custodian and its counsel.

SECTION 5. Limited Effect. Except as expressly amended and modified by this Amendment, the Note Purchase Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Note Purchase Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Note Purchase Agreement, any reference in any of such items to the Note Purchase Agreement being sufficient to refer to the Note Purchase Agreement as amended hereby.

SECTION 6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto in any number of separate counterparts, each of which when so executed shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 8. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Amendment is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-2 in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Amendment or any other related documents.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the day and year first above written.

OPTION ONE OWNER TRUST 2001-2

By: Wilmington Trust Company, not in its
individual capacity but solely as owner trustee

By: /s/ Mary Kay Pupillo
Name: Mary Kay Pupillo
Title: Assistant Vice President

OPTION ONE LOAN WAREHOUSE
CORPORATION

By: /s/ C.R. Fulton
Name: Charles R. Fulton
Title: Assistant Secretary

BANK OF AMERICA, N.A.

By: /s/ Christopher G. Young
Name: Christopher G. Young
Title: Vice President

[Signature Page to Amendment Two to the Amended and Restated Note Purchase Agreement]

Exhibit 10.14

AMENDED AND RESTATED INDENTURE

between

OPTION ONE OWNER TRUST 2001-2,
as Issuer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,
as Indenture Trustee

Dated as of November 25, 2003

OPTION ONE OWNER TRUST 2001-2
MORTGAGE-BACKED NOTES

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EXHIBITS

EXHIBIT A	—	Form of Notes
EXHIBIT B-1	—	Form of Transferor Affidavit (144A)
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EXHIBIT B-3	—	Form of Transfer Affidavit
EXHIBIT C	—	Form of Securities Legend

INDENTURE

AMENDED AND RESTATED INDENTURE, dated and effective as of November 25, 2003 (the "Indenture"), between OPTION ONE OWNER TRUST 2001-2, a Delaware business trust, as Issuer (the "Issuer"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee (the "Indenture Trustee").

W I T N E S S E T H T H A T:

In consideration of the mutual covenants herein contained, the Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance of Notes, issuable as provided in this Indenture. All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders.

GRANTING CLAUSE

Subject to the terms of this Indenture, the Issuer hereby Grants on the Closing Date, to the Indenture Trustee, as Indenture Trustee for the benefit of the Noteholders, all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in and to: (i) such Loans as from time to time are subject to the Sale and Servicing Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments; (ix) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement and/or the Master Disposition Confirmation Agreement, and all proceeds of any of the foregoing, (x) all right, title and interest of the Issuer in and to the Sale and Servicing Agreement, including the Issuer's right to cause the Loan Originator to repurchase Loans from the Issuer under certain circumstances described therein), (xi) all right, title and interest (but none of the obligations) of the Trust in, to and under the Advance Note and all Additional Note Balances thereunder, (xii) all right, title and interest (but none of the obligations) of the Trust in, to and under the Advance Documents, (xiii) all other Property of the Trust from time to time and (xiv) all present and future claims, demands, causes of action and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation

awards, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Collateral").

The foregoing Grant is made in trust to secure the payment of principal of and interest on, and any other amounts owing in respect of, the Notes, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture.

The Indenture Trustee, as Indenture Trustee on behalf of the Noteholders, acknowledges such Grant, accepts the trusts hereunder and agrees to perform its duties required in this Indenture to the best of its ability to the end that the interests of the Noteholders may adequately and effectively be protected.

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. (a) Except as otherwise specified herein, the following terns have the respective meanings set forth below for all purposes of this Indenture.

"Act" has the meaning specified in Section 11.03(a) hereof.

"Additional Note Principal Balance" As defined in the Sale and Servicing Agreement.

"Administration Agreement" means the Administration Agreement dated as of April 1, 2001, between the Issuer and the Administrator.

"Administrator" means Option One Mortgage Corporation, or any successor Administrator under the Administration Agreement.

"Authorized Officer" means, with respect to the Issuer, any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Owner Trustee to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Authorized Officers delivered by the Administrator to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter).

"Basic Documents" As defined in the Sale and Servicing Agreement.

"Certificate of Trust" means the certificate of trust of the Issuer substantially in the form of Exhibit C to the Trust Agreement.

"Change of Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of outstanding shares of voting stock of the Loan Originator at any time if after giving effect to such acquisition (i) such Person or Persons owns twenty percent (20%) or more of such outstanding voting stock or (ii) H&R Block, Inc. does not own more than fifty percent (50%) of such outstanding shares of voting stock.

"Clean-up Call Date" As defined in the Sale and Servicing Agreement.

"Closing Date" means April 18, 2001.

"Collateral" has the meaning specified in the Granting Clause of this Indenture.

"Commission" means the Securities and Exchange Commission.

"Corporate Trust Office" means the principal office of the Indenture Trustee at which at any particular time its corporate trust business shall be administered, which office at date of execution of this Indenture is located, for note transfer purposes, at Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: Option One Owner Trust 2001-2, telecopy number: (612) 667-6282, telephone number: (800) 344-5128, and for all other purposes, at 11000 Broken Land Parkway, Columbia, Maryland 21044, Attention: Option One Owner Trust 2001-2, telecopy number: (410) 884-2372, telephone number: (410) 884-2000, or at such other address as the Indenture Trustee may designate from time to time by notice to the Noteholders and the Issuer, or the principal corporate trust office of any successor Indenture Trustee at the address designated by such successor Indenture Trustee by notice to the Noteholders and the Issuer.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Depositor" shall mean Option One Loan Warehouse Corporation, a Delaware corporation; in its capacity as depositor under the Sale and Servicing Agreement, or any successor in interest thereto.

"Depository Institution" means any depository institution or trust company, including the Indenture Trustee, that (a) is incorporated under the laws of the United States of America or any State thereof, (b) is subject to supervision and examination by federal or state banking authorities and (c) has outstanding unsecured commercial paper or other short-term unsecured debt obligations that are rated at a rating to which the Majority Noteholders consent in writing.

"Event of Default" has the meaning specified in Section 5.01 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Executive Officer" means, with respect to (i) the Depositor, the Servicer, the Loan Originator or any Affiliate of any of them, the President, any Vice President or the Treasurer of such

corporation; and with respect to any partnership, any general partner thereof, (ii) the Note Registrar, any Responsible Officer of the Indenture Trustee, (iii) any other corporation, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Executive Vice President, any Vice President, the Secretary or the Treasurer of such entity and (iv) any partnership, any general partner thereof.

"Grant" means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, create and grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to this Indenture. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for principal and interest payments in respect of the Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Holder" means the Person in whose name a Note is registered on the Note Register.

"ICA Owner" means "beneficial owner" as such term is used in Section 3(c)(1) of the Investment Company Act of 1940, as amended (other than any persons who are excluded from such term or from the 100-beneficial owner test of Section 3(c)(1) by law or regulations adopted by the Securities and Exchange Commission.

"Indenture" means this Indenture and any amendments hereto.

"Indenture Trustee" means Wells Fargo Bank Minnesota, National Association, a national banking association, as Indenture Trustee under this Indenture, or any successor Indenture Trustee hereunder.

"Issuer" means Option One Owner Trust 2001-2.

"Issuer Order" and "Issuer Request" mean a written order or request signed in the name of the Issuer by any one of its Authorized Officers and delivered to the Indenture Trustee.

"Loan Originator" means Option One Mortgage Corporation, a California corporation.

"Majority Certificateholders" As defined in the Sale and Servicing Agreement.

"Maturity Date" means, with respect to the Notes, December 19, 2003.

"Maximum Note Principal" As defined in the Note Purchase Agreement.

"Note" means any Note authorized by and authenticated and delivered under this Indenture.

"Note Interest Rate" As defined in the Sale and Servicing Agreement.

"Note Principal Balance" As defined in the Sale and Servicing Agreement.

"Note Purchase Agreement" means the Note Purchase Agreement, dated as of April 18, 2001, and as amended and restated as of November 25, 2003, among the Issuer, the Depositor and Bank of America, N.A, as the same may be amended from time to time.

"Note Redemption Amount" As defined in the Sale and Servicing Agreement.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 2.03 hereof.

"Noteholder" means the Person in whose name a Note is registered on the Note Register.

"Officer's Certificate" means a certificate signed by any Authorized Officer of the Issuer or the Administrator, under the circumstances described in, and otherwise complying with, the applicable requirements of Section 11.01 hereof, and delivered to the Indenture Trustee. Unless otherwise specified, any reference in this Indenture to an Officer's Certificate shall be to an Officer's Certificate of any Authorized Officer of the Issuer or the Administrator.

"Opinion of Counsel" means one or more written opinions of counsel who may, except as otherwise expressly provided in this Indenture, be an employee of or counsel to the Issuer, and which opinion or opinions shall be addressed to the Indenture Trustee, as Indenture Trustee, and shall comply with any applicable requirements of Section 11.01 hereof and shall be in form and substance satisfactory to the Initial Noteholder.

"Outstanding" means, with respect to any Note and as of the date of determination, any Note theretofore authenticated and delivered under this Indenture except:

(i) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(ii) Notes or portions thereof the payment for which money in the necessary amount has theretofore been deposited with the Indenture Trustee or any Paying Agent in trust for the Noteholders (provided, however, that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision for such notice satisfactory to the Indenture Trustee has been made); and

(iii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Notes are held by a bona fide purchaser; provided, however, that in determining whether

the Noteholders representing the requisite Percentage Interests of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any Basic Document, Notes owned by the Issuer, any other obligor upon the Notes, the Depositor or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Indenture Trustee actually knows to be owned in such manner shall be disregarded. Notes owned in such manner that have been pledged in good faith may be regarded as Outstanding if the pledgee certifies to the Indenture, Trustee (y) that the pledgee has the right so to act with respect to such Notes and (z) that the pledgee is not the Issuer, any other obligor upon the Notes, the Depositor or any Affiliate of any of the foregoing Persons.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee under the Trust Agreement, or any successor Owner Trustee under the Trust Agreement.

"Paying Agent" means (unless the Paying Agent is the Servicer) a Person that meets the eligibility standards for the Indenture Trustee specified in Section 6.11 hereof and is authorized by the Issuer to make payments to and distributions from the Collection Account and the Distribution Account, including payment of principal of or interest on the Notes on behalf of the Issuer. The initial Paying Agent shall be the Servicer; provided that if the Servicer is terminated as Paying Agent for any reason, the Indenture Trustee shall be the Paying Agent until another Paying Agent is appointed by the Initial Noteholder pursuant to Section 8.04 herein. The Indenture Trustee shall be entitled to reasonable additional compensation for assuming the role of Paying Agent.

"Payment Date" As defined in the Sale and Servicing Agreement.

"Percentage Interest" means, with respect to any Note and as of any date of determination, the percentage equal to a fraction, the numerator of which is the principal balance of such Note as of such date of determination and the denominator of which is the Note Principal Balance.

"Person" As defined in the Sale and Servicing Agreement.

"Predecessor Note" means, with respect to any particular Note, every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purpose of this definition, any Note authenticated and delivered under Section 2.04 hereof in lieu of a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Record Date" As defined in the Sale and Servicing Agreement.

"Redemption Date" means in the case of a redemption of the Notes pursuant to Section 10.01 hereof, the Payment Date specified by the Servicer pursuant to such Section 10.01.

"Registered Holder" means the Person in the name of which a Note is registered on the Note Register on the applicable Record Date.

"Revolving Period" As defined in the Sale and Servicing Agreement.

"Sale Agent" has the meaning assigned to such term in Section 5.11 hereof.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement, dated as of April 1, 2001, and as amended and restated through and including November 25, 2003, among the Issuer, the Depositor, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders, as the same may be further amended or supplemented from time to time.

"Servicer" shall mean Option One Mortgage Corporation, in its capacity as servicer under the Sale and Servicing Agreement, and any successor servicer thereunder.

"State" means any one of the States of the United States of America or the District of Columbia.

"Termination Price" As defined in the Sale and Servicing Agreement.

"Transfer Date" As defined in the Sale and Servicing Agreement.

"Trust Agreement" means the Trust Agreement dated as of April 1, 2001, between the Depositor and the Owner Trustee.

"Trust Certificate" has the meaning assigned to such term in Section 1.1 of the Trust Agreement.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force on the date hereof, unless otherwise specifically provided.

(b) Except as otherwise specified herein or as the context may otherwise require, capitalized terms used but not otherwise defined herein have the respective meanings set forth in the Sale and Servicing Agreement for all purposes of this Indenture.

Section 1.02. Rules of Construction. Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) “including” means including without limitation;

(v) words in the singular include the plural and words in the plural include the singular; and

(vi) any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented (as provided in such agreements) and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

ARTICLE II

GENERAL PROVISIONS WITH RESPECT TO THE NOTES

Section 2.01. Method of Issuance and Form of Notes.

The Notes shall be designated generally as the “Option One Mortgage-Backed Notes 2001-2” of the Issuer. Each Note shall bear upon its face the designation so selected for the Notes. All Notes shall be identical in all respects except for the denominations thereof. All Notes issued under this Indenture shall be in all respects equally and ratably entitled to the benefits thereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terns and provisions of this Indenture.

The Notes may be typewritten, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Each Note shall be dated the date of its authentication.

The terms of the Notes shall be set forth in this Indenture.

The Notes shall be in definitive form and shall bear a legend substantially in the form of Exhibit C attached hereto.

Section 2.02. Execution, Authentication, Delivery and Dating. The Notes shall be executed on behalf of the Issuer by an Authorized Officer of the Owner Trustee or the Administrator. The signature of any such Authorized Officer on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signature of individuals who were at any time Authorized Officers of the Owner Trustee or the Administrator shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

Subject to the satisfaction of the conditions set forth in Section 2.08 hereof, the Indenture Trustee shall upon Issuer Order authenticate and deliver the Notes.

The Notes that are authenticated and delivered by the Indenture Trustee to or upon the order of the Issuer on the Closing Date shall be dated as of such Closing Date. All other Notes that are authenticated after the Closing Date for any other purpose under the Indenture shall be dated the date of their authentication. The Notes shall be issued in such denominations as may be agreed by the Issuer and the Initial Noteholder.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Indenture Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.03. Registration; Registration of Transfer and Exchange. The Issuer shall cause to be kept a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Notes and the registration of transfers of Notes. The Indenture Trustee initially shall be the "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided. Upon any resignation of any Note Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of the Note Registrar.

If a Person other than the Indenture Trustee is appointed by the Issuer as Note Registrar, the Issuer will give the Indenture Trustee prompt written notice of the appointment of such Note Registrar and of the location, and any change in the location, of the Note Register, and the Indenture Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof, and the Indenture Trustee shall have the right to rely upon a certificate executed on behalf of the Note Registrar by an Executive Officer thereof as to the names and addresses of the Noteholders and the principal amounts and number of the Notes.

Upon surrender for registration of transfer of any Note at the office or agency of the Issuer to be maintained as provided in Section 3.02 hereof, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Noteholder shall obtain from the Indenture Trustee, in the name of the designated transferee or transferees, one or more new Notes in any authorized denominations, of a like aggregate Note Principal Balance.

At the option of the Holder, Notes may be exchanged for other Notes in any authorized denominations, of a like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Noteholder shall obtain from the Indenture Trustee, the Notes which the Noteholder making the exchange is entitled to receive.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in the form attached to the form of Note attached as Exhibit A hereto duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Securities Transfer Agents' Medallion Program ("STAMP").

No service charge shall be made to a Noteholder for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 9.05 hereof not involving any transfer.

The preceding provisions of this Section 2.03 notwithstanding, the Issuer shall not be required to make, and the Note Registrar need not register, transfers or exchanges of Notes selected for redemption or of any Note for a period of 15 days preceding the due date for any payment with respect to such Note.

Section 2.04. Mutilated, Destroyed, Lost or Stolen Notes. If (i) any mutilated Note is surrendered to the Indenture Trustee, or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Issuer and Indenture Trustee such security or indemnity as may reasonably be required by it to hold the Issuer and the Indenture Trustee, as applicable, harmless, then, in the absence of notice to the Issuer, the Note Registrar or the Indenture Trustee that such Note has been acquired by a bona fide purchaser, an Authorized Officer of the Owner Trustee or the Administrator on behalf of the Issuer shall execute, and upon its written request the Indenture Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note; provided, however, that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become or within seven days shall be due and payable, or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may pay such destroyed, lost or stolen Note when so due or payable or upon the Redemption Date without surrender thereof. If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Issuer shall be entitled to recover such replacement Note (or such payment) from the Person to which it was delivered or any Person taking such replacement Note from such Person to which such replacement Note was delivered or any assignee of such Person, except a bona fide purchaser, and the Issuer and the Indenture Trustee shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Indenture Trustee in connection therewith.

Upon the issuance of any replacement Note under this Section 2.04, the Issuer may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Indenture Trustee) connected therewith.

Every replacement Note issued pursuant to this Section 2.04 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.04 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.05. Persons Deemed Noteholders. Prior to due presentment for registration of transfer of any Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in the name of which any Note is registered (as of the day of determination) as the Noteholder for the purpose of receiving payments of principal of and interest, if any, on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and none of the Issuer, the Indenture Trustee or any agent of the Issuer or the Indenture Trustee shall be affected by notice to the contrary.

Section 2.06. Payment of Principal and/or Interest; Defaulted Interest.

(a) The Notes shall accrue interest at the Note Interest Rate, and such interest shall be payable on each Payment Date, subject to Section 3.01 hereof. Any installment of interest or principal, if any, payable on any Note that is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in the name of which such Note (or one or more Predecessor Notes) is registered on the next preceding Record Date based on the Percentage Interest represented by its respective Note, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee, and otherwise by check mailed to the address of such Noteholder appearing in the Note Register no less than five days preceding the related Record Date. The final installment of principal payable with respect to such Note shall be payable as provided in Section 2.06(b) below. The funds represented by any such checks returned undelivered shall be held in accordance with Section 3.03 hereof.

(b) The principal of each Note shall be payable in installments on each Payment Date as provided in Sections 5.01 and 5.02 of the Sale and Servicing Agreement and Section 5.04(b) hereof. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable, if not previously paid, on the earlier of (i) the Maturity Date, (ii) the Redemption Date, (iii) the Final Put Date and (iv) the date on which an Event of Default shall have occurred and be continuing, if the Indenture Trustee or the Majority Noteholders shall have declared the Notes to be immediately due and payable in the manner provided in Section 5.02 hereof.

All principal payments on the Notes shall be made pro rata to the Noteholders based on their respective Percentage Interests. The Paying Agent shall notify the Person in the name of which a Note is registered at the close of business on the Record Date preceding the Payment Date

on which the Issuer expects that the final installment of principal of and interest on such Note will be paid. Such notice shall be mailed or transmitted by facsimile prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of such Note and shall specify the place where such Note may be presented and surrendered for payment of such installment. Notices in connection with redemptions of Notes shall be provided to Noteholders as set forth in Section 10.02 hereof.

Section 2.07. Cancellation. All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Indenture Trustee, be delivered to the Indenture Trustee and shall promptly be canceled by the Indenture Trustee. The Issuer may at any time deliver to the Indenture Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Notes so delivered shall promptly be canceled by the Indenture Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.07, except as expressly permitted by this Indenture. All canceled Notes may be held or disposed of by the Indenture Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer shall direct by an Issuer Order that they be destroyed or returned to it; provided, however, that such Issuer Order is timely and the Notes have not been previously disposed of by the Indenture Trustee.

Section 2.08. Conditions Precedent to the Authentication of the Notes. The Notes may be authenticated by the Indenture Trustee upon receipt by the Indenture Trustee of the following:

(a) An Issuer Order authorizing authentication of such Notes by the Indenture Trustee;

(b) All of the items of Collateral which are to be delivered pursuant to the Basic Documents to the Indenture Trustee or its designee by the related Closing Date shall have been delivered;

(c) An executed counterpart of each Basic Document;

(d) One or more Opinions of Counsel addressed to the Indenture Trustee to the effect that:

(i) all conditions precedent provided for in this Indenture relating to the authentication of the Notes have been complied with;

(ii) the Owner Trustee has power and authority to execute, deliver and perform its obligations under the Trust Agreement;

(iii) the Issuer has been duly formed, is validly existing as a business trust under the laws of the State of Delaware, 12 Del. C. Section 3801 et seq., and has power, authority and legal right to execute and deliver this Indenture, the Note Purchase Agreement, the Custodial Agreement, the Administration Agreement and the Sale and Servicing Agreement;

(iv) assuming due authorization, execution and delivery hereof by the Indenture Trustee, the Indenture is a valid, legal and binding obligation of the Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent or preferential conveyance and other similar laws of general application affecting the rights of creditors generally and to general principles of equity (regardless of whether such enforcement is considered in a Proceeding in equity or at law);

the Notes, when executed and authenticated as provided herein and delivered against payment therefor, will be the valid, legal and binding obligations of the Issuer pursuant to the terms of this Indenture, entitled to the benefits of this Indenture, and will be enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent or preferential conveyance and other similar laws of general application affecting the rights of creditors generally and to general principles of equity (regardless of whether such enforcement is considered in a Proceeding in equity or at law);

(v) Reserved.

(vi) this Indenture is not required to be qualified under the Trust Indenture Act;

(vii) no authorization, approval or consent of any governmental body having jurisdiction in the premises which has not been obtained by the Issuer is required to be obtained by the Issuer for the valid issuance and delivery of the Notes, except that no opinion need be expressed with respect to any such authorizations, approvals or consents as may be required under any state securities or "blue sky" laws; and

(viii) any other matters that the Indenture Trustee may reasonably request.

(e) An Officer's Certificate complying with the requirements of Section 11.01 hereof and stating that:

(i) the Issuer is not in Default under this Indenture and the issuance of the Notes applied for will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, the Trust Agreement, any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it may be bound or to which it may be subject, and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes applied for have been complied with;

(ii) the Issuer is the owner of all of the Loans, has not assigned any interest or participation in the Loans (or, if any such interest or participation has been assigned, it has been released) and has the right to Grant all of the Loans to the Indenture Trustee;

(iii) the Issuer has Granted to the Indenture Trustee all of its right, title and interest in and to the Collateral, and has delivered or caused the same to be delivered to the Indenture Trustee; and

(iv) all conditions precedent provided for in this Indenture relating to the authentication of the Notes have been complied with.

Section 2.09. Release of Collateral. (a) Except as otherwise provided by the terms of the Basic Documents, the Indenture Trustee shall release the Collateral from the lien of this Indenture only upon receipt of an Issuer Request accompanied by the written consent of the Majority Noteholders in accordance with the procedures set forth in the Custodial Agreement. To the extent it deems necessary, the Indenture Trustee may seek direction that is not inconsistent with the Basic Documents from the Initial Noteholder with regard to the release of Collateral other than the Custodial Loan File.

(b) The Indenture Trustee shall, if requested by the Servicer, temporarily release or cause the Custodian temporarily to release to the Servicer the Custodial Loan File pursuant to the provisions of Section 5(b) of the Custodial Agreement upon compliance by the Servicer with the provisions thereof; provided, however, that the Custodian's records shall indicate the Issuer's pledge to the Indenture Trustee under the Indenture.

Section 2.10. Additional Note Principal Balance. In the event of payment of Additional Note Principal Balance by the Noteholders as provided in Section 2.01(c) of the Sale and Servicing Agreement, each Noteholder shall, and is hereby authorized to, record on the schedule attached to its Note the date and amount of any Additional Note Principal Balance advanced by it, and each repayment thereof; provided that failure to make any such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Additional Note Principal Balance and its right to receive interest payments in respect of the Additional Note Principal Balance held by such Noteholder.

Absent manifest error, the Note Principal Balance of each Note as set forth in the notations made by the related Noteholder on such Note shall be binding upon the Indenture Trustee and the Issuer; provided that failure by a Noteholder to make such recordation on its Note or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive principal and interest payments in respect thereof.

Section 2.11. Tax Treatment. The Issuer has entered into this Indenture, and the Notes will be issued, with the intention that for all purposes, including federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness of the Issuer secured by the Collateral. The Issuer, by entering into this Indenture, and each Noteholder, by its acceptance of a Note, agree to treat the Notes for all purposes, including federal, state and local income, single business and franchise tax purposes, as indebtedness of the Issuer. The Indenture Trustee will have no responsibility for filing or preparing any tax returns.

Section 2.12. Limitations on Transfer of the Notes.

(a) The Notes have not been and will not be registered under the Securities Act and will not be listed on any exchange. No transfer of a Note shall be made unless such transfer is made pursuant to an effective registration statement under the Securities Act and all applicable state securities laws or is exempt from the registration requirements under the Securities Act and such state securities laws. In order to assure compliance with the Securities Act and state securities laws, any transfer of a Note shall be made (A) in reliance on Rule 144A under the Securities Act, in which case, the Indenture Trustee shall require that the transferor deliver a certification substantially in the form of Exhibit B-1 hereto and that the transferee deliver a certification substantially in the form of Exhibit B-3 hereto, or (B) to an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act that is not a "qualified institutional buyer," in which case the Indenture Trustee shall require that the transferee deliver a certification substantially in the form of Exhibit B-2 hereto. The Indenture Trustee shall not make any transfer or re-registration of the Notes if after such transfer or re-registration, there would be more than five Noteholders. Each Noteholder shall, by its acceptance of a Note, be deemed to have represented and warranted that the number of ICA Owners with respect to all of its Notes shall not exceed four.

(b) The Note Registrar shall not register the transfer of any Note unless the Indenture Trustee has received a certificate from the transferee to the effect that either (i) the transferee is not an employee benefit plan or other retirement plan or arrangement subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended (each, a "Plan"), and is not acting on behalf of or investing the assets of a Plan or (ii) if the transferee is a Plan or is acting on behalf of or investing the assets of a Plan, the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts),PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts) and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

ARTICLE III

COVENANTS

Section 3.01. Payment of Principal and/or Interest. The Issuer will duly and punctually pay (or will cause to be paid duly and punctually) the principal of and interest on the Notes in accordance with the terms of the Notes, this Indenture and the Sale and Servicing Agreement. Amounts properly withheld under the Code by any Person from a payment to any Noteholder of interest and/or principal shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture. The Notes shall be non-recourse obligations of the Issuer and shall be limited in right of payment to amounts available from the Collateral, as provided in this Indenture. The Issuer shall not otherwise be liable for payments on the Notes. If any other provision of this Indenture shall be deemed to conflict with the provisions of this Section 3.01, the provisions of this Section 3.01 shall control.

Section 3.02. Maintenance of Office or Agency. The Indenture Trustee shall maintain at the Corporate Trust Office an office or agency where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Indenture Trustee shall give prompt written notice to the Issuer of the location, and of any change in the location, of any such office or agency.

Section 3.03. Money for Payments to Be Held in Trust. As provided in Section 8.02(a) and (b) hereof, all payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Distribution Account pursuant to Section 8.02(c) hereof shall be made on behalf of the Issuer by the Indenture Trustee or by the Paying Agent, and no amounts so withdrawn from the Distribution Account for payments of Notes shall be paid over to the Issuer except as provided in this Section 3.03.

Any Paying Agent shall be appointed by the Initial Noteholder with written notice thereof to the Indenture Trustee. The Issuer shall not appoint any Paying Agent (other than the Indenture Trustee or Servicer) which is not, at the time of such appointment, a Depository Institution.

The Issuer will cause each Paying Agent other than the Indenture Trustee to execute and deliver to the Indenture Trustee an instrument in which such Paying Agent shall agree with the Indenture Trustee (and if the Indenture Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 3.03, that such Paying Agent will:

(i) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) give the Indenture Trustee notice of any Default by the Issuer (or any other obligor upon the Notes) of which it has actual knowledge in the making of any payment required to be made with respect to the Notes;

(iii) at any time during the continuance of any such Default, upon the written request of the Majority Noteholders or the Indenture Trustee, forthwith pay to the Indenture Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to the Indenture Trustee all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards required to be met by a Paying Agent at the time of its appointment; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Notes of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith; provided, however, that with respect to withholding and reporting requirements applicable to original issue discount (if any) on the Notes, the Issuer shall have first provided the calculations pertaining thereto to the Indenture Trustee.

The Issuer at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Indenture Trustee all sums held in trust by such Paying Agent, such sums to be held by the Indenture Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Indenture Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to applicable laws with respect to escheat of funds or abandoned property, any money held by the Indenture Trustee or any Paying Agent in trust for the payment of any amount due with respect to any Note and remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer on Issuer Request; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Indenture Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Indenture Trustee or such Paying Agent, before being required to make any such repayment, shall at the expense and direction of the Issuer cause to be published, once in a newspaper of general circulation in the City of New York customarily published in the English language on each Business Day, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Indenture Trustee shall also adopt and employ any other reasonable means of notification of such repayment (including, but not limited to, mailing notice of such repayment to Noteholders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in moneys due and payable but not claimed at the last address of record for each such Noteholder determinable from the records of the Indenture Trustee or of any Paying Agent. Any costs and expenses of the Indenture Trustee and the Paying Agent incurred in the holding of such funds shall be charged against such funds. Monies so held shall not bear interest.

Section 3.04. Existence. (a) Subject to subparagraph (b) of this Section 3.04, the Issuer will keep in full effect its existence, rights and franchises as a business trust under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other State or of the United States of America, in which case the Issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes and the Collateral. The Issuer shall comply in all respects with the covenants contained in the Trust Agreement, including without limitation, the "special purpose entity" set forth in Section 4.1 thereof.

(b) Any successor to the Owner Trustee appointed pursuant to Section 10.2 of the Trust Agreement shall be the successor Owner Trustee under this Indenture without the execution or filing of any paper, instrument or further act to be done on the part of the parties hereto.

(c) Upon any consolidation or merger of or other succession to the Owner Trustee, the Person succeeding to the Owner Trustee under the Trust Agreement may exercise every

right and power of the Owner Trustee under this Indenture with the same effect as if such Person had been named as the Owner Trustee herein.

Section 3.05. Protection of Collateral. The Issuer will from time to time execute and deliver all such reasonable supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(i) provide further assurance with respect to the Grant of all or any portion of the Collateral;

(ii) maintain or preserve the lien and security interest (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;

(iv) enforce any rights with respect to the Collateral; and

(v) preserve and defend title to the Collateral and the rights of the Indenture Trustee and the Noteholders in such Collateral against the claims of all Persons and parties.

The Issuer hereby designates the Administrator, its agent and attorney-in-fact to execute any financing statement, continuation statement or other instrument required to be executed pursuant to this Section 3.05.

Section 3.06. Negative Covenants. Without the written consent of the Majority Noteholders, so long as any Notes are Outstanding, the Issuer shall not:

(i) except as expressly permitted by the Basic Documents, sell, transfer, exchange or otherwise dispose of any of the properties or assets of the Issuer, including those included in any part of the Trust Estate, unless directed to do so by the Noteholders as permitted herein;

(ii) claim any credit on, or make any deduction from the principal or interest payable in respect of, the Notes (other than amounts properly withheld from such payments under the Code) or assert any claim against any present or former Noteholder by reason of the payment of the taxes levied or assessed upon any part of the Trust Estate;

(iii) engage in any business or activity other than as expressly permitted by this Indenture and the other Basic Documents, other than in connection with, or relating to, the issuance of Notes pursuant to this Indenture, or amend this Indenture as in effect on the Closing Date other than in accordance with Article IX hereof;

(iv) issue any debt obligations except under this Indenture;

(v) incur or assume any indebtedness or guaranty any indebtedness of any Person, except for such indebtedness as may be incurred by the Issuer in connection with the issuance of the Notes pursuant to this Indenture;

(vi) dissolve or liquidate in whole or in part or merge or consolidate with any other Person;

(vii) (A) permit the validity or effectiveness of this Indenture to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Notes except as may expressly be permitted hereby, (B) except as provided in the Basic Documents, permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance to be created on or extend to or otherwise arise upon or burden the Trust Estate or any part thereof or any interest therein or the proceeds thereof (other than tax liens, mechanics' liens and other liens that arise by operation of law, in each case, on any Mortgaged Property and arising solely as a result of an action or omission of the related Borrowers) or (C) except as provided in the Basic Documents, permit any Person other than itself, the Owner Trustee and the Noteholders to have any right, title or interest in the Trust Estate;

(viii) remove the Administrator without the prior written consent of the Majority Noteholders; or

(ix) take any other action or fail to take any action which may cause the Trust to be taxable as (a) an association pursuant to Section 7701 of the Code and the corresponding regulations, or (b) as a taxable mortgage pool pursuant to Section 7701(i) of the Code.

Section 3.07. Performance of Obligations: Servicing of Loans. (a) The Issuer will not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's material covenants or obligations under any instrument or agreement included in the Collateral or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except as expressly provided in the Basic Documents or such other instrument or agreement.

(b) The Issuer may contract with or otherwise obtain the assistance of other Persons (including, without limitation, the Administrator under the Administration Agreement) to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Indenture Trustee in an Officer's Certificate of the Issuer shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Servicer and the Administrator to assist the Issuer in performing its duties under this Indenture.

(c) The Issuer will punctually perform and observe all of its obligations and agreements contained in this Indenture, in the Basic Documents and in the instruments and agreements included in the Collateral, including but not limited to (i) filing or causing to be filed all UCC financing statements and continuation statements required to be filed by the terms of this

Indenture and the Sale and Servicing Agreement and (ii) recording or causing to be recorded all Mortgages, Assignments of Mortgage, all intervening Assignments of Mortgage and all assumption and modification agreements required to be recorded by the terms of the Sale and Servicing Agreement, in accordance with and within the time periods provided for in this Indenture and/or the Sale and Servicing Agreement, as applicable. Except as otherwise expressly provided therein, the Issuer shall not waive, amend, modify, supplement or terminate any Basic Document or any provision thereof without the consent of the Indenture Trustee and the Majority Noteholders.

(d) If the Issuer shall have knowledge of the occurrence of a Servicing Event of Default, the Issuer shall promptly notify the Indenture Trustee and the Initial Noteholder thereof, and shall specify in such notice the action, if any, the Issuer is taking with respect to such default. If a Servicing Event of Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Sale and Servicing Agreement with respect to the Loans, the Issuer shall take all reasonable steps available to it to remedy such failure.

(e) Reserved.

(f) Upon any termination of the Servicer's rights and powers pursuant to the Sale and Servicing Agreement, the Issuer shall promptly notify the Indenture Trustee. As soon as a successor servicer is appointed, the Issuer shall notify the Indenture Trustee of such appointment, specifying in such notice the name and address of such successor servicer.

(g) Without derogating from the absolute nature of the assignment granted to the Indenture Trustee under this Indenture or the rights of the Indenture Trustee hereunder, the Issuer agrees (i) that it will not, without the prior written consent of the Indenture Trustee, amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, supplement, termination, waiver or surrender of, the terms of any Collateral (except to the extent otherwise permitted by the Sale and Servicing Agreement) or the Basic Documents, or waive timely performance or observance by the Servicer or the Depositor under the Sale and Servicing Agreement; and (ii) that any such amendment shall not (A) increase or reduce in any manner the amount of, or accelerate or delay the timing of, distributions that are required to be made for the benefit of the Noteholders or (B) reduce the aforesaid percentage of the Notes that is required to consent to any such amendment, without the consent of Noteholders evidencing 100% Percentage Interests of the Outstanding Notes. If any such amendment, modification, supplement or waiver shall so be consented to by the Indenture Trustee, the Issuer agrees, promptly following a request by the Indenture Trustee to do so, to execute and deliver, in its own name and at its own expense, such agreements, instruments, consents and other documents as the Indenture Trustee may deem necessary or appropriate in the circumstances.

Section 3.08. Assignment of Rights. The Issuer grants and assigns to the Initial Noteholder for the benefit of the Noteholders all rights of the Issuer to enforce the covenants and conditions set forth in the Advance Note and the Advance Documents and all voting rights and rights of the Issuer to give any waivers or consents required or allowed under the Advance Note and the Advance Documents, and such waivers and consents shall be binding upon the Issuer as if the Issuer had given the same. The Issuer hereby constitutes and irrevocably appoints the Initial Noteholder, with full power of substitution and revocation, as the Issuer's true and lawful agent and

attorney-in-fact, with the power to the full extent permitted by law, to affix to any certificates and documents representing the Advance Note the endorsements delivered with respect thereto, and to transfer or cause the transfer of the Advance Note, or any part thereof, on the books of the Advance Trust to the name of the Indenture Trustee on behalf of the Noteholders or any nominee of hereof, and thereafter to exercise with respect to such Advance Note, all the rights, powers and remedies of an owner. The power of attorney granted pursuant to this Indenture and all authority hereby conferred are granted and conferred solely to protect the Noteholders respective interest in the Collateral and shall not impose any duty upon the Initial Noteholder to exercise any power. The Issuer shall execute any documentation including, without limitation, any powers of attorney and/or irrevocable proxies, requested by the Initial Noteholder to effectuate such assignment. The Issuer shall, or shall cause the Receivables Seller to, provide the Initial Noteholder with copies of all reports, notices, statements and certificates delivered under the Advance Documents, and any other information that the Initial Noteholder shall reasonably request. Delivery of such reports, notices, information and documents to the Initial Noteholder under this section is for informational purposes only and the Initial Noteholders's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants. The foregoing grant and assignment are powers coupled with an interest and are irrevocable.

Section 3.09. Annual Statement as to Compliance. So long as the Notes are Outstanding, the Issuer will deliver to the Indenture Trustee, within 120 days after the end of each fiscal year of the Issuer (commencing with the fiscal year beginning on May 1, 2001), an Officer's Certificate stating, as to the Authorized Officer signing such Officer's Certificate, that:

(i) a review of the activities of the Issuer during such year and of its performance under this Indenture has been made under such Authorized Officer's supervision; and

(ii) to the best of such Authorized Officer's knowledge, based on such review, the Issuer has materially complied with all conditions and covenants under this Indenture throughout such year, or, if there has been a default in its compliance with any such condition or covenant, specifying each such default known to such Authorized Officer and the nature and status thereof.

Section 3.10. Covenants of the Issuer. All covenants of the Issuer in this Indenture are covenants of the Issuer and are not covenants of the Owner Trustee. The Owner Trustee is, and any successor Owner Trustee under the Trust Agreement will be, entering into this Indenture solely as Owner Trustee under the Trust Agreement and not in its respective individual capacity, and in no case whatsoever shall the Owner Trustee or any such successor Owner Trustee be personally liable on, or for any loss in respect of, any of the statements, representations, warranties or obligations of the Issuer hereunder, as to all of which the parties hereto agree to look solely to the property of the Issuer.

Section 3.11. Servicer's Obligations. The Issuer shall cause the Servicer to comply with the Sale and Servicing Agreement.

Section 3.12. Restricted Payments. The Issuer shall not, directly or indirectly, (i) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to the Owner Trustee or any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest or security in or of the Issuer or to the Servicer, (ii) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (iii) set aside or otherwise segregate any amounts for any such purpose; provided, however, that the Issuer may make, or cause to be made, (x) distributions to the Servicer, the Indenture Trustee, the Owner Trustee and the Noteholders and the holders of the Trust Certificates as contemplated by, and to the extent funds are available for such purpose under, the Sale and Servicing Agreement or the Trust Agreement and (y) payments to the Indenture Trustee pursuant to Section 1(a)(ii) of the Administration Agreement. The Issuer will not, directly or indirectly, make or cause to be made payments to or distributions from the Distribution Account except in accordance with this Indenture and the Basic Documents.

Section 3.13. Treatment of Notes as Debt for All Purposes. The Issuer shall, and shall cause the Administrator to, treat the Notes as indebtedness for all purposes.

Section 3.14. Notice of Events of Default. The Issuer shall give the Indenture Trustee and the Initial Noteholder prompt written notice of each Event of Default hereunder each default on the part of the Servicer or the Loan Originator of their respective obligations under any of the Basic Documents.

Section 3.15. Further Instruments and Acts. Upon request of the Indenture Trustee, the Issuer will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

Section 3.16. Delivery of the Advance Note. On or prior to the first Funding Date, the Issuer hereby delivers to the Indenture Trustee, and the Indenture Trustee hereby acknowledges and agrees to such delivery, of the Advance Note delivered to the Issuer under the Advance Note Purchase Agreement.

ARTICLE IV

SATISFACTION AND DISCHARGE

Section 4.01. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to the Notes (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen Notes, (iii) rights of Noteholders to receive payments of principal thereof and interest thereon, (iv) Sections 3.03, 3.04 and 3.10 hereof, (v) the rights, obligations and immunities of the Indenture Trustee hereunder (including the rights of the Indenture Trustee under Section 6.07 hereof and the obligations of the Indenture Trustee under Section 4.02 hereof) and (vi) the rights of Noteholders as beneficiaries hereof with respect to the property so deposited with the Indenture Trustee payable to all or any of them), and the Indenture Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments satisfactory to it, and prepared and delivered to it by the Issuer, acknowledging satisfaction and discharge of this Indenture with respect to the Notes, when all of the following have occurred:

(A) either

(1) all Notes theretofore authenticated and delivered (other than (i) Notes that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.04 hereof and (ii) Notes for the payment of which money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 3.03 hereof) shall have been delivered to the Indenture Trustee for cancellation; or

(2) all Notes not theretofore delivered to the Indenture Trustee for cancellation

a. shall have become due and payable, or

b. are to be called for redemption within one year under arrangements satisfactory to the Indenture Trustee for the giving of notice of redemption by the Indenture Trustee in the name, and at the expense, of the Issuer,

c. and the Issuer, in the case of clause a. or b. above, has irrevocably deposited or caused irrevocably to be deposited with the Indenture Trustee cash or direct obligations of or obligations guaranteed by the United States of America (which will mature prior to the date such amounts are payable), in trust for such purpose, in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Indenture Trustee for cancellation when due to the applicable Maturity Date or the Redemption Date (if Notes shall have been called for redemption pursuant to Section 10.01 hereof), as the case may be; and

(B) the latest of (a) the payment in full of all outstanding obligations under the Notes, (b) the payment in full of all unpaid Trust Fees and Expenses and (c) the date on which the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer; and

(C) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each meeting the applicable requirements of Section 11.01 hereof and, subject to Section 11.02 hereof, each stating that all conditions precedent herein provided for, relating to the satisfaction and discharge of this Indenture with respect to the Notes, have been complied with.

Section 4.02. Application of Trust Money. All moneys deposited with the Indenture Trustee pursuant to Sections 3.03 and 4.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or

through any Paying Agent, as the Indenture Trustee may determine, to the Noteholders for the payment or redemption of which such moneys have been deposited with the Indenture Trustee, of all sums due and to become due thereon for principal and/or interest; but such moneys need not be segregated from other funds except to the extent required herein or in the Sale and Servicing Agreement or required by law.

Section 4.03. Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all moneys then held by any Paying Agent other than the Indenture Trustee under the provisions of this Indenture with respect to such Notes shall, upon demand of the Issuer, be paid to the Indenture Trustee to be held and applied according to Section 3.03 hereof and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE V

REMEDIES

Section 5.01 Events of Default. "Event of Default," wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) notwithstanding any insufficiency of funds in the Distribution Account for payment thereof on the related Payment Date, default in the payment of any interest on any Note when the same becomes due and payable; or

(b) notwithstanding any insufficiency of funds in the Distribution Account for payment thereof on the related Payment Date, default in the payment of any installment of the Overcollateralization Shortfall of any Note (i) on any Payment Date or (ii) on the Maturity Date, or, to the extent that there are funds available in the Distribution Account therefor, default in the payment of any installment of the principal of any Note from such available funds, as a result of the occurrence of a Rapid Amortization Trigger; or

(c) the occurrence of a Servicer Event of Default; or

(d) default in the observance or performance of any covenant or agreement of the Issuer made in any Basic Document to which it is a party (other than a covenant or agreement, a default in the observance or performance of which is elsewhere in this Section 5.01 specifically dealt with), or any representation or warranty of the Issuer made in any Basic Document to which it is a party or in any certificate or other writing delivered pursuant thereto or in connection therewith proving to have been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured, or the circumstance or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of 30 days after there shall have been given, by registered or certified mail, to the Issuer by the Indenture Trustee, or to the Issuer, the Depositor and the Indenture Trustee by

Noteholders evidencing at least 25% Percentage Interests of the Outstanding Notes, a written notice specifying such default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a notice of Default hereunder; or

(e) default in the observance or performance of any covenant or agreement of the Depositor made in any Basic Document to which it is a party or any representation or warranty of the Depositor (except as otherwise expressly provided in the Basic Documents with respect to representations and warranties regarding the Loans) or Loan Originator made in any Basic Document to which they are a party, proving to have been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured, or the circumstance or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of 30 days (or five days in the case of the failure of the Loan Originator to make a payment in respect of the Transfer Obligation) after there shall have been given, by registered or certified mail, to the Issuer and the Depositor by the Indenture Trustee, or to the Issuer, the Depositor and the Indenture Trustee by Noteholders evidencing at least 25% Percentage Interests of the Outstanding Notes, a written notice specifying such Default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a notice of Default hereunder; or

(f) the filing of a decree or order for relief by a court having jurisdiction over the Issuer, the Depositor or the Loan Originator or all or substantially all of the Collateral in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointing of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Depositor or the Loan Originator or for all or substantially all of the Collateral, or the ordering of the winding-up or liquidation of the affairs of the Issuer, the Depositor or the Loan Originator, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(g) the commencement by the Issuer, the Depositor or the Loan Originator of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer, the Depositor or the Loan Originator to the entry of an order for relief in an involuntary case under any such law, or the consent by the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Depositor or the Loan Originator or for any substantial part of the Collateral, or the making by the Issuer, the Depositor or the Loan Originator of any general assignment for the benefit of creditors, or the failure by the Issuer, the Depositor or the Loan Originator generally to pay its respective debts as such debts become due, or the taking of any action by the Issuer, the Depositor or the Loan Originator in furtherance of any of the foregoing; or

(h) the Notes shall be Outstanding on the day after the end of the Revolving Period; or

(i) a Change of Control of the Loan Originator; or

(j) a default in the observance or performance by the Loan Originator of any obligation to or covenant or agreement with the Initial Noteholder which obligation, covenant or agreement is subject to the Cross Default Agreement.

The Issuer shall deliver to the Indenture Trustee, within five days after the occurrence thereof, written notice in the form of an Officer's Certificate of any event which with the giving of notice and the lapse of time would become an Event of Default under clauses (d) or (e) above, the status of such event and what action the Issuer or the Depositor, as applicable, is taking or proposes to take with respect thereto.

Section 5.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default should occur and be continuing, then and in every such case the Indenture Trustee, at the direction or upon the prior written consent of the Majority Noteholders, may declare all the Notes to be immediately due and payable, by a notice in writing to the Issuer (and to the Indenture Trustee if given by Noteholders), and upon any such declaration, the unpaid principal amount of such Notes, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the moneys due has been obtained by the Indenture Trustee as hereinafter in this Article V provided, the Majority Noteholders, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

1. all payments of principal of and/or interest on all Notes and all other amounts that would then be due hereunder or upon such Notes if the Event of Default giving rise to such acceleration had not occurred; and

2. all sums paid or advanced by the Indenture Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel; and

(b) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 5.12 hereof. No such rescission shall affect any subsequent default or impair any right consequent thereto.

Section 5.03. Collection of Indebtedness and Suits for Enforcement by Indenture Trustee. (a) The Issuer covenants that if (i) default is made in the payment of any interest on any Note when the same becomes due and payable, and such default continues for a period of five days, or (ii) default is made in the payment of the principal of or any installment of the principal of any Note when the same becomes due and payable, the Issuer will, upon demand of the Indenture Trustee, pay to the Indenture Trustee, for the benefit of the Noteholders, the whole amount then due and payable on such Notes for principal and/or interest, with interest upon the overdue principal and,

to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of interest at the rate borne by the Notes and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel.

(b) In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Indenture Trustee shall at the direction of the Majority Noteholders, subject to Section 5.06(c) institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or other obligor upon such Notes and collect in the manner provided by law out of the property of the Issuer or other obligor upon such Notes, wherever situated, the moneys adjudged or decreed to be payable.

(c) If an Event of Default occurs and is continuing, the Indenture Trustee shall at the direction of the Majority Noteholders, as more particularly provided in Section 5.04 hereof, subject to Section 5.06(c) hereof, proceed to protect and enforce its rights and the rights of the Noteholders by such appropriate Proceedings as the Indenture Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture or by law.

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Notes or any Person having or claiming an ownership interest in the Collateral, Proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to the Issuer or other obligor upon the Notes, or to the creditors or property of the Issuer or such other obligor, the Indenture Trustee, irrespective of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section 5.03, shall be entitled and empowered by intervention in such Proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and/or interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee, and its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of negligence or bad faith) and of the Noteholders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Noteholders in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders and the Indenture Trustee on their behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee or the Noteholders allowed in any judicial proceedings relative to the Issuer, its creditors and its property; and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Noteholders to make payments to the Indenture Trustee and, in the event that the Indenture Trustee shall consent to the making of payments directly to such Noteholders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel; and all other expenses and liabilities incurred and all advances made by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith.

(e) Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Indenture Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceedings relative thereto, and any such action or Proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, shall be for the ratable benefit of the Noteholders.

(g) In any Proceedings brought by the Indenture Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the Noteholders, and it shall not be necessary to make any Noteholder a party to any such Proceedings.

Section 5.04. Remedies; Priorities. (a) If an Event of Default shall have occurred and be continuing, the Indenture Trustee, at the direction of the Majority Noteholders shall, do one or more of the following (subject to Section 5.05 hereof):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Notes or under this Indenture with respect thereto, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Issuer and any other obligor upon such Notes moneys adjudged due;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(iii) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee or the Noteholders; and

(iv) sell the Collateral or any portion thereof or rights or interest therein in a commercially reasonable manner, at one or more public or private sales called and conducted in any manner permitted by law; provided, however, that the Indenture Trustee may not sell or otherwise liquidate the Collateral following an Event of Default, unless (A) the Holders of 100% Percentage Interests of the Outstanding Notes consent thereto, (B) the proceeds of such sale or liquidation distributable to the Noteholders are sufficient to discharge in full all amounts then due and unpaid upon such Notes for principal and/or interest or (C) the Indenture Trustee determines that the Collateral will not continue to provide sufficient funds for the payment of principal of and interest on the Notes as they would have become due if the Notes had not been declared due and payable, and the Indenture Trustee obtains the consent of Holders of not less than 66-2/3% Percentage Interests of the Outstanding Notes. In determining such sufficiency or insufficiency with respect to clause (B) and (C) of this subsection (a)(iv), the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

(b) If the Indenture Trustee collects any money or property pursuant to this Article V, it shall pay out the money or property in the following order:

FIRST: in the following order of priority: (a) to the Indenture Trustee, an amount equal to all unreimbursed Indenture Trustee Fees and indemnities and any other amounts payable to the Indenture Trustee pursuant to the Basic Documents and to the Indenture Trustee or Sale Agents, as applicable, all reasonable fees and expenses incurred by them and their agents and representatives in connection with the enforcement of the remedies provided for in this Article V, (b) to the Custodian, an amount equal to all unpaid Custodian Fees and indemnities and any other amounts payable to the Custodian pursuant to the Basic Documents, (c) to the Servicer, an amount equal to (i) all unreimbursed Servicing Compensation and (ii) all unreimbursed Nonrecoverable Servicing Advances, and (d) to the Servicer, in trust for the Owner Trustee, an amount equal to the Owner Trustee Fee and all unpaid Owner Trustee Fees;

SECOND: the Hedge Funding Requirement to the appropriate Hedging Counterparties;

THIRD: to the Noteholders pro rata, all amounts in respect of interest due and owing under the Notes;

FOURTH: to the Noteholders pro rata, all amounts in respect of unpaid principal of the Notes;

FIFTH: to the Purchaser or any other Indemnified Party (as each such term is defined in the Note Purchase Agreement), amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and to the Initial Noteholder, amounts in respect of Due Diligence Fees (as set forth in Section 11.15 of the Sale and Servicing Agreement) until such amounts are paid in full;

SIXTH: to the Owner Trustee, for any amounts to be distributed pro rata to the holders of the Trust Certificates pursuant to the Trust Agreement.

The Indenture Trustee may fix a record date and payment date for any payment to be made to the Noteholders pursuant to this Section 5.04. At least 15 days before such record date, the Indenture Trustee shall mail to each Noteholder and the Issuer a notice that states the record date, the payment date and the amount to be paid.

Section 5.05. Optional Preservation of the Collateral. If the Notes have been declared to be due and payable under Section 5.02 hereof following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee may, but need not, elect to maintain possession of the Collateral. It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and the Indenture Trustee shall take such desire into account when determining whether or not to maintain possession of the Collateral. In determining whether to maintain possession of the Collateral, the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

Section 5.06. Limitation of Suits. No Noteholder shall have any right to institute any Proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

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

(b) the Noteholders evidencing not less than 25% Percentage Interests of the Outstanding Notes have made written request to the Indenture Trustee to institute such Proceeding in respect of such Event of Default in its own name as Indenture Trustee hereunder;

(c) such Noteholder or Noteholders have offered to the Indenture Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request;

(d) the Indenture Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceeding; and

(e) no direction inconsistent with such written request has been given to the Indenture Trustee during such 30-day period by the Majority Noteholders.

It is understood and intended that no one or more Noteholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Noteholders or to obtain or to seek to obtain priority or preference over any other Noteholders or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Indenture Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Noteholders, neither of which evidences Percentage Interests of the Outstanding Notes greater than 50%, the Indenture Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture and shall have no obligation or liability to any such group of Noteholders for such action or inaction.

Section 5.07. Unconditional Rights of Noteholders to Receive Principal and/or Interest. Notwithstanding any other provisions in this Indenture, any Noteholder shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest, if any, on such Note on or after the applicable Maturity Date thereof expressed in such Note or in this Indenture (or, in the case of redemption, on or after the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Noteholder.

Section 5.08. Restoration of Rights and Remedies. If the Indenture Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Indenture Trustee or to such Noteholder, then and in every such case the Issuer, the Indenture Trustee and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 5.09. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.10. Delay or Omission Not a Waiver. No delay or omission of the Indenture Trustee or any Noteholder to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Indenture Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee or by the Noteholders, as the case may be.

Section 5.11. Control by Noteholders. The Majority Noteholders shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee with respect to the Notes or exercising any trust or power conferred on the Indenture Trustee; provided, however, that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture;

(b) subject to the express terms of Section 5.04(a)(iv) hereof, any direction to the Indenture Trustee to sell or liquidate the Collateral shall be by Holders of Notes representing Percentage Interests of the Outstanding Notes of not less than 100%;

(c) if the conditions set forth in Section 5.05 hereof have been satisfied and the Indenture Trustee elects to retain the Collateral pursuant to such Section, then any direction to the Indenture Trustee by Holders of Notes representing Percentage Interests of the Outstanding Notes of less than 100% to sell or liquidate the Collateral shall be of no force and effect; and

(d) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee that is not inconsistent with such direction.

In connection with any sale of the Collateral in accordance with paragraph (c) above, the Majority Noteholders may, in their sole discretion appoint agents to effect the sale of the Collateral (such agents, "Sale Agents"), which Sale Agents may be Affiliates of any Noteholder. The Sale Agents shall be entitled to reasonable compensation in connection with such activities from the proceeds of such sale.

Notwithstanding the rights of the Noteholders set forth in this Section 5.11, subject to Section 6.01 hereof, the Indenture Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Noteholders not consenting to such action.

Section 5.12. Waiver of Past Defaults. The Majority Noteholders may waive any past Default or Event of Default and its consequences, except a Default (a) in the payment of principal of or interest on any of the Notes or (b) in respect of a covenant or provision hereof that cannot be modified or amended without the consent of each Noteholder. In the case of any such waiver, the Issuer, the Indenture Trustee and Noteholders shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Section 5.13. Undertaking for Costs. All parties to this Indenture agree, and each Noteholder by such Noteholder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.13 shall not apply to (a) any suit instituted by the Indenture Trustee, (b) any suit instituted by any Noteholder, or group of Noteholders, in each case holding in the aggregate Percentage Interests of the Outstanding Notes of more than 10% or (c) any suit instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note on or after the respective due dates expressed in such Note and in this Indenture (or, in the case of redemption, on or after the Redemption Date).

Section 5.14. Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.15. Action on Notes. The Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Indenture Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer. Any money or property collected by the Indenture Trustee shall be applied in accordance with Section 5.04(b) hereof.

Section 5.16. Performance and Enforcement of Certain Obligations.

(a) Promptly following a request from the Indenture Trustee to do so and at the Administrator's expense, the Issuer shall take all such lawful action as the Indenture Trustee may request to compel or secure the performance and observance by the Loan Originator and the Servicer, as applicable, of each of their obligations to the Issuer under or in connection with the Sale and Servicing Agreement or the Loan Purchase Agreement, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale and Servicing Agreement to the extent and in the manner directed by the Indenture Trustee, including the transmission of notices of default on the part of the Loan Originator or the Servicer thereunder and the institution of legal or administrative actions or proceedings to compel or secure performance by the Loan Originator or the Servicer of each of their obligations under the Sale and Servicing Agreement and the Loan Purchase Agreement.

(b) If an Event of Default has occurred and is continuing, the Indenture Trustee may, and at the direction (which direction shall be in writing or by telephone, confirmed in writing promptly thereafter) of the Majority Noteholders shall, subject to Section 5.06(c) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Loan Originator or the Servicer under or in connection with the Sale and Servicing Agreement or the Loan Purchase Agreement, including the right or power to take any action to compel or secure performance or observance by the Loan Originator or the Servicer, as the case may be, of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension, or waiver under the Sale and Servicing Agreement, and any right of the Issuer to take such action shall be suspended.

ARTICLE VI

THE INDENTURE TRUSTEE

Section 6.01. Duties of Indenture Trustee. (a) If an Event of Default has occurred and is continuing, the Indenture Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Indenture Trustee shall undertake to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture; provided, however, that the Indenture Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture to the extent specifically set forth herein.

(c) The Indenture Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 6.01;

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) the Indenture Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.11 hereof; and

(iv) Reserved.

(d) Reserved.

(e) The Indenture Trustee shall not be liable for interest on any money received by it and held in a Trust Account except as may be provided in the Sale and Servicing Agreement or as the Indenture Trustee may agree in writing with the Issuer.

(f) Money held in trust by the Indenture Trustee shall be segregated from other funds except to the extent permitted by law or the terms of this Indenture or the Sale and Servicing Agreement.

(g) No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; provided, however, that the Indenture Trustee shall not refuse or fail to perform any of its duties hereunder solely as a result of nonpayment of its normal fees and expenses and provided, further, that nothing in this Section 6.01(g) shall be construed to limit the exercise by the Indenture Trustee of any right or remedy permitted under this Indenture or otherwise in the event of the Issuer's failure to pay the Indenture Trustee's fees and expenses pursuant to Section 6.07 hereof.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of this Section 6.01.

(i) The Indenture Trustee shall not be required to take notice or be deemed to have notice or knowledge of any Event of Default (other than an Event of Default pursuant to Section 5.01(a) or (b) hereof) unless a Responsible Officer of the Indenture Trustee shall have received written notice thereof or otherwise shall have actual knowledge thereof. In the absence of receipt of notice or such knowledge, the Indenture Trustee may conclusively assume that there is no Event of Default.

Section 6.02. Rights of Indenture Trustee. (a) The Indenture Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Indenture Trustee need not investigate any fact or matter stated in the document.

(b) Before the Indenture Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officer's Certificate or Opinion of Counsel.

(c) The Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee.

(d) The Indenture Trustee shall not be liable for (i) any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that such action or omission by the Indenture Trustee does not constitute willful misconduct, negligence or bad faith; or (ii) any action or inaction on the part of the Custodian.

(e) The Indenture Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

Section 6.03. Individual Rights of Indenture Trustee. The Indenture Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Indenture Trustee. Any Paying Agent, Note Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Indenture Trustee must comply with Section 6.11 hereof.

Section 6.04. Indenture Trustee's Disclaimer. The Indenture Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, shall not be accountable for the Issuer's use of the proceeds from the Notes, or responsible for any statement of the Issuer in the Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Indenture Trustee's certificate of authentication.

Section 6.05. Notices of Default. If a Default occurs and is continuing and if it is actually known to a Responsible Officer of the Indenture Trustee, the Indenture Trustee shall mail to each Noteholder and each party to the Master Disposition Confirmation Agreement notice of the Default within two Business Days after it receives actual notice of such occurrence.

Section 6.06. Reports by Indenture Trustee to Holders. The Indenture Trustee shall deliver to each Noteholder such information specifically requested by each Noteholder and in the Indenture Trustee's possession and as may be reasonably required to enable such Noteholder to prepare its federal and state income tax returns.

Section 6.07. Compensation and Indemnity. As compensation for its services hereunder, the Indenture Trustee shall be entitled to receive, on each Payment Date, the Indenture Trustee's Fee pursuant to Section 8.02(c) hereof (which compensation shall not be limited by any law on compensation of a trustee of an express trust) and shall be entitled to reimbursement by the Servicer for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Indenture Trustee's agents, counsel, accountants and experts. The Issuer agrees to cause the Servicer to indemnify the Indenture Trustee, the Paying Agent and their officers, directors, employees and agents against any and all loss, liability or expense (including reasonable attorneys' fees) incurred by it or them in connection with the administration of this trust and the performance of its or their duties under the Basic Documents. The Indenture Trustee shall notify the Issuer and the Servicer promptly of any claim for which it may seek indemnity. Failure by the Indenture Trustee so to notify the Issuer and

the Servicer shall not relieve the Issuer or the Servicer of its or their obligations hereunder. The Issuer shall, or shall cause the Servicer to, defend any such claim; provided, however, that if the defendants with respect to any such claim include the Issuer and/or the Servicer and the Indenture Trustee, and the Indenture Trustee shall have reasonably concluded that there may be legal defenses available to it which are different from or in addition to those defenses available to the Issuer or the Servicer, as the case may be, the Indenture Trustee shall have the right, at the expense of the Servicer, to select separate counsel to assert such legal defenses and to otherwise defend itself against such claim. Neither the Issuer nor the Servicer need reimburse any expense or indemnify against any loss, liability or expense incurred by the Indenture Trustee through the Indenture Trustee's own willful misconduct, negligence or bad faith.

The Issuer's payment obligations to the Indenture Trustee pursuant to this Section 6.07 shall survive the discharge of this Indenture and the termination or resignation of the Indenture Trustee. When the Indenture Trustee incurs expenses after the occurrence of a Default specified in Section 5.01(f) or (g) hereof with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or similar law.

Notwithstanding anything in this Section 6.07 to the contrary, all amounts due the Indenture Trustee hereunder shall be payable in the first instance by the Servicer and, if not paid by the Servicer within 60 days after payment is requested from the Servicer by the Indenture Trustee, in accordance with the priorities set forth in Section 5.01 of the Sale and Servicing Agreement.

Section 6.08. Replacement of Indenture Trustee. No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee shall become effective until the acceptance of appointment by the successor Indenture Trustee pursuant to this Section 6.08. The Indenture Trustee may resign at any time by so notifying the Issuer. The Majority Noteholders may remove the Indenture Trustee (with the consent of the Majority Certificateholders, not to be unreasonably withheld) by so notifying the Indenture Trustee and may appoint a successor Indenture Trustee; provided, that all of the reasonable costs and expenses incurred by the Indenture Trustee in connection with such removal shall be reimbursed to it prior to the effectiveness of such removal. The Issuer shall remove the Indenture Trustee if

(a) the Indenture Trustee fails to comply with Section 6.11 hereof,

(b) the Indenture Trustee is adjudged a bankrupt or insolvent;

(c) a receiver or other public officer takes charge of the Indenture Trustee or its property; or

(d) the Indenture Trustee otherwise becomes incapable of acting.

If the Indenture Trustee resigns or is removed or if a vacancy exists in the office of Indenture Trustee for any reason (the Indenture Trustee in such event being referred to herein as the retiring Indenture Trustee), the Issuer shall promptly appoint a successor Indenture Trustee.

A successor Indenture Trustee shall deliver a written acceptance of its appointment to the retiring Indenture Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Indenture Trustee shall become effective, and the successor Indenture Trustee shall have all the rights, powers and duties of the Indenture Trustee under this Indenture. The successor Indenture Trustee shall mail a notice of its succession to Noteholders. The retiring Indenture Trustee shall promptly transfer all property held by it as Indenture Trustee to the successor Indenture Trustee.

If a successor Indenture Trustee does not take office within 60 days after the retiring Indenture Trustee resigns or is removed, the retiring Indenture Trustee, the Issuer or the Majority Noteholders may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

If the Indenture Trustee fails to comply with Section 6.11 hereof, any Noteholder may petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

Notwithstanding the replacement of the Indenture Trustee pursuant to this Section 6.08, the Issuer's and the Administrator's obligations under Section 6.07 hereof shall continue for the benefit of the retiring Indenture Trustee.

Section 6.09. Successor Indenture Trustee by Merger. If the Indenture Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Indenture Trustee; provided, however, that such corporation or banking association shall otherwise be qualified and eligible under Section 6.11 hereof. The Indenture Trustee shall provide the Majority Noteholders prior written notice of any such transaction.

In case at the time such successor or successors by merger, conversion or consolidation to the Indenture Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Indenture Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Indenture Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Indenture Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Indenture Trustee shall have.

Section 6.10. Appointment of Co-Indenture Trustee or Separate Indenture Trustee.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Collateral may at the time be located, the Indenture Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust, and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders, such title to the Collateral, or any part hereof, and,

subject to the other provisions of this Section 6.10, such powers, duties, obligations, rights and trusts as the Indenture Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terns of eligibility as a successor trustee under Section 6.11 hereof and no notice to Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08 hereof.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Indenture Trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Indenture Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Indenture Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Indenture Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Indenture Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Indenture Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, jointly with the Indenture Trustee, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Indenture Trustee. Every such instrument shall be filed with the Indenture Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Indenture Trustee its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Indenture Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 6.11. Eligibility. The Indenture Trustee shall (i) have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition or (ii) otherwise be acceptable in writing to the Majority Noteholders.

ARTICLE VII

NOTEHOLDERS' LISTS AND REPORTS

Section 7.01. Issuer to Furnish Indenture Trustee Names and Addresses of Noteholders. The Issuer will furnish or cause to be famished to the Indenture Trustee (a) not more than five days after the earlier of (i) each Record Date and (ii) three months after the last Record Date, a list, in such form as the Indenture Trustee may reasonably require, of the names and addresses of the Noteholders as of such Record Date, (b) at such other times as the Indenture Trustee may request in writing, within 30 days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than 10 days prior to the time such list is furnished; provided, however, that so long as the Indenture Trustee is the Note Registrar, no such list shall be required to be furnished.

Section 7.02. Preservation of Information. The Indenture Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Noteholders contained in the most recent list famished to the Indenture Trustee as provided in Section 7.01 hereof and the names and addresses of Noteholders received by the Indenture Trustee in its capacity as Note Registrar. The Indenture Trustee may destroy any list furnished to it as provided in such Section 7.01 upon receipt of a new list so furnished.

Section 7.03 144A Information. The Indenture Trustee, to the extent it has any such information in its possession, shall provide to any Noteholder and any prospective transferee designated by any such Noteholder information regarding the Notes and the Loans and such other information as shall be necessary to satisfy the condition to eligibility set forth in Rule 144A(d)(4) under the Securities Act for transfer of any such Note without registration thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A under the Securities Act.

ARTICLE VIII

ACCOUNTS, DISBURSEMENTS AND RELEASES

Section 8.01. Collection of Money. General. Except as otherwise expressly provided herein, the Indenture Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any intermediary, all money and other property payable to or receivable by the Indenture Trustee pursuant to this Indenture. The Indenture Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Collateral, the Indenture Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V hereof.

Section 8.02. Trust Accounts; Distributions. (a) On or prior to the Closing Date, the Issuer shall cause the Servicer to establish and maintain, in the name of the Indenture Trustee for the benefit of the Noteholders, or on behalf of the Owner Trustee for the benefit of the Securityholders, the Trust Accounts as provided in the Sale and Servicing Agreement. The Servicer shall deposit amounts into each of the Trust Accounts in accordance with the terms hereof, the Sale and Servicing Agreement and the Payment Statements.

(b) Collection Account. With respect to the Collection Account, the Paying Agent shall make such withdrawals and distributions as specified in Section 5.01(c)(1) of the Sale and Servicing Agreement in accordance with the terms thereof.

(c) Distribution Account. With respect to the Distribution Account, the Paying Agent shall make (i) such deposits as specified in Sections 5.01(c)(2)(A), 5.01(c)(2)(B), 5.05(e), 5.05(f), 5.05(g), and 5.05(h) of the Sale and Servicing Agreement and (ii) such withdrawals and distributions as specified in Section 5.01(c)(3) of the Sale and Servicing Agreement in accordance with the terms thereof.

(d) Transfer Obligation Account. With respect to the Transfer Obligation Account, the Paying Agent shall make (i) such deposits as specified in Section 5.01(c)(3)(vii) of the Sale and Servicing Agreement and (ii) such withdrawals and distributions as specified in Sections 5.05(d), 5.05(e), 5.05(f), 5.05(g), 5.05(h), and 5.05(i) of the Sale and Servicing Agreement in accordance with the terms thereof.

(e) [Reserved].

(f) Advance Account. With respect to the Advance Account, the Issuer shall cause the Servicer to make such withdrawals specified in Section 2.06 of the Sale and Servicing Agreement.

Section 8.03. General Provisions Regarding Trust Accounts. (a) All or a portion of the funds in the Collection Account and the Transfer Obligation Account shall be invested in Permitted Investments in accordance with the provisions of Section 5.03(b) of the Sale and Servicing Agreement. The Indenture Trustee will not make any investment of any funds or sell any investment held in the Collection Account or the Transfer Obligation Account (other than in Permitted Investments in accordance with Section 5.03(b) of the Sale and Servicing Agreement) unless the security interest Granted and perfected in such account will continue to be perfected in such investment or the proceeds of such sale, in either case without any further action by any Person, as evidenced by an Opinion of Counsel delivered to the Indenture Trustee by the Initial Noteholder or the Servicer, as the case may be.

(b) Subject to Section 6.01 (c) hereof, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in the Collection Account or the Transfer Obligation Account resulting from any loss on any Eligible Investment included therein.

(c) If (i) the Initial Noteholder or the Servicer, as the case may be, shall have failed to give investment directions for any funds on deposit in the Collection Account or the

Transfer Obligation Account to the Indenture Trustee by 2:00 p.m. New York City time (or such other time as may be agreed by the Issuer and Indenture Trustee) on any Business Day or (ii) a Default or Event of Default shall have occurred and be continuing with respect to the Notes but the Notes shall not have been declared due and payable pursuant to Section 5.02 hereof or (iii) if such Notes shall have been declared due and payable following an Event of Default, amounts collected or receivable from the Collateral are being applied in accordance with Section 5.05 hereof as if there had not been such a declaration, then the Indenture Trustee shall, to the fullest extent practicable, invest and reinvest funds in the Collection Account and the Transfer Obligation Account in one or more Permitted Investments specified in item (3) in the definition thereof.

Section 8.04. The Paying Agent. The initial Paying Agent shall be the Servicer. The Paying Agent may be removed by the Initial Noteholder in its sole discretion at any time. Upon removal of the Paying Agent, the Initial Noteholder will appoint a successor Paying Agent within 30 days; provided that the Indenture Trustee will be the Paying Agent until such successor is appointed. Upon receiving written notice from the Initial Noteholder that the Paying Agent has been terminated, the Indenture Trustee will immediately terminate the Paying Agent's access to any and all Trust Accounts.

Section 8.05. Release of Collateral. (a) Subject to the payment of its reasonable fees and expenses pursuant to Section 6.07 hereof, the Indenture Trustee may, and when required by the provisions of this Indenture shall, execute instruments acceptable to it and prepared and delivered to it by the Issuer to release property from the lien of this Indenture, or convey the Indenture Trustee's interest in the same, without recourse, representation or warranty in a manner as provided in the Custodial Agreement and under circumstances that are not inconsistent with the provisions of this Indenture and the other Basic Documents. No party relying upon an instrument executed by the Indenture Trustee as provided in this Article VIII shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(b) The Indenture Trustee shall, at such time as there are no Notes Outstanding and all sums due to the Noteholders (and their Affiliates), the Initial Noteholder, the Sales Agents, the Indenture Trustee, the Owner Trustee and the Custodian under the Basic Documents have been paid, release any remaining portion of the Collateral that secured the Notes from the lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds then on deposit in the Trust Accounts. The Indenture Trustee shall release property from the lien of this Indenture pursuant to this subsection (b) only upon receipt of an Issuer Request accompanied by an Officer's Certificate and an Opinion of Counsel meeting the applicable requirements of Section 11.01 hereof.

Section 8.06. Opinion of Counsel. Except to the extent specifically permitted by the terms of the Basic Documents, the Indenture Trustee shall receive at least seven Business Days' prior notice when requested by the Issuer to take any action pursuant to Section 8.05(a) hereof, accompanied by copies of any instruments involved, and the Indenture Trustee may also require, as a condition to such action, an Opinion of Counsel, in form and substance satisfactory to the Indenture Trustee, from the Issuer concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely impair the security for the Notes or the rights of the Noteholders in contravention of the provisions of this Indenture; provided,

however, that such Opinion of Counsel shall not be required to express an opinion as to the fair value of the Collateral. Counsel rendering any such opinion may rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to the Indenture Trustee in connection with any such action.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures Without the Consent of the Noteholders. Without the consent of any Noteholder but with prior notice to the Majority Noteholders, the Issuer and the Indenture Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another Person to the Issuer, and the assumption by any such successor of the covenants of the Issuer herein and in the Notes contained;

(iii) to add to the covenants of the Issuer, for the benefit of the Noteholders, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein or in any supplemental indenture that may be inconsistent with any other provision herein or in any supplemental indenture or to make any other provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture; provided, however, that such action shall not adversely affect the interests of the Noteholders; or

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor trustee with respect to the Notes and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Article VI hereof.

The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

Section 9.02. Supplemental Indentures with Consent of Noteholders. The Issuer and the Indenture Trustee, when authorized by an Issuer Order, also may, with the consent of the

Majority Noteholders, by Act of such Noteholders delivered to the Issuer and the Indenture Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of any Noteholder under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of each Noteholder affected thereby:

(a) change the date of payment of any installment of principal of or interest on any Note, or reduce the principal balance thereof, the interest rate thereon or the Termination Price with respect thereto, change the provisions of this Indenture relating to the application of collections on, or the proceeds of the sale of, the Collateral to payment of principal of or interest on the Notes, or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of the provisions of this Indenture requiring the application of funds available therefor, as provided in Article V hereof, to the payment of any such amount due on the Notes on or after the respective due dates thereof (or, in the case of redemption, on or after the Redemption Date);

(b) reduce the Percentage Interest, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture;

(c) modify or alter the provisions of the definition of the term "Outstanding" or "Percentage Interest";

(d) reduce the Percentage Interest of the Outstanding Notes, the consent of the Holders of which is required to direct the Indenture Trustee to direct the Issuer to sell or liquidate the Collateral pursuant to Section 5.04 hereof;

(e) modify any provision of this Section 9.02 except to increase any percentage specified herein or to provide that certain additional provisions of this Indenture or the Basic Documents cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby;

(f) modify any of the provisions of this Indenture in such manner as to affect the calculation of the amount of any payment of interest or principal due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation) or to adversely affect the rights of the Noteholders to the benefit of any provisions for the mandatory redemption of the Notes contained herein; or

(g) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Collateral or, except as otherwise permitted or contemplated herein, terminate the lien of this Indenture on any property at any time subject hereto or deprive any Noteholder of the security provided by the lien of this Indenture.

The Indenture Trustee may in its discretion determine whether or not any Notes would be affected by any supplemental indenture and any such determination shall be conclusive

upon each Noteholder, whether theretofore or thereafter authenticated and delivered hereunder. The Indenture Trustee shall not be liable for any such determination made in good faith.

In connection with requesting the consent of the Noteholders pursuant to this Section 9.02, the Indenture Trustee shall mail to the Holders of the Notes to which such amendment or supplemental indenture relates a notice prepared by the Issuer setting forth in general terms the substance of such supplemental indenture. It shall not be necessary for any Act of Noteholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.03. Execution of Supplemental Indentures. In executing, or permitting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modification thereby of the trusts created by this Indenture, the Indenture Trustee shall be entitled to receive, and subject to Sections 6.01 and 6.02 hereof, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Indenture Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

Section 9.04. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and shall be deemed to be modified and amended in accordance therewith with respect to the Notes affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Indenture Trustee, the Issuer and the Holders of the Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.05. Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and if required by the Indenture Trustee shall, bear a notation in form approved by the Indenture Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Indenture Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Indenture Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Indenture Trustee in exchange for Outstanding Notes.

ARTICLE X

REDEMPTION OF NOTES; PUT OPTION

Section 10.01. Redemption. The Servicer may, at its option, effect an early redemption of the Notes on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination in the manner specified in and subject to the provisions of Section 10.02 of the Sale and Servicing Agreement.

The Servicer shall furnish the Indenture Trustee with notice of any such redemption in order to facilitate the Indenture Trustee's compliance with its obligation to notify the Noteholders of such redemption in accordance with Section 10.02 hereof.

Section 10.02. Form of Redemption Notice. Notice of redemption under Section 10.01 hereof shall be by first-class mail, postage prepaid, or by facsimile mailed or transmitted not later than 10 days prior to the applicable Redemption Date to each Noteholder, as of the close of business on the Record Date preceding the applicable Redemption Date, at such Noteholder's address or facsimile number appearing in the Note Register.

All notices of redemption shall state:

(i) the Redemption Date;

(ii) that on the Redemption Date Noteholders shall receive the Note Redemption Amount; and

(iii) the place where such Notes are to be surrendered for payment of the Termination Price (which shall be the office or agency of the Issuer to be maintained as provided in Section 3.02 hereof).

Notice of redemption of the Notes shall be given by the Indenture Trustee in the name of the Issuer and at the expense of the Servicer. Failure to give to any Noteholder notice of redemption, or any defect therein, shall not impair or affect the validity of the redemption of any other Note.

Section 10.03. Notes Payable on Redemption Date. The Notes to be redeemed shall, following notice of redemption as required by Section 10.02 hereof (in the case of redemption pursuant to Section 10.01) hereof, on the Redemption Date become due and payable at the Note Redemption Amount and (unless the Issuer shall default in the payment of the Note Redemption Amount) no interest shall accrue thereon for any period after the date to which accrued interest is calculated for purposes of calculating the Note Redemption Amount. The Issuer may not redeem the Notes unless all outstanding obligations under the Notes have been paid in full.

Section 10.04. Put Option. The Majority Noteholders may, at their option, put all or any portion of the Note Principal Balance of the Notes to the Issuer on any date upon giving notice in the manner set forth in Section 10.05. On each Put Date, the Issuer shall purchase the Note Principal Balance in the manner specified in and subject to the provisions of Section 10.04 of the Sale and Servicing Agreement.

Section 10.05. Form of Put Option Notice. Notice of exercise of a Put Option under Section 10.04 hereof shall be given by the Majority Noteholders (including to the Indenture Trustee) by first-class mail, postage prepaid, or by facsimile mailed or transmitted not later than 5 days prior to the date on which the Notes shall be repurchased by the Issuer.

Section 10.06. Notes Payable on Put Date. The Note Principal Balance to be put to the Issuer shall, following notice of the exercise of the Put Option as required by Section 10.05 hereof, on the Put Date become due and payable at the Note Redemption Amount and (unless the Issuer shall default in the payment of the Note Redemption Amount) no interest shall accrue thereon for any period after the date to which accrued interest is calculated for purposes of calculating the Note Redemption Amount.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Compliance Certificates and Opinions, etc. Upon any application or request by the Issuer to the Indenture Trustee to take any action under any provision of this Indenture (except with respect to the Servicer's servicing activity in the ordinary course of its business), the Issuer shall furnish to the Indenture Trustee (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and (ii) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

Section 11.02. Form of Documents Delivered to Indenture Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such officer's certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Servicer, the Loan Originator, the Issuer or the Administrator, stating that the information with respect to such factual matters is in the possession of the Servicer, the Loan Originator, the Issuer or the Administrator, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Indenture Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Indenture Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI hereof.

Section 11.03. Acts of Noteholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01 hereof) conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Section 11.03.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Indenture Trustee deems sufficient.

(c) The ownership of Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Noteholder shall bind the Holder of every Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to

be done by the Indenture Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 11.04. Notices, etc., to Indenture Trustee and Issuer. Any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by this Indenture shall be in writing and if such request, demand, authorization, direction, notice, consent, waiver or act of Noteholders is to be made upon, given or furnished to or filed with:

(i) the Indenture Trustee by any Noteholder or by the Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing (including by facsimile) to or with the Indenture Trustee at its Corporate Trust Office, or

(ii) the Issuer by the Indenture Trustee or by any Noteholder shall be sufficient for every purpose hereunder if in writing and made, given, furnished, filed or transmitted via facsimile to the Issuer at: Option One Owner Trust 2001-2, c/o Wilmington Trust Company as Owner Trustee, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Department, telephone number: (302) 651-1000, telecopy number: (302) 636-4144, or at any other address or facsimile number previously furnished in writing to the Indenture Trustee by the Issuer or the Administrator. The Issuer shall promptly transmit any notice received by it from the Noteholders to the Indenture Trustee.

Section 11.05. Notices to Noteholders; Waiver. Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid to each Noteholder affected by such event, at his address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have duly been given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Section 11.06. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 11.07. Successors and Assigns. All covenants and agreements in this Indenture and the Notes by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Indenture Trustee in this Indenture shall bind its successors, co-trustees and agents.

Section 11.08. Separability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.09. Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Noteholders, and any other party secured hereunder, and any other Person with an ownership interest in any part of the Collateral, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 11.10. Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

Section 11.11. GOVERNING LAW. THIS INDENTURE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 11.12. Counterparts. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.13. Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Issuer and at its expense accompanied by an Opinion of Counsel (which may be counsel to the Indenture Trustee or any other counsel reasonably acceptable to the Indenture Trustee; provided, however, that the expense of such Opinion of Counsel shall in no event be an expense of the Indenture Trustee) to the effect that such recording is necessary either for the protection of the Noteholders or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Indenture Trustee under this Indenture.

Section 11.14. Trust Obligation. No recourse maybe taken, directly or indirectly, with respect to the obligations of the Issuer, the Owner Trustee or the Indenture Trustee on the Notes

or, except as expressly provided for in Article VI hereof, under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee, agent or "control person" within the meaning of the Securities Act and the Exchange Act, of the Indenture Trustee or the Owner Trustee in its individual capacity, any holder of a beneficial interest in the Issuer, the Owner Trustee or the Indenture Trustee or of any successor or assign of the Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may expressly have agreed (it being understood that the Indenture Trustee and the Owner Trustee have no such obligations in their individual capacity) and except that any such partner, owner or beneficiary of the Issuer shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity. For all purposes of this Indenture, in the performance of any duties or obligations of the Issuer hereunder, the Owner Trustee shall be subject to, and entitled to the benefits of, the terms and provisions of Articles VI, VII and VIII of the Trust Agreement.

Section 11.15. No Petition. The Indenture Trustee, by entering into this Indenture, and each Noteholder, by accepting a Note, hereby covenant and agree that they will not at any time institute against the Depositor or the Issuer, or join in any institution against the Depositor or the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law, in connection with any obligations relating to the Notes, this Indenture or any of the Basic Documents.

Section 11.16. Inspection. The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Indenture Trustee, during the Issuer's normal business hours, to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited by Independent certified public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees, and Independent certified public accountants, all at such reasonable times and as often as may reasonably be requested and at the expense of the Servicer. The Indenture Trustee shall and shall cause its representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Indenture Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder.

Section 11.17. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Indenture is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-2, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the

payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Indenture or any other related documents.

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Amended and Restated Indenture to be duly executed by their respective officers, thereunto duly authorized and duly attested, all as of the day and year first above written.

OPTION ONE OWNER TRUST 2001-2

By: Wilmington Trust Company not in its individual capacity but solely as Owner Trustee

By: _____
Name:
Title:

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION,
as Indenture Trustee

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Amended and Restated Indenture to be duly executed by their respective officers, thereunto duly authorized and duly attested, all as of the day and year first above written.

OPTION ONE OWNER TRUST 2001-2

By: Wilmington Trust Company not in its individual capacity but solely as Owner Trustee

By: /s/ Patricia A. Evans
Name: Patricia A. Evans
Title: Assistant Vice President

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Reid Denny
Name: Reid Denny
Title: Vice President

STATE OF DELAWARE)
) ss.:
COUNTY OF NEW CASTLE)

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Patricia A. Evans, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee on behalf of OPTION ONE OWNER-TRUST 2001-2, a Delaware business trust, and that such person executed the same as the act of said business trust for the purpose and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 21st day of November, 2003.

Kathleen A. Pedelini
Notary Public

(Seal)

My commission expires:

STATE OF MARYLAND)
) ss.:
COUNTY OF HOWARD)

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Reid C. Denny, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, and that such person executed the same as the act of said corporation for the purpose and consideration therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 25th day of November, 2003.

Lisa C. Carr
Notary Public

(Seal)

My commission expires:

EXHIBIT A

FORM OF NOTES

THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE MAXIMUM NOTE PRINCIPAL BALANCE SHOWN ON THE FACE HEREOF. ANY PURCHASER OF THIS NOTE MAY ASCERTAIN THE OUTSTANDING PRINCIPAL AMOUNT HEREOF BY INQUIRY OF THE INDENTURE TRUSTEE.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (B) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE 1933 ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2),(3) OR (7) OF RULE 501 UNDER THE 1933 ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE 1933 ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

THIS NOTE MAY NOT BE TRANSFERRED UNLESS THE INDENTURE TRUSTEE HAS RECEIVED A CERTIFICATE FROM THE TRANSFEREE TO THE EFFECT THAT EITHER (I) THE TRANSFEREE IS NOT AN EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN OR (II) IF THE TRANSFEREE IS A PLAN OR IS ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN, THE CONDITIONS FOR EXEMPTIVE RELIEF UNDER AT LEAST ONE OF THE FOLLOWING PROHIBITED TRANSACTION CLASS EXEMPTIONS HAVE BEEN SATISFIED: PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (RELATING TO TRANSACTIONS EFFECTED BY AN "IN-HOUSE ASSET

MANAGER"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) AND PTCE 84-14 (RELATING TO TRANSACTIONS EFFECTED BY A "QUALIFIED PROFESSIONAL ASSET MANAGER").

Maximum Note Principal Balance: $ _____
Initial Percentage Interest: ___%
No. ___

OPTION ONE OWNER TRUST 2001-2

MORTGAGE-BACKED NOTES

OPTION ONE OWNER TRUST 2001-2, a Delaware business trust (the "Issuer"), for value received, hereby promises to pay to _____, or registered assigns (the "Noteholder"), the principal sum of _____ ($_____) or so much thereof as may be advanced and outstanding hereunder and to pay interest on such principal sum or such part thereof as shall remain unpaid from time to time, at the rate and at the times provided in the Sale and Servicing Agreement and the Indenture. Principal of this Note is payable on each Payment Date in an amount equal to the result obtained by multiplying (i) the Percentage Interest of this Note by (ii) the principal amount distributed in respect of such Payment Date.

The Outstanding Note Principal Balance of this Note bears interest at the Note Interest Rate. On each Payment Date amounts in respect of interest on this Note will be paid in an amount equal to the result obtained by multiplying (i) the Percentage Interest of this Note by (ii) the aggregate amount paid in respect of interest on the Notes with respect to such Payment Date.

Capitalized terms used but not defined herein have the meanings set forth in the Indenture (the "Indenture"), dated as of April 1, 2001, and as amended and restated through and including November 25, 2003 between the Issuer and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee (the "Indenture Trustee") or, if not defined therein, the Sale and Servicing Agreement (the "Sale and Servicing Agreement"), dated as of April 1, 2001, and as amended and restated through and including November 25, 2003, among the Issuer, the Depositor, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders.

By its acceptance of this Note, each Noteholder covenants and agrees, until the earlier of (a) the termination of the Revolving Period and (b) the Maturity Date, on each Transfer Date to advance amounts in respect of Additional Note Principal Balance hereunder to the Issuer, subject to and in accordance with the terms of the Indenture, the Sale and Servicing Agreement and the Note Purchase Agreement.

In the event of an advance of Additional Note Principal Balance by the Noteholders as provided in Section 2.01(c) of the Sale and Servicing Agreement, each Noteholder shall, and is hereby authorized to, record on the schedule attached to its Note the date and amount of any Additional Note Principal Balance advanced by it, and each repayment thereof; provided that failure to make any such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Additional Note Principal Balance and its right to receive interest payments in respect of the Additional Note Principal Balance held by such Noteholder.

Absent manifest error, the Note Principal Balance of each Note as set forth in the notations made by the related Noteholder on such Note shall be binding upon the Indenture Trustee and the Issuer; provided that failure by a Noteholder to make such recordation on its Note or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive principal and interest payments in respect thereof.

The Servicer may, at its option, effect an early redemption of the Notes for an amount equal to the Note Redemption Amount on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans at a purchase price, payable in cash, equal to the Termination Price.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

The statements in the legend set forth above are an integral part of the terms of this Note and by acceptance hereof each Holder of this Note agrees to be subject to and bound by the terms and provisions set forth in such legend.

Unless the Certificate of authentication hereon shall have been executed by an authorized officer of the Indenture Trustee, by manual signature, this Note shall not entitle the Noteholder hereof to any benefit under the Indenture or the Sale and Servicing Agreement and/or be valid for any purpose.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK AND WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PROVISIONS THEREOF.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer, as of the date set forth below.

Date: April __, 2001

OPTION ONE OWNER TRUST 2001-2

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee under the Trust Agreement

By: _____
Authorized Signatory

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes designated above and referred to in the within-mentioned Indenture.

Date: April __, 2001

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual
capacity but solely as Indenture Trustee

By: _____
Authorized Signatory

(Reverse of Note]

This Note is one of the duly authorized Notes of the Issuer, designated as its Mortgage-Backed Notes (herein called the "Notes"), all issued under the Indenture. Reference is hereby made to the Indenture and all indentures supplemental thereto, and the Sale and Servicing Agreement for a statement of the respective rights and obligations thereunder of the Issuer, the Indenture Trustee and the Holders of the Notes. To the extent that any provision of this Note contradicts or is inconsistent with the provisions of the Indenture or the Sale and Servicing Agreement, the provisions of the Indenture or the Sale and Servicing Agreement, as applicable, shall control and supersede such contradictory or inconsistent provision herein. The Notes are subject to all terms of the Indenture and the Sale and Servicing Agreement.

The principal of and interest on this Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Note shall be applied in accordance with the Indenture and the Sale and Servicing Agreement.

The entire unpaid principal amount of this Note shall be due and payable on the earlier of the Maturity Date, the Redemption Date and the Final Put Date, if any, pursuant to Articles X of the Sale and Servicing Agreement and the Indenture. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable on the date on which an Event of Default shall have occurred and be continuing and the Indenture Trustee, at the direction or upon the prior written consent of the Majority Noteholders, has declared the Notes to be immediately due and payable in the manner provided in Section 5.02 of the Indenture. All principal payments on the Notes shall be made *pro rata* to the Holders of the Notes entitled thereto.

The Collateral secures this Note and all other Notes equally and ratably without prejudice, priority or distinction between any Note and any other Note. The Notes are non-recourse obligations of the Issuer and are limited in right of payment to amounts available from the Collateral, provided in the Indenture. The Issuer shall not otherwise be liable for payments on the Notes, and none of the owners, agents, officers, directors, employees, or successors or assigns of the Issuer shall be personally liable for any amounts payable, or performance due, under the Notes or the Indenture.

Any installment of interest or principal on this Note shall be paid on the applicable Payment Date to the Person in whose name this Note (or one or more Predecessor Notes) is registered in the Note Register as of the close of business on the related Record Date by wire transfer in immediately available funds to the account specified in writing by the related Noteholder to the extent provided by the Indenture and otherwise by check mailed to the Noteholder.

Any reduction in the principal amount of this Note (or any one or more Predecessor Notes) effected by any payments made on any Payment Date shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon. Any increase in the principal amount of this Note (or any one or more Predecessor Notes) effected by payments to the Issuer of Additional Note Principal Balances shall be binding upon the Issuer and shall inure to the benefit of all future Holders of this

Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register upon surrender of this Note for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by a written instrument of transfer in the form attached hereto duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Securities Transfer Agent's Medallion Program ("STAMP"), and thereupon one or more new Notes of authorized denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Note, but the Issuer may require the Noteholder to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange.

Each Noteholder, by acceptance of a Note or a beneficial interest in a Note, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer, the Owner Trustee or the Indenture Trustee on the Notes or under the Indenture or any certificate or other writing delivered in connection therewith, against (i) the Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director employee or "control person" within the meaning of the 1933 Act and the Exchange Act of the Indenture Trustee or the Owner Trustee in its individual capacity, any holder of a beneficial interest in the Issuer, the Owner Trustee or the Indenture Trustee or of any successor or assign of the Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may have expressly agreed and except that any such partner, owner or beneficiary shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity.

Each Noteholder, by acceptance of a Note or a beneficial interest in a Note, covenants and agrees by accepting the benefits of the Indenture that such Noteholder will not at any time institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Notes or the Basic Documents.

The Issuer has entered into the Indenture and this Note is issued with the intention that, for federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness of the Issuer secured by the Collateral. Each Noteholder, by acceptance of a Note, agrees to treat the Notes for federal, state and local income, single business and franchise tax purposes as indebtedness of the Issuer. Each Noteholder, by its acceptance of a Note, represents and warrants that the number of ICA Owners with respect to all of its Notes shall not exceed four.

Prior to the due presentment for registration of transfer of this Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in whose

name this Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Note be overdue, and none of the Issuer, the Indenture Trustee or any such agent shall be affected by notice to the contrary.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Notes under the Indenture at any time by the Issuer with the consent of the Majority Noteholders. The Indenture also contains provisions permitting the Holders of Notes representing specified Percentage Interests of the Outstanding Notes, on behalf of all of the Noteholders, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note (or any one or more Predecessor Notes) shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Note. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of any Noteholder.

The term "Issuer" as used in this Note includes any successor to the Issuer under the Indenture.

The Notes are issuable only in registered form in denominations as provided in the Indenture, subject to certain limitations therein set forth.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency herein prescribed.

Anything herein to the contrary notwithstanding, except as expressly provided in the Basic Documents, none of the Issuer in its individual capacity, the Owner Trustee in its individual capacity, any owner of a beneficial interest in the Issuer, or any of their respective partners, beneficiaries, agents, officers, directors, employees or successors or assigns shall be personally liable for, nor shall recourse be had to any of them for, the payment of principal of or interest on this Note or performance of, or omission to perform, any of the covenants, obligations or indemnifications contained in the Indenture. The Holder of this Note by its acceptance hereof agrees that, except as expressly provided in the Basic Documents, in the case of an Event of Default under the Indenture, the Holder shall have no claim against any of the foregoing for any deficiency, loss or claim therefrom; provided, however, that nothing contained herein shall be taken to prevent recourse to, and enforcement against, the assets of the Issuer for any and all liabilities, obligations and undertakings contained in the Indenture or in this Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee:

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

_____

(name and address of assignee)

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints, attorney, to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

_____ */

Signature Guaranteed:

_____ */

*/NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular, without alteration, enlargement or any change whatever. Such signature must be guaranteed by an "eligible guarantor institution" meeting the requirements of STAMP.

Schedule to Note
dated as of April __, 2001
of OPTION ONE OWNER TRUST 2001-2

Date of advance of Additional Note Principal Balance	Amount of advance of Additional Note Principal Balance	Percentage Interest	Aggregate Note Principal Balance	Note Principal Balance of Note
		100%		

EXHIBIT B-1

FORM OF RULE 144A TRANSFEROR CERTIFICATE

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479

Re: Option One Owner Trust 2001-2

Reference is hereby made to the Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003 (the "**Indenture**") between Option One Owner Trust 2001-2 (the "**Trust**") and Wells Fargo Bank Minnesota, National Association (the "**Indenture Trustee**"). Capitalized terms used but not defined herein shall have the meanings given to them in the Sale and Servicing Agreement dated as of April 1, 2001, and as amended and restated through and including November 25, 2003 among the Trust, Option One Loan Warehouse Corporation (the "**Depositor**"), Option One Mortgage Corporation (the "**Servicer**" and the "**Loan Originator**") and the Indenture Trustee.

The undersigned (the "**Transferor**") has requested a transfer of $___current principal balance Notes to [insert name of transferee].

In connection with such request, and in respect of such Notes, the Transferor hereby certifies that such Notes are being transferred in accordance with (i) the transfer restrictions set forth in the Indenture and the Notes and (ii) Rule 144A under the Securities Act of 1933, as amended to a purchaser that the Transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A purchasing for its own account or for the account of a "qualified institutional buyer," which purchaser is aware that the sale to it is being made in reliance upon Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction.

This certificate and the statements contained herein are made for your benefit and the benefit of the Depositor.

[Name of Transferor]

By: _____
Name:
Title:

Dated: _____ , ___

EXHIBIT B-2

FORM OF TRANSFEREE CERTIFICATE FOR
INSTITUTIONAL ACCREDITED INVESTOR

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services — Option One Owner Trust 2001-2

Re: Option One Owner Trust 2001-2

In connection with our proposed purchase of $ Note Principal Balance Mortgage-Backed Notes (the "**Offered Notes**") issued by Option One Owner Trust 2001-2, we confirm that:

(1) We understand that the Offered Notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "**1933 Act**") or any state securities laws, and may not be sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell any Offered Notes we will do so only (A) pursuant to a registration statement which has been declared effective under the 1933 Act, (B) for so long as the Offered Notes are eligible for resale pursuant to Rule 144A under the 1933 Act, to a Person we reasonably believe is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (C) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the 1933 Act (an "**Institutional Accredited Investor**") that is acquiring the Offered Notes for its own account, or for the account of such an Institutional Accredited Investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act, in each case in compliance with the requirements of the Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003, between Option One Owner Trust 2001-2 and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, and applicable state securities laws; and we further agree, in the capacities stated above, to provide to any person purchasing any of the Offered Notes from us a notice advising such purchaser that resales of the Offered Notes are restricted as stated herein.

(2) We understand that, in connection with any proposed resale of any Offered Notes to an Institutional Accredited Investor, we will be required to furnish to the Indenture Trustee and the Depositor a certification from such transferee as provided in Section 2.12 of the Indenture to confirm that the proposed sale is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and applicable state securities laws. We further understand that the Offered Notes purchased by us will bear a legend to the foregoing effect.

(3) We are acquiring the Offered Notes for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Offered Notes, and we and any account for which we are acting are each able to bear the economic risk of such investment.

(4) We are an Institutional Accredited Investor and we are acquiring the Offered Notes purchased by us for our own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which we exercise sole investment discretion.

(5) We have received such information as we deem necessary in order to make our investment decision.

(6) We either (i) are not, and are not acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA or Section 4975 of the Code, or (b) are, or are acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA of Section 4975 of the Code and the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited Transaction Class Exemption ("**PTCE**") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts), and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

Terms used in this letter which are not otherwise defined herein have the respective meanings assigned thereto in the Indenture.

You and the Depositor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

_____
[Name of Transferor]

By: _____
Name:
Title:

Dated: _____ , __

EXHIBIT B-3

[FORM OF RULE 144A TRANSFEREE CERTIFICATE]

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services — Option One Owner Trust 2001-2

Re: Option One Owner Trust 2001-2

1. The undersigned is the _____ of _____ (the "**Investor**"), a [corporation duly organized] and existing under the laws of _____ on behalf of which he makes this affidavit.

2. The Investor either (i) is not, and is not acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA or Section 4975 of the Code, or (b) is, or is acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA of Section 4975 of the Code and the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited Transaction Class Exemption ("**PTCE**") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts), and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

3. The Investor understands that the Offered Notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "**1933 Act**") or any state securities laws, and may not be sold except as permitted in the following sentence. The Investor agrees, on its own behalf and on behalf of any accounts for which it is acting as hereinafter stated, that if it should sell any Offered Notes it will do so only (A) pursuant to a registration statement which has been declared effective under the 1933 Act, (B) for so long as the Offered Notes are eligible for resale pursuant to Rule 144A under the 1933 Act, to a Person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (C) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the 1933 Act (an "**Institutional Accredited Investor**") that is acquiring the Offered Notes for its own account, or for the account of such an Institutional Accredited Investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act, in each case in compliance with the requirements of the Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003, between Option One Owner Trust 2001-2 and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, and applicable state securities laws; and the Investor further agrees, in the capacities stated above, to provide to any person purchasing any of the Offered Notes from it a notice advising such purchaser that resales of the Offered Notes are restricted as stated herein.

[FOR TRANSFERS IN RELIANCE UPON RULE 144A]

4. The Investor is a "qualified institutional buyer" (as such term is defined under Rule 144A under the Securities Act of 1933, as amended (the "**1933 Act**"), and is acquiring the Offered Notes for its own account or as a fiduciary or agent for others (which others also are "qualified institutional buyers"). The Investor is familiar with Rule 144A under the 1933 Act, and is aware that the transferor of the Offered Notes and other parties intend to rely on the statements made herein and the exemption from the registration requirements of the 1933 Act provided by Rule 144A.

_____
[Name of Transferor]

By: _____
Name:
Title:

Dated: _____ , __

EXHIBIT C

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT'), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (B) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE 1933 ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2),(3) OR (7) OF RULE 501 UNDER THE 1933 ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE 1933 ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

THIS NOTE MAY NOT BE TRANSFERRED UNLESS THE INDENTURE TRUSTEE HAS RECEIVED A CERTIFICATE FROM THE TRANSFEREE TO THE EFFECT THAT EITHER (I) THE TRANSFEREE IS NOT AN EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN OR (II) IF THE TRANSFEREE IS A PLAN, OR IS ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN, THE CONDITIONS FOR EXEMPTIVE RELIEF UNDER AT LEAST ONE OF THE FOLLOWING PROHIBITED TRANSACTION CLASS EXEMPTIONS HAVE BEEN SATISFIED: PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (RELATING TO TRANSACTIONS EFFECTED BY AN "IN-HOUSE ASSET MANAGER"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) AND PTCE 84-14 (RELATING TO TRANSACTIONS EFFECTED BY A "QUALIFIED PROFESSIONAL ASSET MANAGER").

EXHIBIT 10.15

BANK OF AMERICA, N.A.
Bank of America Plaza
901 Main Street, 51st Floor
Dallas, Texas 75202

As of April 1, 2000

Option One Mortgage Corporation
3 Ada Road
Irvine, California 92618

Ladies and Gentlemen:

From time to time you, Option One Mortgage Corporation, and your affiliates, may engage in transactions with Bank of America, N.A., Banc of America Securities LLC and/or their affiliates (collectively, and each acting either for itself or for the account of Others; "Buyer") involving the purchase, sale, lease, loan or borrowing of cash or cash equivalents, securities, commodities, instruments, loans, receivables or contract rights or interests, options or rights in or in respect of any thereof (cash, cash equivalents, securities, commodities, instruments, loans, receivables, contract rights, interests, options and rights of every kind and nature whatsoever being hereinafter referred to collectively as "Securities"), which transactions may include, without limitation, purchases or sales of Securities on a long, short or forward basis, loan transactions, repurchase and reverse repurchase transactions, arbitrage transactions, and purchases or sales of options to purchase or sell Securities (all transactions involving Securities to which you and Buyer are both parties, whether heretofore or hereafter entered into, being hereinafter referred to collectively as "Transactions"). This letter agreement, when executed by you in the space provided below and a copy hereof is returned to Buyer, shall constitute our mutual agreement in respect of all Transactions, supplementing all other agreements, documents, forms, confirmations and other writings (collectively, "Transaction Documents") entered into or delivered pursuant to or in connection with any Transactions. To the extent, if any, that the provisions of this letter agreement are inconsistent with the provisions of any Transaction Documents, the provisions of this letter agreement shall govern. The term "you" means Option One Mortgage Corporation only, and not any affiliate.

1. Collateral. In order to secure the prompt and full payment and performance by you of all your present and future obligations to Buyer in respect of Transactions and this letter agreement (collectively, the "Obligations"), you hereby grant Buyer a security interest in all Securities owned by you (or in which you have an interest, to the extent of such interest) heretofore or hereafter delivered to, held by or for the benefit of, or in the possession of Buyer (collectively with all income therefrom, all distributions thereon and all proceeds thereof, the "Collateral"). Each item of Collateral (to the extent of your interest therein) shall secure all of the Obligations regardless of whether it is pledged pursuant to Transaction Documents or otherwise to secure one or more specific Obligations. If an Event of Default (as such term is defined below) shall have occurred and be continuing, Buyer shall be free to apply any Collateral to any Obligations in any order, in each case as Buyer shall determine in its sole discretion; provided, however, that Buyer shall not take

possession of or dispose of any Collateral in any manner expressly inconsistent with terms and conditions relating to taking possession or disposing of such Collateral set forth in any security agreement to which you and Buyer are parties. Such security interest shall survive the termination or completion of any Transaction or the termination of any Transaction Document and shall continue in respect of any Collateral until such Collateral is returned to you. To the extent, if any, that you are granted the right in any Transaction Documents to substitute certain Securities for certain Collateral, such substituted Securities shall be Collateral for all purposes. To the extent, if any, that you are granted the right in any Transaction Documents to a release of any Collateral, such Collateral shall be released until and unless an Event of Default occurs or is continuing.

2. Remedies. (a) In addition to all rights and remedies which Buyer may have under the Transaction Documents, custom, usage and trade practice and applicable law, and in equity, if an Event of Default shall have occurred and be continuing Buyer shall be entitled to:

(i) Cancel and treat as defaulted under, and breached and repudiated by you, any or all Transactions and Transaction Documents, in which event all amounts expended or losses incurred by Buyer pursuant to or in connection with such cancellation and treatment shall constitute Obligations immediately payable by you;

(ii) In respect of Obligations to sell and/or deliver Securities (other than cash) to Buyer, purchase a like amount of such Securities in a recognized market therefor or at such price(s) as Buyer shall reasonably deem satisfactory, in which event any excess of the amounts paid for such Securities over the amounts which you had agreed to accept therefor shall constitute Obligations immediately payable by you;

(iii) In respect of Obligations to purchase and/or accept delivery of Securities from Buyer, sell a like amount of such Securities in a recognized market therefor or at such price(s) as Buyer shall reasonably deem satisfactory, in which event any deficiency between the amounts paid for such Securities and the amounts which you had agreed to pay therefor shall constitute an Obligation immediately payable by you;

(iv) Be paid or reimbursed by you for all brokerage expenses, accrued interest, transfer charges and taxes, reasonable attorneys' fees and all other losses and reasonable costs or expenses incurred or expended by Buyer pursuant to or in connection with the exercise or attempted exercise of any right or remedy which Buyer may have as the result of the occurrence of an Event of Default, all of which losses, costs and expenses shall constitute Obligations immediately payable by you;

(v) Subject to any cure period therefor in any related Transaction Document set off any obligation of Buyer to you against any Obligation; and/or

(vi) Apply any Collateral to any Obligations (in the case of Collateral not in the form of cash or such other marketable or negotiable form as Buyer shall deem acceptable for

application at its last previously reported price in the principal market therefor, by selling such Collateral in the manner described in clause (iii) above or as otherwise permitted by law or as may be in accordance with custom, usage or trade practice); provided, however, that Buyer shall not take possession of or dispose of any Collateral in any manner expressly inconsistent with terms and conditions relating to taking possession or disposing of such Collateral set forth in any security agreement to which you and Buyer are parties.

(b) None of Buyer's rights or remedies shall be exclusive of any other available right or remedy, and each remedy shall be cumulative and in addition to any other right or remedy of Buyer. Buyer shall be entitled to exercise its rights and remedies against you in such order and to such extent as it, in its sole discretion, deems appropriate, without regard to the existence, availability, collectibility or pursuit of any rights or remedies it may have against third parties including, without limitation, guarantors and issuers of letters of credit. No course of dealing between you and Buyer nor any delay on the part of Buyer in exercising any of its rights or remedies shall constitute a waiver thereof, and any such right or remedy may be exercised from time to time and as often as Buyer may determine. .

3. Events of Default. The occurrence or existence of any of the following shall constitute an "Event of Default" for purposes of this letter agreement:

(a) Admission in writing by any of your officers of your inability to, or intention not to, perform fully when such performance will become due (after any applicable grace or cure period) any Obligation or any other obligation on your part to any broker, dealer, bank or other financial institution in respect of a transaction involving Securities not then due;

(b) The occurrence of any event or the existence of any condition which would entitle Buyer to exercise any rights or remedies in respect of a breach, default or repudiation pursuant to a Transaction Document;

(c) You shall make an assignment for the benefit of creditors, or admit in writing your inability to pay debts as they become due, or generally not pay your debts as they become due, or file any petition, application or answer seeking for yourself any entry of an order for relief, protective decree, reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Bankruptcy Code or any other federal, state or foreign, present or future, statute, law or regulation, or be the subject of any such order for relief or protective decree entered by a court, or file any answer admitting or not controverting the material allegations of such a petition or application filed against you, or seek or acquiesce in the appointment or designation of, or taking possession by, any trustee, receiver, liquidator or agent in respect of all or a substantial part of your property, or your trustees, directors, majority shareholders, partners or other principals, as the case may be, shall take any action looking to your dissolution or liquidation or to the taking of any action described in this paragraph (c), or any of the foregoing shall occur in respect of any one or more of your general partners, principals or parent entities or other persons exercising control over you;

(d) An action shall be commenced or a petition or application shall be filed against you seeking any order for relief, protective decree, reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Bankruptcy Code, Securities Investor Protection Act or any federal, state or foreign present or future statute, law or regulation and, prior to the expiration of any cure period therefor in any applicable Transaction Document, such action, petition or application shall not have been dismissed or all orders or proceedings thereunder stayed or vacated, or such stay shall be set aside, or any trustee, receiver, liquidator or agent of all or a substantial part of your property shall be appointed or designated and such appointment or designation shall not have been vacated;

(e) A judgment for the payment of money in excess of $ 1,000,000.00 or affecting all or a substantial part of your business or property shall be entered or rendered against you, and such judgment shall not have been discharged in full or effectively stayed as to enforcement and execution;

(f) You shall default (as principal, guarantor or surety) in the performance of any material contract or in the payment of any principal or interest on any indebtedness or in the material performance of or compliance with any agreement, instrument or other writing evidencing such indebtedness or delivered pursuant thereto or in connection therewith, which default shall have continued beyond any applicable period of grace and any cure period therefor in any related transaction document and, in the case of a default in respect of indebtedness, would permit the holder of such indebtedness to accelerate payment of the principal thereof prior to its maturity;

(g) Subject to any cure period therefor in any related transaction document, any statement of your financial condition prepared by you or at your request shall indicate that, or you shall have acknowledged that, your financial condition entitles Buyer to exercise any rights or remedies in respect of a breach, default or repudiation pursuant to such related transaction document;

(h) The Securities and Exchange Commission, Commodity Futures Trading Commission, any securities or commodities exchange or association, any banking department or authority, or any other governmental entity or authority having regulatory authority over a material portion of your business shall revoke, cancel, enjoin, suspend or fail to renew your registration, licensing, qualification or other authorization to do business in respect of a material portion of your business or any material geographic area, which action shall not have been rescinded, discontinued or stayed within 30 days.

4. Notices. (a) All notices required or permitted to be made under this letter agreement shall be effective upon actual receipt, shall be in writing and shall be delivered personally or by telex or other telegraphic means:

If to Buyer, at:

Bank of America, N.A.
Bank of America Plaza
901 Main Street, 51st Floor
Dallas, Texas 75202

Attention: Garrett Dolt

If to you, at the address set forth at the beginning of this letter agreement. Either party may change the address at which it is to receive notices under this letter agreement by sending notice thereof pursuant to this provision.

(b) You shall promptly notify Buyer of the occurrence of any Event of Default, or of the occurrence of any event or existence of any condition which, with the passage of time or giving of notice, or both, would constitute an Event of Default.

5. Miscellaneous. (a) Notwithstanding anything contained in this letter agreement and except only as may be expressly set forth in the Transaction Documents, Buyer does not agree and has not agreed to make any loans to you or to otherwise extend credit to you or for your account, and shall under no circumstances be required to deliver any Securities to you until full payment or acceptable security therefor shall have been received by Buyer.

(b) You shall execute and deliver to Buyer such instruments and other writings including, without limitation, financing statements, and take such other action, all without cost or expense to Buyer, as Buyer may request to carry out the intent of and transactions contemplated by this letter agreement and the Transaction Documents.

(c) This letter agreement shall not be assignable by either party without the prior written consent of the other party, shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, shall not be changed except by a written instrument signed by each of the parties, and shall be governed by and construed in accordance with the internal laws of the State of New York without reference to principles of conflicts of laws.

Signature Page Follows

Very truly yours,

BANK OF AMERICA, N.A.

By: /s/ Garrett M. Dolt
Garrett M. Dolt
Vice President

ACCEPTED AND AGREED TO:

OPTION ONE MORTGAGE CORPORATION

By: _____
Name: _____
Title: _____

Very truly yours,

BANK OF AMERICA, N.A.

By: _____

ACCEPTED AND AGREED TO:

OPTION ONE MORTGAGE CORPORATION

By /s/ Rod Colombi
Name: Rod Colombi
Title: Vice President

BANK OF AMERICA, N.A.
Bank of America Plaza

901 Main Street, 51st Floor
Dallas, Texas 75202

As of April 1, 2001

Option One Mortgage Corporation
3 Ada
Irvine, California 92618

Ladies and Gentlemen:

From time to time you, Option One Mortgage Corporation, and your affiliates, may engage in transactions with Bank of America, N.A., Banc of America Securities LLC and/or their affiliates (collectively, and each acting either for itself or for the account of others, "Buyer") involving the purchase, sale, swap lease, loan or borrowing of cash or cash equivalents, securities, commodities, instruments, loans, receivables or contract rights or interests, options or rights in or in respect of any thereof (such cash, cash equivalents, securities, commodities, instruments, loans, receivables, contract rights, currencies, interests, options and rights of every kind and nature whatsoever being hereinafter referred to collectively as "Securities"), which transactions may include, without limitation, purchases or sales of Securities on a long, short or forward basis, loan transactions, repurchase and reverse repurchase transactions, arbitrage transactions, swaps, collars, caps, floors and purchases or sales of options to purchase or sell Securities (all transactions involving Securities to which you and Buyer are both parties, whether heretofore or hereafter entered into, being hereinafter referred to collectively as "Transactions"). This letter agreement, when executed by you in the space provided below and a copy hereof is returned to Buyer, shall constitute our mutual agreement in respect of all Transactions, supplementing all other agreements, documents, forms, confirmations and other writings (collectively, "Transaction Documents") entered into or delivered pursuant to or in connection with any Transactions. To the extent, if any, that the provisions of this letter agreement are inconsistent with the provisions of any Transaction Documents, the provisions of this letter agreement shall govern. The term "you" means Option One Mortgage Corporation only, and not any affiliate.

1. Collateral. In order to secure the prompt and full payment and performance by you of all your present and future obligations to Buyer in respect of Transactions and this letter agreement (collectively, the "Obligations"), you hereby grant Buyer a security interest in all Securities owned by you (or in which you have an interest, to the extent of such interest) heretofore or hereafter delivered to, held by or for the benefit of, or in the possession of Buyer (collectively with all income therefrom, all distributions thereon and all proceeds thereof, the "Collateral"). Except to the extent otherwise expressly provided in a Transaction Document, Collateral held by or for the benefit of, or pledged to Buyer or one of its affiliates shall be deemed held by or for the benefit of, or pledged to, such entity (i) both for its own account or the account of others, as applicable, and (ii) as agent for such entity's affiliates pursuant thereto. Each item of Collateral (to the extent of your

interest therein) shall secure all of the Obligations regardless of whether it is pledged pursuant to Transaction Documents or otherwise to secure one or more specific Obligations. If an Event of Default (as such term is defined below) shall have occurred and be continuing, Buyer shall be free to apply any Collateral to any Obligations in any order, in each case as Buyer shall determine in its sole discretion; provided, however, that Buyer shall not take possession of or dispose of any Collateral in any manner expressly inconsistent with terms and conditions relating to taking possession or disposing of such Collateral set forth in any security agreement to which you and Buyer are parties. Such security interest shall survive the termination or completion of any Transaction or the termination of any Transaction Document and shall continue in respect of any Collateral until such Collateral is returned to you. To the extent, if any, that you are granted the right in any Transaction Documents to substitute certain Securities for certain Collateral, such substituted Securities shall be Collateral for all purposes. To the extent, if any, that you are granted the right in any Transaction Documents to a release of any Collateral, such Collateral shall be released until and unless an Event of Default occurs or is continuing.

2. Remedies. (a) In addition to all rights and remedies which Buyer may have under the Transaction Documents, custom, usage and trade practice and applicable law, and in equity, if an Event of Default shall have occurred and be continuing Buyer shall be entitled to:

(i) Cancel and treat as defaulted under, and breached and repudiated by you, any or all Transactions and Transaction Documents, in which event all amounts expended or losses incurred by Buyer pursuant to or in connection with such cancellation and treatment shall constitute Obligations immediately payable by you;

(ii) In respect of Obligations to sell and/or deliver Securities (other than cash) to Buyer, purchase a like amount of such Securities in a recognized market therefor or at such price(s) as Buyer shall reasonably deem satisfactory, in which event any excess of the amounts paid for such Securities over the amounts which you had agreed to accept therefor shall constitute Obligations immediately payable by you;

(iii) In respect of Obligations to purchase and/or accept delivery of Securities from Buyer, sell a like amount of such Securities in a recognized market therefor or at such price(s) as Buyer shall reasonably deem satisfactory, in which event any deficiency between the amounts paid for such Securities and the amounts which you had agreed to pay therefor shall constitute an Obligation immediately payable by you;

(iv) Be paid or reimbursed by you for all brokerage expenses, accrued interest, transfer charges and taxes, reasonable attorneys' fees and all other losses and reasonable costs or expenses incurred or expended by Buyer pursuant to or in connection with the exercise or attempted exercise of any right or remedy which Buyer may have as the result of the occurrence of an Event of Default, all of which losses, costs and expenses shall constitute Obligations immediately payable by you;

(v) Subject to any cure period therefor in any related Transaction Document set off any obligation of Buyer to you against any Obligation; and/or

(vi) Apply any Collateral to any Obligations (in the case of Collateral not in the form of cash or such other marketable or negotiable form as Buyer shall deem acceptable for application at its last previously reported price in the principal market therefor, by selling such Collateral in the manner described in clause (iii) above or as otherwise permitted by law or as may be in accordance with custom, usage or trade practice); provided, however, that Buyer shall not take possession of or dispose of any Collateral in any manner expressly inconsistent with terms and conditions relating to taking possession or disposing of such Collateral set forth in any security agreement to which you and Buyer are parties.

(b) None of Buyer's rights or remedies shall be exclusive of any other available right or remedy, and each remedy shall be cumulative and in addition to any other right or remedy of Buyer. Buyer shall be entitled to exercise its rights and remedies against you in such order and to such extent as it, in its sole discretion, deems appropriate, without regard to the existence, availability, collectibility or pursuit of any rights or remedies it may have against third parties including, without limitation, guarantors and issuers of letters of credit. No course of dealing between you and Buyer nor any delay on the part of Buyer in exercising any of its rights or remedies shall constitute a waiver thereof, and any such right or remedy may be exercised from time to time and as often as Buyer may determine.

3. Events of Default. The occurrence or existence of any of the following shall constitute an "Event of Default" for purposes of this letter agreement:

(a) Admission in writing by any of your officers of your inability to, or intention not to, perform fully when such performance will become due (after any applicable grace or cure period) any Obligation or any other obligation on your part to any broker, dealer, bank or other financial institution in respect of a transaction involving Securities not then due;

(b) The occurrence of any event or the existence of any condition which would entitle Buyer to exercise any rights or remedies in respect of a breach, default or repudiation pursuant to a Transaction Document;

(c) You shall make an assignment for the benefit of creditors, or admit in writing your inability to pay debts as they become due, or generally not pay your debts as they become due, or file any petition, application or answer seeking for yourself any entry of an order for relief, protective decree, reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Bankruptcy Code or any other federal, state or foreign, present or future, statute, law or regulation, or be the subject of any such order for relief or protective decree entered by a court, or file any answer admitting or not controverting the material allegations of such a petition or application filed against you, or seek or acquiesce in the appointment or designation of, or taking possession by, any trustee, receiver, liquidator or agent in respect of all or a substantial part of your

property, or your trustees, directors, majority shareholders, partners or other principals, as the case may be, shall take any action looking to your dissolution or liquidation or to the taking of any action described in this paragraph (c), or any of the foregoing shall occur in respect of any one or more of your general partners, principals or parent entities or other persons exercising control over you;

(d) An action shall be commenced or a petition or application shall be filed against you seeking any order for relief, protective decree, reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Bankruptcy Code, Securities Investor Protection Act or any federal, state or foreign present or future statute, law or regulation and, prior to the expiration of any cure period therefor in any applicable Transaction Document, such action, petition or application shall not have been dismissed or all orders or proceedings thereunder stayed or vacated, or such stay shall be set aside, or any trustee, receiver, liquidator or agent of all or a substantial part of your property shall be appointed or designated and such appointment or designation shall not have been vacated;

(e) A judgment for the payment of money in excess of $1,000,000.00 or affecting all or a substantial part of your business or property shall be entered or rendered against you, and such judgment shall not have been discharged in full or effectively stayed as to enforcement and execution;

(f) You shall default (as principal, guarantor or surety) in the performance of any material contract or in the payment of any principal or interest on any indebtedness or in the material performance of or compliance with any agreement, instrument or other writing evidencing such indebtedness or delivered pursuant thereto or in connection therewith, which default shall have continued beyond any applicable period of grace and any cure period therefor in any related transaction document and, in the case of a default in respect of indebtedness, would permit the holder of such indebtedness to accelerate payment of the principal thereof prior to its maturity;

(g) Subject to any cure period therefor in any related transaction document, any statement of your financial condition prepared by you or at your request shall indicate that, or you shall have acknowledged that, your financial condition entitles Buyer to exercise any rights or remedies in respect of a breach, default or repudiation pursuant to such related transaction document;

(h) The Securities and Exchange Commission, Commodity Futures Trading Commission, any securities or commodities exchange or association, any banking department or authority, or any other governmental entity or authority having regulatory authority over a material portion of your business shall revoke, cancel, enjoin, suspend or fail to renew your registration, licensing, qualification or other authorization to do business in respect of a material portion of your business or any material geographic area, which action shall not have been rescinded, discontinued or stayed within 30 days.

4. Notices. (a) All notices required or permitted to be made under this letter agreement shall be effective upon actual receipt, shall be in writing and shall be delivered personally or by telex

or other telegraphic means:

If to Buyer, at:

Bank of America, N.A.
Bank of America Plaza
901 Main Street, 51st Floor
Dallas, Texas 75202

Attention: Garrett Dolt

If to you, at the address set forth at the beginning of this letter agreement. Either party may change the address at which it is to receive notices under this letter agreement by sending notice thereof pursuant to this provision.

(b) You shall promptly notify Buyer of the occurrence of any Event of Default, or of the occurrence of any event or existence of any condition which, with the passage of time or giving of notice, or both, would constitute an Event of Default.

5. Miscellaneous. (a) Notwithstanding anything contained in this letter agreement and except only as may be expressly set forth in the Transaction Documents, Buyer does not agree and has not agreed to make any loans to you or to otherwise extend credit to you or for your account, and shall under no circumstances be required to deliver any Securities to you until full payment or acceptable security therefor shall have been received by Buyer.

(b) You shall execute and deliver to Buyer such instruments and other writings including, without limitation, financing statements, and take such other action, all without cost or expense to Buyer, as Buyer may request to carry out the intent of and transactions contemplated by this letter agreement and the Transaction Documents.

(c) This letter agreement shall not be assignable by either party without the prior written consent of the other party, shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, shall not be changed except by a written instrument signed by each of the parties, and shall be governed by and construed in accordance with the internal laws of the State of New York without reference to principles of conflicts of laws.

Signature Page Follows

Very truly yours,

BANK OF AMERICA, N.A.

By: /s/ Garrett Dolt
GARRETT DOLT
VICE PRESIDENT

ACCEPTED AND AGREED TO:

OPTION ONE MORTGAGE CORPORATION

By: _____
Name: _____
Title: _____

Very truly yours,

BANK OF AMERICA, N.A.

By: _____

ACCEPTED AND AGREED TO:

OPTION ONE MORTGAGE CORPORATION

By: /s/ Rod Columbi
Name: Rod Columbi
Title: Vice President

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark A. Ernst, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2005

/s/ Mark A. Ernst

Mark A. Ernst
Chief Executive Officer
H&R Block, Inc.

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William L. Trubeck, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2005

/s/ William L. Trubeck

William L. Trubeck
Chief Financial Officer
H&R Block, Inc.

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of H&R Block, Inc. (the "Company") on Form 10-Q for the period ending January 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark A. Ernst, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark A. Ernst
Mark A. Ernst
Chief Executive Officer
H&R Block, Inc.
March 9, 2005

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of H&R Block, Inc. (the "Company") on Form 10-Q for the period ending January 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William L. Trubeck, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William L. Trubeck
William L. Trubeck
Chief Financial Officer
H&R Block, Inc.
March 9, 2005