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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[**X**] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 2007

OR

[ ] 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.)**

One H&R Block Way
Kansas City, Missouri 64105
(Address of principal executive offices, including zip code)

(816) 854-3000
(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 Ö No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)
Large accelerated filer Ö Accelerated filer ___ Non-accelerated filer ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ___ No Ö

The number of shares outstanding of the registrant's Common Stock, without par value, at the close of business on November 30, 2007 was 325,034,129 shares.

Form 10-Q for the Period Ended October 31, 2007

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CONDENSED CONSOLIDATED BALANCE SHEETS (amounts in 000s, except share and per share amounts)

	October 31, 2007	April 30, 2007
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 386,915	$ 921,838
Cash and cash equivalents – restricted	237,176	332,646
Receivables from customers, brokers, dealers and clearing organizations, less allowance for doubtful accounts of $2,345 and $2,292	414,557	410,522
Receivables, less allowance for doubtful accounts of $109,266 and $99,259	486,802	556,255
Prepaid expenses and other current assets	219,562	208,564
Assets of discontinued operations, held for sale	2,236,021	1,746,959
Total current assets	3,981,033	4,176,784
Mortgage loans held for investment, less allowance for loan losses of $15,492 and $3,448	1,082,301	1,358,222
Property and equipment, at cost less accumulated depreciation and amortization of $648,766 and $647,151	383,930	379,066
Intangible assets, net	161,199	181,413
Goodwill	1,007,695	993,919
Other assets	490,613	454,646
Total assets	$ 7,106,771	$ 7,544,050
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Commercial paper and other short-term borrowings	$ 500,000	$ 1,567,082
Customer banking deposits	886,533	1,129,263
Accounts payable to customers, brokers and dealers	568,122	633,189
Accounts payable, accrued expenses and other current liabilities	400,738	519,372
Accrued salaries, wages and payroll taxes	123,424	307,854
Accrued income taxes	22,647	439,472
Current portion of long-term debt	11,480	9,304
Liabilities of discontinued operations, held for sale	1,363,207	615,373
Total current liabilities	3,876,151	5,220,909
Long-term debt	2,144,012	519,807
Other noncurrent liabilities	542,328	388,835
Total liabilities	6,562,491	6,129,551
Stockholders' equity:		
Common stock, no par, stated value $.01 per share, 800,000,000 shares authorized, 435,890,796 shares issued at October 31, 2007 and April 30, 2007	4,359	4,359
Additional paid-in capital	678,407	676,766
Accumulated other comprehensive income (loss)	1,131	(1,320)
Retained earnings	1,981,378	2,886,440
Less cost of 111,009,460 and 112,671,610 shares of common stock in treasury	(2,120,995)	(2,151,746)
Total stockholders' equity	544,280	1,414,499
Total liabilities and stockholders' equity	$ 7,106,771	$ 7,544,050

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(unaudited, amounts in 000s, except per share amounts)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Revenues:				
Service revenues	$ 373,817	$ 347,942	$ 695,480	$ 650,738
Other revenues:				
Interest income	39,599	29,975	81,437	55,685
Product and other revenues	21,408	18,166	39,116	32,430
	434,824	396,083	816,033	738,853
Operating expenses:				
Cost of services	428,733	399,254	812,133	762,779
Cost of other revenues	58,806	25,573	102,335	43,780
Selling, general and administrative	180,876	162,972	326,700	312,043
	668,415	587,799	1,241,168	1,118,602
Operating loss	(233,591)	(191,716)	(425,135)	(379,749)
Interest expense	(652)	(12,091)	(1,247)	(24,226)
Other income, net	10,507	5,188	19,066	11,382
Loss from continuing operations before tax benefit	(223,736)	(198,619)	(407,316)	(392,593)
Income tax benefit	(87,631)	(77,622)	(161,388)	(153,757)
Net loss from continuing operations	(136,105)	(120,997)	(245,928)	(238,836)
Net loss from discontinued operations	(366,166)	(35,463)	(558,923)	(49,001)
Net loss	$ (502,271)	$ (156,460)	$ (804,851)	$ (287,837)
Basic and diluted loss per share:				
Net loss from continuing operations	$ (0.42)	$ (0.38)	$ (0.76)	$ (0.74)
Net loss from discontinued operations	(1.13)	(0.11)	(1.72)	(0.15)
Net loss	$ (1.55)	$ (0.49)	$ (2.48)	$ (0.89)
Basic and diluted shares	324,694	321,742	324,279	322,706
Dividends per share	$ 0.143	$ 0.135	$ 0.28	$ 0.26
Comprehensive income (loss):				
Net loss	$ (502,271)	$ (156,460)	$ (804,851)	$ (287,837)
Change in unrealized gain on available-for-sale securities, net	1,626	1,667	1,163	(844)
Change in foreign currency translation adjustments	(3,023)	(329)	1,288	489
Comprehensive loss	$ (503,668)	$ (155,122)	$ (802,400)	$ (288,192)

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, amounts in 000s)

Six Months Ended October 31,	2007	2006
Cash flows from operating activities:		
Net loss	$ (804,851)	$ (287,837)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	75,246	71,964
Stock-based compensation expense	17,550	17,262
Changes in assets and liabilities of discontinued operations	243,306	(189,494)
Other, net of business acquisitions	(473,376)	(783,866)
Net cash used in operating activities	(942,125)	(1,171,971)
Cash flows from investing activities:		
Mortgage loans originated or purchased for investment, net	76,889	(278,003)
Purchases of property and equipment, net	(48,480)	(80,440)
Payments made for business acquisitions, net of cash acquired	(21,037)	(12,670)
Net cash provided by (used in) investing activities of discontinued operations	9,596	(8,864)
Other, net	5,763	(29,274)
Net cash provided by (used in) investing activities	22,731	(409,251)
Cash flows from financing activities:		
Repayments of commercial paper	(5,125,279)	(2,295,573)
Proceeds from issuance of commercial paper	4,133,197	3,336,002
Repayments of line of credit borrowings	(1,005,000)	-
Proceeds from line of credit borrowings	2,555,000	-
Customer deposits, net	(243,030)	595,769
Dividends paid	(90,495)	(84,225)
Purchase of treasury shares	-	(180,897)
Proceeds from exercise of stock options	13,434	10,640
Net cash provided by (used in) financing activities of discontinued operations	200,812	(100)
Other, net	(54,168)	(71,520)
Net cash provided by financing activities	384,471	1,310,096
Net decrease in cash and cash equivalents	(534,923)	(271,126)
Cash and cash equivalents at beginning of the period	921,838	673,827
Cash and cash equivalents at end of the period	$ 386,915	$ 402,701
Supplementary cash flow data:		
Income taxes paid, net of refunds received of $71,724 and $1,468	$ (52,360)	$ 313,016
Interest paid on borrowings	73,998	39,683
Interest paid on deposits	28,039	9,892

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(unaudited, amounts in 000s, except per share amounts)

	Common Stock		Convertible Preferred Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock		Total Equity
	Shares	Amount	Shares	Amount				Shares	Amount	
Balances at April 30, 2006	435,891	$ 4,359	-	$ -	$ 653,053	$ 21,948	$ 3,492,059	(107,378)	$ (2,023,620)	$ 2,147,799
Net loss	-	-	-	-	-	-	(287,837)	-	-	(287,837)
Unrealized translation gain	-	-	-	-	-	489	-	-	-	489
Change in net unrealized gain on available-for-sale securities	-	-	-	-	-	(844)	-	-	-	(844)
Stock-based compensation	-	-	-	-	21,955	-	-	-	-	21,955
Shares issued for:										
Option exercises	-	-	-	-	(1,495)	-	-	726	13,831	12,336
Nonvested shares	-	-	-	-	(15,160)	-	-	778	14,798	(362)
ESPP	-	-	-	-	513	-	-	258	4,915	5,428
Acquisitions	-	-	-	-	54	-	-	21	396	450
Acquisition of treasury shares	-	-	-	-	-	-	-	(8,380)	(186,560)	(186,560)
Cash dividends paid – $0.26 per share	-	-	-	-	-	-	(84,225)	-	-	(84,225)
Balances at October 31, 2006	435,891	$ 4,359	-	$ -	$ 658,920	$ 21,593	$ 3,119,997	(113,975)	$ (2,176,240)	$ 1,628,629
Balances at April 30, 2007	435,891	$ 4,359	-	$ -	$ 676,766	$ (1,320)	$ 2,886,440	(112,672)	$ (2,151,746)	$ 1,414,499
Remeasurement of uncertain tax positions upon adoption of FIN 48	-	-	-	-	-	-	(9,716)	-	-	(9,716)
Net loss	-	-	-	-	-	-	(804,851)	-	-	(804,851)
Unrealized translation gain	-	-	-	-	-	1,288	-	-	-	1,288
Change in net unrealized gain on available-for-sale securities	-	-	-	-	-	1,163	-	-	-	1,163
Stock-based compensation	-	-	-	-	20,750	-	-	-	-	20,750
Shares issued for:										
Option exercises	-	-	-	-	(5,105)	-	-	940	17,944	12,839
Nonvested shares	-	-	-	-	(14,439)	-	-	742	14,167	(272)
ESPP	-	-	-	-	400	-	-	218	4,161	4,561
Acquisitions	-	-	-	-	35	-	-	8	151	186
Acquisition of treasury shares	-	-	-	-	-	-	-	(245)	(5,672)	(5,672)
Cash dividends paid – $0.28 per share	-	-	-	-	-	-	(90,495)	-	-	(90,495)
Balances at October 31, 2007	435,891	$ 4,359	-	$ -	$ 678,407	$ 1,131	$ 1,981,378	(111,009)	$ (2,120,995)	$ 544,280

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 October 31, 2007, the condensed consolidated statements of income and comprehensive income for the three and six months ended October 31, 2007 and 2006, the condensed consolidated statements of cash flows for the six months ended October 31, 2007 and 2006, and the condensed consolidated statement of stockholders' equity for the six months ended October 31, 2007 and 2006 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, cash flows and changes in stockholders' equity at October 31, 2007 and for all periods presented have been made. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

"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 information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles 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, 2007 Annual Report to Shareholders on Form 10-K.

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.

Discontinued Operations – Recent Developments

On April 19, 2007, we entered into an agreement to sell Option One Mortgage Corporation (OOMC) to Cerberus Capital Management (Cerberus). In conjunction with this plan, we also announced we would terminate the operations of H&R Block Mortgage Corporation (HRBMC), a wholly-owned subsidiary of OOMC.

On December 4, 2007, we agreed to terminate the agreement with Cerberus in light of the changing business environment for OOMC, as mutually acceptable alternatives for restructuring the original agreement could not be reached. We also announced that we would immediately terminate all remaining origination activities and pursue the sale of OOMC's loan servicing activities. OOMC had existing loan applications in its pipeline of $69.4 million in gross loan principal amount at October 31, 2007. We believe that only approximately $20 million to $30 million of these loans will ultimately be funded, at which time our mortgage origination activities will cease. We believe a majority of these loans will be eligible for sale to Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac).

Termination of the mortgage lending activities of OOMC is expected to result in a pretax restructuring charge of $74.8 million. The restructuring charge covers expected severance and lease termination costs, write-off of property, plant and equipment and related shutdown costs. Of the total restructuring charge, $34.9 million was incurred in our second quarter ending October 31, 2007, with the remainder to be incurred primarily in our third quarter ending January 31, 2008. This charge, combined with the restructuring activities previously announced, brings our total restructuring charges for the three and six months ended October 31, 2007 to $61.0 million and $77.1 million, respectively.

Following the termination of its loan origination activities, OOMC will continue to carry out its servicing activities and collect servicing revenues as it does today. Because of the cessation of new originations, the volume of mortgage loans serviced will gradually decline as the aggregate principal amount of existing loans being serviced declines without replacement. The majority of servicing activities are carried out with respect to loans owned by third parties.

We have estimated the fair values of the servicing business and other assets, which resulted in an additional asset impairment for the second quarter ending October 31, 2007 of $123.0 million, bringing our total impairment recorded in discontinued operations to $146.2 million for the six months ended October 31, 2007.

During fiscal year 2007, we also committed to a plan to sell two smaller lines of business and completed the wind-down of one other line of business, all of which were previously reported in our Business Services segment. One of these businesses was sold during the six months ended October 31, 2007. Additionally, during fiscal year 2007, we completed the wind-down of our tax operations in the United Kingdom, which were previously reported in Tax Services. As of October 31, 2007, these businesses are presented as discontinued operations and the assets and liabilities of the businesses being sold are presented as held-for-sale in the condensed consolidated financial statements. All periods presented have been reclassified to reflect our discontinued operations.

2. Earnings (Loss) Per Share

Basic and diluted 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 per share except in those periods with a loss from continuing operations. 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 30.2 million shares and 30.7 million shares for the three and six months ended October 31, 2007, respectively, and 32.5 million shares for the three and six months ended October 31, 2006, as the effect would be antidilutive due to the net loss from continuing operations during each period.

The weighted average shares outstanding for the three and six months ended October 31, 2007 increased to 324.7 million and 324.3 million, respectively, from 321.7 million and 322.7 million for the three and six months ended October 31, 2006, respectively, primarily due the issuance of treasury shares related to our stock-based compensation plans.

During the six months ended October 31, 2007 and 2006, we issued 1.9 million and 1.8 million shares of common stock, respectively, pursuant to the exercise of stock options, employee stock purchases and awards of nonvested shares, in accordance with our stock-based compensation plans.

During the six months ended October 31, 2007, we acquired 0.2 million shares of our common stock, which represent shares swapped or surrendered to us in connection with the vesting of nonvested shares and the exercise of stock options, at an aggregate cost of $5.7 million. During the six months ended October 31, 2006, we acquired 8.4 million shares of our common stock, of which 8.1 million shares were purchased from third parties with the remaining shares swapped or surrendered to us, at an aggregate cost of $186.6 million.

During the six months ended October 31, 2007, we granted 5.0 million stock options and 0.9 million nonvested shares and units in accordance with our stock-based compensation plans. The weighted average fair value of options granted was $4.53 for manager and director options and $3.07 for options granted to our seasonal associates. At October 31, 2007, the total unrecognized compensation cost for options and nonvested shares and units was $26.2 million and $49.4 million, respectively.

3. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill of continuing operations for the six months ended October 31, 2007 consist of the following:

(in 000s)

	April 30, 2007	Additions	Other	October 31, 2007
Tax Services	$ 415,077	$ 13,334	$ 7,519	$ 435,930
Business Services	404,888	356	(7,433)	397,811
Consumer Financial Services	173,954	-	-	173,954
Total	$ 993,919	$ 13,690	$ 86	$ 1,007,695

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 impairments of goodwill were identified within any of our operating segments during the six months ended October 31, 2007.

Intangible assets of continuing operations consist of the following:

(in 000s)

	October 31, 2007			April 30, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Tax Services:						
Customer relationships	$ 45,123	$ (19,453)	$ 25,670	$ 39,347	$ (14,654)	$ 24,693
Noncompete agreements	22,979	(19,344)	3,635	21,237	(18,279)	2,958
Purchased technology	12,500	(1,305)	11,195	12,500	-	12,500
Trade name	1,025	(67)	958	1,025	-	1,025
Business Services:						
Customer relationships	144,143	(94,464)	49,679	142,315	(90,900)	51,415
Noncompete agreements	32,266	(16,309)	15,957	31,352	(15,524)	15,828
Trade name – amortizing	3,290	(3,006)	284	3,290	(2,430)	860
Trade name – non-amortizing	55,637	(4,868)	50,769	55,637	(4,868)	50,769
Consumer Financial Services:						
Customer relationships	293,000	(289,948)	3,052	293,000	(271,635)	21,365
Total intangible assets	$ 609,963	$ (448,764)	$ 161,199	$ 599,703	$ (418,290)	$ 181,413

Amortization of intangible assets of continuing operations for the three and six months ended October 31, 2007 was $15.0 million and $30.5 million, respectively. Amortization of intangible assets of continuing operations for the three and six months ended October 31, 2006 was $13.9 million and $28.6 million, respectively. Estimated amortization of intangible assets for fiscal years 2008 through 2012 is $45.7 million, $22.0 million, $19.4 million, $17.6 million and $14.9 million, respectively.

4. Borrowings

H&R Block Bank (HRB Bank) is a member of the Federal Home Loan Bank (FHLB) of Des Moines, which extends credit to member banks based on eligible collateral. At October 31, 2007, HRB Bank had FHLB advance capacity of $428.9 million, and there was $104.0 million outstanding on this facility. Mortgage loans held for investment of $1.1 billion were pledged as collateral on these advances.

At October 31, 2007, we maintained $2.0 billion in revolving credit facilities to support commercial paper issuance and for general corporate purposes. These unsecured committed lines of credit (CLOCs), and outstanding borrowings thereunder, have a maturity date of August 2010 and an annual facility fee in a range of six to fifteen basis points per annum, based on our credit ratings. Negative market conditions during our second fiscal quarter and recent credit rating downgrades continued to negatively impact the availability of commercial paper. As a result, during the current quarter we repaid our commercial paper borrowings with proceeds from the CLOCs, and had no outstanding commercial paper as of October 31, 2007. We had a combined $1.6 billion outstanding under our $2.0 billion in available CLOCs as of October 31, 2007. These borrowings are included in long-term debt on our condensed consolidated balance sheet due to their contractual maturity date. The CLOCs, among other things, require we maintain at least $650.0 million of Adjusted Net Worth, as defined in the agreement, on the last day of any fiscal quarter. On November 19, 2007, effective October 31, 2007, the CLOCs were amended to, among other things, require $450.0 million of Adjusted Net Worth, for the fiscal quarters ending October 31, 2007 and January 31, 2008. Before the end of the second quarter, we initiated efforts to seek an amendment to the Minimum Net Worth Requirement (i) in light of the possibility that we might not have met the Minimum Net Worth Requirement for the fiscal quarter ended October 31, 2007, (ii) to obtain flexibility for purposes of negotiating a sale of OOMC, and (iii) in light of the possibility that, without the amendment, we would not be in compliance with the Minimum Net Worth Covenant as of January 31, 2008 without taking steps to raise additional capital. When financial results for the six months ended October 31, 2007 were finalized, we determined that we had an Adjusted Net Worth of $544.3 million at October 31, 2007, primarily due to operating losses of our discontinued operations. Subsequent to October 31, 2007, we drew additional funds on the CLOCs to bring total borrowings to $1.8 billion as of the date of this filing.

In April 2007, we obtained a $500.0 million credit facility to provide funding for the $500.0 million of 8 1/2% Senior Notes which were due April 16, 2007. This facility matures on December 20, 2007. The facility was fully drawn at closing and is subject to various covenants that are similar to our primary CLOCs. We expect to refinance this facility when it matures.

5. Income Taxes

In June 2006, FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) was issued. The interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." The interpretation prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We adopted the provisions of FIN 48 on May 1, 2007 and, as a result, recognized a $9.7 million decrease to retained earnings as of May 1, 2007. Total unrecognized tax benefits as of May 1, 2007 were $133.3 million, of which $89.0 million, on a gross basis, were tax positions that, if recognized, would impact the effective tax rate. Net unrecognized tax benefits that would impact the effective tax rate totaled $50.0 million as of May 1, 2007.

We recognize interest and, if applicable, penalties related to unrecognized tax benefits as a component of income tax expense. As of May 1, 2007 we accrued $36.6 million for the potential payment of interest and penalties. Interest was estimated by applying the applicable statutory rate of interest of each of the jurisdictions identified on uncertain tax positions.

In the second quarter, we accrued an additional $2.4 million of interest & penalties related to our uncertain tax positions. As of October 31, 2007 we had unrecognized tax benefits of $130.8 million. The primary change during the quarter was related to the expiration of statutes of limitations for various jurisdictions during the quarter. We have classified the liability for unrecognized tax benefits, including corresponding accrued interest, as long-term at October 31, 2007, which is included in other noncurrent liabilities on the condensed consolidated balance sheet. Amounts that we expect to pay within the next twelve months have been included in accounts payable, accrued expenses and other current liabilities on the condensed consolidated balance sheet.

Based upon the expiration of statutes of limitations, payments of tax and other factors in several jurisdictions, we believe it is reasonably possible that the total amount of previously unrecognized tax benefits may decrease by approximately $8 million to $9 million within twelve months of October 31, 2007.

We file a consolidated federal tax return in the United States and income tax returns in various state and foreign jurisdictions. We are no longer subject to U.S. federal income tax audits for years before 1999. The U.S. federal audit for years 1999 through 2003 is in its final stages. The Internal Revenue Service (IRS) has commenced an audit for the years 2004 and 2005. With respect to our Canadian operations, audits for tax years 1996 through 2001 have been completed and are in the final stages, and tax years 2002 and 2003 are currently under audit. With respect to state and local jurisdictions, with limited exceptions, H&R Block, Inc. and its subsidiaries are no longer subject to income tax audits for years before 1999.

6. Regulatory Requirements

Registered Broker-Dealer

H&R Block Financial Advisors, Inc. (HRBFA) is subject to regulatory requirements intended to ensure the general financial soundness and liquidity of broker-dealers. At October 31, 2007, HRBFA's net capital of $91.2 million, which was 20.0% of aggregate debit items, exceeded its minimum required net capital of $9.1 million by $82.0 million. During the three months ended October 31, 2007, HRBFA paid a dividend of $37.5 million to Block Financial Corporation (BFC), its direct corporate parent.

The fair value of pledged securities at October 31, 2007 totaled $57.9 million, an excess of $6.0 million over the margin requirement.

Banking

HRB Bank and the Company are subject to various regulatory capital guidelines and requirements administered by federal banking agencies. Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on HRB Bank and the consolidated financial statements. All savings associations are subject to the capital adequacy guidelines and the regulatory framework for prompt corrective action. HRB Bank must meet specific capital guidelines that involve quantitative measures of HRB Bank's assets, liabilities and certain off-balance sheet items, as calculated under regulatory accounting practices. HRB Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. HRB Bank files its regulatory Thrift Financial Report (TFR) on a calendar quarter basis.

Quantitative measures established by regulation to ensure capital adequacy require HRB Bank to maintain minimum amounts and ratios of tangible equity, total risk-based capital and Tier 1 capital, as set forth in the table below. In addition to these minimum ratio requirements, HRB Bank is required to continually maintain a 12.0% minimum leverage ratio as a condition of its charter-approval order through fiscal year 2009. This condition was extended through fiscal year 2012 as a result of a Supervisory Directive issued on May 29, 2007. See further discussion of the Supervisory Directive below. As of October 31, 2007, HRB Bank's leverage ratio was 14.8%.

As of September 30, 2007, our most recent TFR filing with the Office of Thrift Supervision (OTS), HRB Bank was a "well capitalized" institution under the prompt corrective action provisions of the Federal Deposit Insurance Corporation (FDIC). The five capital categories are: (1) "well capitalized" (total risk-based capital ratio of 10%, Tier 1 Risk-based capital ratio of 6% and leverage ratio of 5%); (2) "adequately capitalized"; (3) "undercapitalized"; (4) "significantly undercapitalized"; and (5) "critically undercapitalized." There are no conditions or events since September 30, 2007 that management believes have changed HRB Bank's category.

The following table sets forth HRB Bank's regulatory capital requirements at September 30, 2007, as calculated in the most recently filed TFR:

(dollars in 000s)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio(1)	$ 186,851	28.5%	$ 52,519	8.0%	$ 65,649	10.0%
Tier 1 risk-based capital ratio(2)	$ 178,638	27.2%	n/a	n/a	$ 39,389	6.0%
Tier 1 capital ratio (leverage)(3)	$ 178,638	14.6%	$ 147,074	12.0%	$ 61,281	5.0%
Tangible equity ratio(4)	$ 178,638	14.6%	$ 18,384	1.5%	n/a	n/a

(1) Total risk-based capital divided by risk-weighted assets.
(2) Tier 1 (core) capital less deduction for low-level recourse and residual interest divided by risk-weighted assets.
(3) Tier 1 (core) capital divided by adjusted total assets.
(4) Tangible capital divided by tangible assets.

In conjunction with H&R Block, Inc.'s application with the OTS for HRB Bank, H&R Block, Inc. made commitments as part of our charter approval order (Master Commitment) which included, but were not limited to: (1) H&R Block, Inc. to maintain a three percent minimum ratio of adjusted tangible capital to adjusted total assets, as defined by the OTS; (2) maintain all HRB Bank capital within HRB Bank in accordance with the submitted three-year business plan; and (3) follow federal regulations surrounding intercompany transactions and approvals. H&R Block, Inc. fell below the three percent minimum ratio at April 30, 2007. We notified the OTS of our failure to meet this requirement, and on May 29, 2007, the OTS issued a Supervisory Directive. We submitted a revised capital plan to the OTS on July 19, 2007, in which we expected to meet the three percent minimum ratio at April 30, 2008. The OTS accepted our revised capital plan.

The Supervisory Directive included additional conditions that we will be required to meet in addition to the Master Commitment. The significant additional conditions included in the Supervisory Directive are as

follows: (1) requires HRB Bank to extend its compliance with a minimum 12.0% leverage ratio through fiscal year 2012; (2) requires H&R Block, Inc. to comply with the Master Commitment at all times, except for the projected capital levels and compliance with the three percent minimum ratio, as provided in the fiscal year 2008 and 2009 capital adequacy projections presented to the OTS on July 19, 2007; (3) institutes reporting requirements to the OTS quarterly and monthly by the Board of Directors and management, respectively; and (4) requires HRB Bank's Board of Directors to have an independent chairperson and at least the same number of outside directors as inside directors.

Operating losses of our discontinued operations for the first six months of fiscal year 2008 were higher than projected in our revised capital plan that was submitted to the OTS in July 2007. As a result, our capital levels are lower than those projections. H&R Block, Inc. continued to be below the three percent minimum ratio during our second quarter, and had adjusted tangible capital of negative $644.4 million, and a requirement of $177.5 million to be in compliance at October 31, 2007.

In November 2007, the OTS directed us to submit a new revised capital plan no later than January 15, 2008. At this time, we do not expect to be in compliance with the three percent minimum ratio at April 30, 2008. We do not expect to be in a position to repurchase treasury shares until sometime after fiscal year 2009. Achievement of the capital plan depends on future events and circumstances, the outcome of which cannot be assured. If we are not in a position to cure deficiencies and if operating results continue to be below our plan, a resulting failure could impair our ability to repurchase shares of our common stock, acquire businesses or pay dividends.

Failure to meet the conditions under the Master Commitment and the Supervisory Directive, including capital levels of H&R Block, Inc., could result in the OTS taking further regulatory actions, such as a supervisory agreement, cease-and-desist orders and civil monetary penalties. The OTS could also require us to sell assets, which could negatively impact our financial statements. At this time, the financial impact, if any, of additional regulatory actions cannot be determined.

7. Commitments and Contingencies

Changes in the deferred revenue liability related to our Peace of Mind (POM) program, the current portion of which is included in accounts payable, accrued expenses and other current liabilities and the long-term portion of which is included in other noncurrent liabilities in the condensed consolidated balance sheets, are as follows:

(in 000s)

Six Months Ended October 31,	2007	2006
Balance, beginning of period	$142,173	$141,684
Amounts deferred for new guarantees issued	1,067	1,178
Revenue recognized on previous deferrals	(46,388)	(48,694)
Balance, end of period	$ 96,852	$ 94,168

The following table summarizes certain of our other contractual obligations and commitments:

(in 000s)

As of	October 31, 2007	April 30, 2007
Commitment to fund Franchise Equity Lines of Credit	$ 81,484	$ 79,628
Media advertising purchase obligation	37,749	37,749
Contingent business acquisition obligations	30,376	19,891

On November 1, 2006 we entered into an agreement to purchase $57.2 million in media advertising between November 1, 2006 and June 30, 2009. We expect to make payments totaling $20.6 million and $17.2 million during fiscal years 2008 and 2009, respectively.

We routinely enter into contracts that include embedded indemnifications that have characteristics similar to guarantees, including obligations to protect counterparties 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) litigation involving 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 October 31, 2007.

8. Litigation and Related Contingencies

RAL Litigation

We have been named as a defendant in numerous 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; untrue, misleading or deceptive statements in marketing RALs; 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 Act; violations of the federal Fair Debt Collection Practices Act and unfair competition regarding debt collection activities; 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 very substantial in some instances. We have successfully defended against numerous RAL Cases, some of which 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 have been settled, with one settlement resulting in a pretax expense of $43.5 million in fiscal year 2003 (the "Texas RAL Settlement") and other settlements resulting in a combined pretax expense in fiscal year 2006 of $70.2 million (the "2006 Settlements").

We believe we have meritorious defenses to the remaining RAL Cases and we intend to defend them vigorously. There can be no assurances, however, as to the outcome of the pending RAL Cases individually or in the aggregate. Likewise, there can be no assurances regarding the impact of the RAL Cases on our financial statements. There were no significant developments regarding the RAL Cases during the fiscal quarter ended October 31, 2007.

Peace of Mind Litigation.

We are defendants in lawsuits regarding our Peace of Mind (POM) program (the "POM Cases"). The POM Cases are described below.

Lorie J. Marshall, et al. v. H&R Block Tax Services, Inc., et al., Civil Action 2003L000004, in the Circuit Court of Madison County, Illinois, is a class action case filed on January 18, 2002, that was granted class certification on August 27, 2003. Plaintiffs' claims consist of five counts relating to the POM program under which the applicable tax return preparation subsidiary assumes liability for additional tax assessments attributable to tax return preparation error. The plaintiffs allege that the sale of POM guarantees constitutes (i) statutory fraud by selling insurance without a license, (ii) an unfair trade practice, by omission and by "cramming" (i.e., charging customers for the guarantee even though they did not request it or want it), and (iii) a breach of fiduciary duty. In August 2003, the court certified the plaintiff classes consisting of all persons who from January 1, 1997 to final judgment (i) were charged a separate fee for POM by "H&R Block" or a defendant H&R Block class member; (ii) reside in certain class states and were charged a separate fee for POM by "H&R Block" or a defendant H&R Block class member not licensed to sell insurance; and (iii) had an unsolicited charge for POM posted to their bills by "H&R Block" or a defendant H&R Block class member. Persons who received the POM guarantee through an H&R Block Premium office and persons who reside in Alabama are excluded from the plaintiff class. The court also certified a defendant class consisting of any entity with names that include "H&R Block" or "HRB," or are otherwise affiliated or associated with H&R Block Tax Services, Inc., and that sold or sells the POM product. The trial court subsequently denied the defendants' motion to certify 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 POM guarantee. This case is being tried before the same judge that presided over the Texas RAL Settlement, involves the

same plaintiffs' attorneys that are involved in the Marshall litigation in Illinois, and contains similar allegations. No class has been certified in this case.

We believe the claims in the POM actions are without merit, and we intend to defend them vigorously. The amounts claimed in the POM actions are substantial, however, and there can be no assurances as to the outcome of these pending actions individually or in the aggregate. Likewise, there can be no assurances regarding the impact of these actions on our consolidated financial statements.

Electronic Filing Litigation

We are a defendant to a class action filed on August 30, 2002 and entitled *Erin M. McNulty and Brian J. Erzar v. H&R Block, Inc., et al.*, Case No. 02-CIV-4654 in the Court of Common Please of Lackawanna County, Pennsylvania, in which the plaintiffs allege that the defendants deceptively portray electronic filing fees as a necessary and required component of standard tax preparation services and do not inform tax preparation clients that they may (i) file tax returns free of charge by mailing the returns, (ii) electronically file tax returns from personal computers either free of charge are at significantly lower fees and (iii) be eligible to electronically file tax returns free of charge via telephone. The plaintiffs seek unspecified damages and disgorgement of all electronic filing, tax preparation and related fees collected during the applicable class period. Class certification was granted in this case on September 5, 2007. We believe the claims in this case are without merit, and we intend to defend them vigorously, but there can be no assurances as to its outcome.

Express IRA Litigation

On March 15, 2006, the New York Attorney General filed a lawsuit in the Supreme Court of the State of New York, County of New York (Index No. 06/401110) entitled *The People of New York v. H&R Block, Inc. and H&R Block Financial Advisors, Inc*. The complaint alleged fraudulent business practices, deceptive acts and practices, common law fraud and breach of fiduciary duty with respect to the Express IRA product and sought equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. On July 12, 2007, the Supreme Court of the State of New York issued a ruling that dismissed all defendants other than H&R Block Financial Advisors, Inc. and the claims of common law fraud. We intend to defend this case vigorously, but there are no assurances as to its outcome.

In addition to the New York Attorney General action, a number of civil actions were filed against us concerning the Express IRA matter, the first of which was filed on March 17, 2006. Except for two cases pending in state court, all of the civil actions have been consolidated by the panel for Multi-District Litigation into a single action styled *In re H&R Block, Inc. Express IRA Marketing Litigation* in the United States District Court for the Western District of Missouri. We intend to defend these cases vigorously, but there are no assurances as to their outcome.

Securities Litigation

On April 6, 2007, a putative class action styled *In re H&R Block Securities Litigation* was filed against the Company and certain of its officers in the United States District Court for the Western District of Missouri. The complaint alleged, among other things, deceptive, material and misleading financial statements, failure to prepare financial statements in accordance with generally accepted accounting principles and concealment of the potential for lawsuits stemming from the allegedly fraudulent nature of the Company's operations. The complaint sought unspecified damages and equitable relief. On October 5, 2007, the court dismissed the complaint and granted the plaintiffs leave to re-file the portion of the complaint pertaining to the Company's financial statements. On November 19, 2007, the plaintiffs re-filed the complaint, alleging, among other things, deceptive, material and misleading financial statements and failure to prepare financial statements in accordance with generally accepted accounting principles. We intend to defend this litigation vigorously, but there are no assurances as to its outcome.

HRBFA Litigation

As reported previously, the NASD brought charges against HRBFA regarding the sale by HRBFA of Enron debentures in 2001. The hearing for this matter was concluded in August 2007, and post-hearing briefs were submitted in October 2007. We intend to defend the NASD charges vigorously, although there can be no assurances regarding the outcome and resolution of the matter.

RSM McGladrey Litigation

As part of an industry-wide review, the IRS is investigating tax-planning strategies that certain RSM McGladrey (RSM) clients utilized during fiscal years 2000 through 2003. Specifically, the IRS is examining these strategies to determine whether RSM complied with tax shelter reporting and listing regulations and whether such strategies were abusive as defined by the IRS. The IRS has indicated that it will assess a fine against RSM for RSM's alleged failure to comply with the tax shelter reporting and listing regulations. RSM is in discussions with the IRS regarding this penalty, which we believe will not have a material adverse effect on RSM's operations or on our consolidated financial statements. If the IRS were to determine that the tax planning strategies were inappropriate, clients that utilized the strategies could face penalties and interest for underpayment of taxes. Some of these clients are seeking or may attempt to seek recovery from RSM. There can be no assurance regarding the outcome and resolution of this matter.

RSM EquiCo, Inc., a subsidiary of RSM, is a party to a putative class action filed on July 11, 2006 and entitled *Do Right's Plant Growers v. RSM EquiCo, Inc., RSM McGladrey, Inc., H&R Block, Inc. and Does 1-100, inclusive*, Case No. 06 CC00137, in the California Superior Court, Orange County. The complaint contains allegations regarding business valuation services provided by RSM EquiCo, Inc., including fraud, negligent misrepresentation, breach of contract, breach of implied covenant of good faith and fair dealing, breach of fiduciary duty and unfair competition and seeks unspecified damages, restitution and equitable relief. There can be no assurance regarding the outcome and resolution of this matter.

Other Litigation

We have from time to time been party to investigations, claims and lawsuits not discussed herein arising out of our business operations. These investigations, claims and lawsuits include actions by state attorneys general, other state regulators, individual plaintiffs, and cases in which plaintiffs seek to represent a class of others similarly situated. 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 investigations, claims and lawsuits pertain to RALs, the origination and servicing of mortgage loans, the electronic filing of customers' income tax returns, the POM guarantee program, and our Express IRA program and other investment products and RSM EquiCo, Inc. business valuation services. 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 the event of an unfavorable outcome, the amounts we may be required to pay in the discharge of liabilities or settlements could have a material adverse effect on our consolidated financial statements.

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, employment matters and contract disputes. We believe we have meritorious defenses to each of the Other Claims, and we are defending 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.

9. Segment Information

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

(in 000s)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Revenues:				
Tax Services	$ 90,804	$ 81,984	$ 160,667	$ 147,642
Business Services	239,048	228,714	431,871	424,171
Consumer Financial Services	101,254	81,548	215,626	160,377
Corporate	3,718	3,837	7,869	6,663
	$ 434,824	$ 396,083	$ 816,033	$ 738,853
Pretax income (loss):				
Tax Services	$ (199,149)	$(166,893)	$(371,438)	$(319,947)
Business Services	11,781	1,024	9,875	(5,943)
Consumer Financial Services	(9,081)	(2,318)	(2,875)	(5,387)
Corporate	(27,287)	(30,432)	(42,878)	(61,316)
Loss of continuing operations before tax benefit	$ (223,736)	$(198,619)	$(407,316)	$(392,593)

As of October 31, 2007, the related financial results of OOMC, HRBMC and other smaller lines of business are presented as discontinued operations and the assets and liabilities of the businesses being sold are presented as held-for-sale in the condensed consolidated financial statements. All periods presented have been reclassified to reflect our discontinued operations. See note 11 for additional information.

10. New Accounting Pronouncements

In February 2007, Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115,” (SFAS 159), was issued. This standard allows a company to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract-by-contract basis, with changes in fair value recognized in earnings. The provisions of this standard are effective as of the beginning of our fiscal year 2009. We are currently evaluating what effect the adoption of SFAS 159 will have on our consolidated financial statements.

In September 2006, Statement of Financial Accounting Standards No. 157, “Fair Value Instruments,” (SFAS 157), was issued. The provisions of this standard include guidelines about the extent to which companies measure assets and liabilities at fair value, the effect of fair value measurements on earnings, and establishes a fair value hierarchy that prioritizes the information used in developing assumptions used when valuing an asset or liability. The standard also requires increased disclosure of these fair value estimates. The provisions of this standard are effective as of the beginning of our fiscal year 2009. We are currently evaluating what effect the adoption of SFAS 157 will have on our consolidated financial statements.

In September 2006, Emerging Issues Task Force Issue No. 06-4, “Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements” (EITF 06-4) was issued. EITF 06-4 requires the recognition of a liability for an agreement with an employee to provide future postretirement benefits, as this obligation is not effectively settled upon entering into an insurance arrangement. The provisions of this standard are effective as of the beginning of our fiscal year 2009. We are currently evaluating what effect the adoption of EITF 06-4 will have on our consolidated financial statements.

In March 2006, Statement of Financial Accounting Standards No. 156, “Accounting for Servicing of Financial Assets – An Amendment of FASB Statement No. 140,” (SFAS 156), was issued. The provisions of this standard require mortgage servicing rights to be initially valued at fair value. SFAS 156 allows servicers to choose to subsequently measure their servicing rights at fair value or to continue using the “amortization method” under SFAS 140. We adopted SFAS 156 on May 1, 2007. Upon adoption we

identified mortgage servicing rights (MSRs) relating to all existing residential mortgage loans as a class of servicing rights and elected to continue to use the "amortization method" for these MSRs. Presently, this class represents all of our MSRs. See note 11 for additional information on our MSRs. The adoption of SFAS 156 did not have a material impact on our condensed consolidated financial statements.

In February 2006, Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Instruments – An Amendment of FASB Statements No. 133 and 140" (SFAS 155), was issued. The provisions of this standard establish a requirement to evaluate all newly acquired interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. The standard permits a hybrid financial instrument required to be bifurcated to be accounted for in its entirety if the holder irrevocably elects to measure the hybrid financial instrument at fair value, with changes in fair value recognized currently in earnings. We adopted SFAS 155 on May 1, 2007. Our residual interests typically have interests in derivative instruments embedded within the securitization trusts, which were previously excluded from evaluation. Concurrent with the adoption of SFAS 155, we elected to account for all newly-acquired residual interests on a fair value basis as trading securities, with changes in fair value recorded in earnings in the period in which the change occurs. Prior to adoption, we accounted for our residual interests as available-for-sale (AFS) securities with unrealized gains recorded in other comprehensive income. For residual interests recorded prior to the adoption of SFAS 155, we continue to record unrealized gains as a component of other comprehensive income. The adoption of SFAS 155 did not have a material impact on our condensed consolidated financial statements.

As discussed in note 5, we adopted the provisions of FIN 48 effective May 1, 2007.

11. Discontinued Operations

On April 19, 2007, we entered into an agreement to sell OOMC to Cerberus. In conjunction with this plan, we also announced we would terminate the operations of HRBMC, a wholly-owned subsidiary of OOMC. On December 4, 2007, we agreed to terminate the agreement in light of the changing business environment for OOMC, as mutually acceptable alternatives for restructuring the original agreement could not be reached. We also announced that we would immediately terminate all remaining origination activities and pursue the sale of OOMC's loan servicing activities. See additional discussion of recent developments in note 1.

During fiscal year 2007, we also committed to a plan to sell two smaller lines of business and completed the wind-down of one other line of business, all of which were previously reported in our Business Services segment. One of these businesses was sold during the six months ended October 31, 2007. Additionally, during fiscal year 2007, we completed the wind-down of our tax operations in the United Kingdom, which were previously reported in Tax Services. As of October 31, 2007, these businesses are presented as discontinued operations and the assets and liabilities of the businesses being sold are presented as held-for-sale in the condensed consolidated financial statements. All periods presented have been reclassified to reflect our discontinued operations.

Financial Statement Presentation

We recorded impairments relating to the disposition of our mortgage business during the six months ended October 31, 2007 of $144.7 million. We also recorded impairments relating to other discontinued businesses of $1.5 million during the six months ended October 31. 2007. Additionally, during fiscal year 2007 we recorded impairments relating to the disposition of our mortgage businesses of $345.8 million. At October 31, 2007, we had fully impaired the carrying value of goodwill and long-lived assets of our mortgage businesses. Cumulative impairments in excess of amounts related to the write-off of goodwill are reflected below as a valuation allowance as of October 31, 2007 relating to remaining assets held-for-sale. A similar amount, which totaled $193.4 million, is included in the table below in other liabilities at April 30, 2007, as it represented an obligation under the April 2007 agreement with Cerberus.

Overhead costs previously allocated to discontinued businesses, which totaled $1.4 million and $2.7 million for the three and six months ended October 31, 2007, respectively, and $3.4 million and $6.4 million for the three and six months ended October 31, 2006, respectively, are now included in continuing operations.

As provided by in EITF No. 87-24, "Allocation of Interest to Discontinued Operations," we have allocated interest expense to our discontinued operations based on borrowings that are specifically attributable to these operations at a rate of LIBOR plus 250 basis points. Interest expense of $24.3 million and $42.8 million was allocated to discontinued operations for the three and six months ended October 31, 2007, respectively. Interest expense of $5.0 million and $8.7 million was allocated to discontinued operations for the three and six months ended October 31, 2006, respectively. The increase over the prior year is due to the significant operating losses, increased servicing advances and other working capital needs of our mortgage operations during the last nine months.

The major classes of assets and liabilities reported as held-for-sale are as follows:

(in 000s)

	October 31, 2007	April 30, 2007
Cash and cash equivalents	$ 27,075	$ 65,019
Cash and cash equivalents – restricted	3,342	43,754
Residual interests in securitizations – trading	1,367	72,691
Mortgage loans held for sale	70,214	101,567
Mortgage loans – repurchase option	927,364	121,243
Servicing and related assets	821,387	445,354
Beneficial interest in Trusts	-	41,057
Residual interests in securitizations – AFS	36,791	90,283
Mortgage servicing rights	199,596	253,067
Deferred tax assets, net	427,132	299,559
Prepaid expenses and other assets	59,845	213,365
Valuation allowance	(338,092)	-
Assets held for sale	$ 2,236,021	$ 1,746,959
Accounts payable, accrued expenses and deposits	$ 119,243	$ 248,983
Servicing advance facility	286,646	-
Mortgage loan repurchase liability	927,364	121,243
Other liabilities	29,954	245,147
Liabilities directly associated with assets held for sale	$ 1,363,207	$ 615,373

The financial results of discontinued operations are as follows:

(in 000s)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Revenue:				
Gains (losses) on sales of mortgage assets, net	$ (314,006)	$ 37,908	$ (556,021)	$ 102,514
Interest income	11,528	14,624	26,627	29,924
Loan servicing revenue	93,016	113,579	190,415	222,503
Other	5,389	354	11,516	10,226
	$ (204,073)	$ 166,465	$ (327,463)	$ 365,167
Loss from operations before income tax benefit	$ (428,169)	$ (64,173)	$ (740,337)	$ (88,858)
Impairment related to the disposition of businesses	(123,000)	-	(146,229)	-
Pretax loss	(551,169)	(64,173)	(886,566)	(88,858)
Income tax benefit	(185,003)	(28,710)	(327,643)	(39,857)
Net loss from discontinued operations	$ (366,166)	$ (35,463)	$ (558,923)	$ (49,001)

Mortgage Loans

We have entered into servicing agreements for loans we have securitized which include a "removal of accounts provision" that gives us the right, but not the obligation, to repurchase mortgage loans from the securitization trust. Rights under this provision can generally be exercised for loans that are 90 to 119 days delinquent. At the time this right becomes exercisable by us, Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 140) requires that we record both the mortgage loans on our balance sheet and an offsetting mortgage loan repurchase liability. Mortgage loans, and the corresponding liability, recorded pursuant to this accounting requirement totaled $927.4 million at October 31, 2007 and $121.2 million at April 30, 2007. We do not intend to exercise our right under these provisions and, therefore, these do not represent mortgage loans that we are required to sell or repurchase obligations we are required to fulfill.

The gross principal amount of mortgage loans actually held for sale at October 31, 2007, totaled $134.8 million. We have recorded valuation adjustments relating to these loans totaling $64.6 million, resulting in net loans held for sale of $70.2 million.

Mortgage Banking Activities

We originate mortgage loans and sell most non-prime loans the same day the loans are funded to qualifying special purpose entities (QSPEs or Trusts). The Trusts are not consolidated. The sale is recorded in accordance with SFAS 140. The Trusts purchase the loans from us using warehouse facilities. The total principal amount of mortgage loans held by the Trusts as of October 31, 2007 and April 30, 2007 was $57.4 million and $1.5 billion, respectively. The beneficial interest in Trusts was written down to zero October 31, 2007 compared to a balance of $41.1 million at April 30, 2007.

Activity related to trading residual interests in securitizations consists of the following:

(in 000s)

Six Months Ended October 31,	2007	2006
Balance, beginning of period	$ 72,691	$ -
Additions (resulting from securitization of mortgage loans)	39,417	119,669
Cash received	-	(8,103)
Accretion	-	1,766
Change in fair value	2,367	(161)
	114,475	113,171
Residuals securitized in NIM transactions	(114,475)	(56,814)
Additions (resulting from NIM transactions)	41,705	-
Accretion	4,685	-
Change in fair value	(45,023)	-
Balance, end of period	$ 1,367	$ 56,357

We adopted SFAS 155 on May 1, 2007 and concurrently elected to account for all newly-acquired residual interests on a fair value basis, with changes in fair value recorded in earnings in the period in which the change occurs. Residual interests existing prior to the adoption of SFAS 155 will continue to be accounted for with unrealized gains recorded in other comprehensive income.

Activity related to AFS residual interests in securitizations consists of the following:

(in 000s)

Six Months Ended October 31,	2007	2006
Balance, beginning of period	$ 90,283	$159,058
Additions (resulting from NIM transactions)	-	4,234
Cash received	(950)	(6,422)
Accretion	11,992	24,621
Impairments of fair value	(66,273)	(29,502)
Other	(460)	(1,672)
Change in unrealized holding gains or losses arising during the period	2,199	(1,351)
Balance, end of period	$ 36,791	$148,966

We did not securitize any mortgage loans during the second quarter of fiscal year 2008. Cash flows from AFS residual interests of $1.0 million and $6.4 million were received from the securitization trusts for the six months ended October 31, 2007 and 2006, respectively, and are included in investing activities of discontinued operations in the condensed consolidated statements of cash flows.

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

(in 000s)

Six Months Ended October 31,	2007	2006
Residual interest mark-to-market	$ 2,602	$ 8,157
Additions to residual interests	-	4,234
Transfer of loans from held for investment to held for sale	191,658	-

For residual interests recorded prior to the adoption of SFAS 155, aggregate unrealized gains on AFS residual interests not yet recognized in income totaled $3.5 million at October 31, 2007, compared to $1.3 million at April 30, 2007. These unrealized gains are recorded net of deferred taxes in other comprehensive income, and recognized in income either through accretion or upon further securitization or sale of the related residual interest. See additional discussion of our adoption of SFAS 155 in note 10.

Activity related to MSRs, which are initially measured at fair value and subsequently amortized and assessed for impairment, consists of the following:

(in 000s)

Six Months Ended October 31,	2007	2006
Balance, beginning of period	$253,067	$272,472
Additions	28,954	92,914
Amortization	(82,251)	(95,707)
Impairment of fair value	(174)	-
Balance, end of period	$199,596	$269,679

Estimated amortization of MSRs for fiscal years 2008 through 2012 is $61.0 million, $74.5 million, $35.0 million, $14.7 million and $5.9 million, respectively. The fair value of MSRs at October 31, 2007 and April 30, 2007 was $344.7 million and $397.5 million, respectively.

In conjunction with our adoption of SFAS 156, we identified all of our residential mortgage loans as a class of servicing rights and elected to continue the amortization method. See additional discussion of our adoption of SFAS 156 in note 10. Servicing fees earned during the six months ended October 31, 2007 and 2006 totaled $194.5 million and $209.6 million, respectively, and are included in discontinued operations on our condensed consolidated income statements.

As part of our loan servicing responsibilities, we are required to advance funds to cover delinquent scheduled principal and interest payments to security holders, as well as to cover delinquent tax and insurance payments and other costs required to protect the investors' interest in the collateral securing the loans. Generally, servicing advances are recoverable from either the mortgagor, the insurer of the loan or the investor through the non-recourse provision of the loan servicing contract. During the three months ended October 31, 2007 we entered into a facility to fund servicing advances. See additional discussion under "Warehouse Facilities."

The key weighted average assumptions we used to estimate the cash flows and values of the residual interests initially recorded during the six months ended October 31, 2007 and 2006 are as follows:

Six Months Ended October 31,	2007	2006
Estimated credit losses	6.36%	3.33%
Discount rate	28.00%	18.24%
Variable returns to third-party beneficial interest holders	LIBOR forward curve at closing date	

The key weighted average assumptions we used to estimate the cash flows and values of the residual interests and MSRs at October 31, 2007 and April 30, 2007 are as follows:

	October 31, 2007	April 30, 2007
Estimated credit losses – residual interests	12.79%	5.04%
Discount rate – residual interests	30.00%	24.82%
Discount rate – MSRs	20.00%	20.00%
Variable returns to third-party beneficial interest holders	LIBOR forward curve at valuation date	

Estimated credit losses in the table above includes residual interests from all fiscal years with outstanding underlying loan balances using unpaid principal balances as part of the weighted average calculation. See credit losses table below for detailed information by fiscal year.

We originate both adjustable- and fixed-rate mortgage loans. A key assumption used to estimate the cash flows and values of the residual interests and MSRs is average annualized prepayment speeds. Prepayment speeds include voluntary prepayments, involuntary prepayments and scheduled principal payments. Prepayment rate assumptions used during the current fiscal quarter are as follows:

		Months Outstanding After Initial Rate Reset Date	
	Prior to Initial Rate Reset Date	Zero - 3	Remaining Life
Adjustable rate mortgage loans:			
With prepayment penalties	18%	38%	23%
Without prepayment penalties	18%	38%	23%
Fixed rate mortgage loans:			
With prepayment penalties	19%	22%	22%

For fixed-rate mortgages without prepayment penalties, we use an average prepayment rate of 22% 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	2003	2004	2005	2006	2007	2008
As of:							
October 31, 2007	-%	-%	-%	-%	-%	12.51%	13.59%
April 30, 2007	5.11%	2.57%	3.45%	5.48%	6.79%	6.41%	-
April 30, 2006	4.22%	2.13%	2.18%	2.48%	3.05%	-	-
April 30, 2005	4.01%	2.08%	2.30%	2.83%	-	-	-

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.

At October 31, 2007, 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 presented in the following table. These sensitivities are hypothetical and should be used with caution. As the figures indicate, 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 of the retained interest is calculated without

changing any other assumptions; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

(dollars in 000s)

	Residual Interests Securitizations	MSRs
Carrying amount/fair value	$ 38,158	$ 199,596
Weighted average remaining life (in years)	8.7	1.5
Dollar impact on fair value:		
Prepayments (including defaults):		
Adverse 10%	$ (2,698)	$ (11,878)
Adverse 20%	(4,147)	(22,906)
Credit losses:		
Adverse 10%	$ (12,475)	Not applicable
Adverse 20%	(16,158)	Not applicable
Discount rate:		
Adverse 10%	$ (4,310)	$ (8,334)
Adverse 20%	(7,787)	(16,038)
Variable interest rates:		
Adverse 10%	$ 1,398	Not applicable
Adverse 20%	1,224	Not applicable

Increases in prepayment rates can generate a positive impact to fair value when reductions in estimated credit losses and increases in prepayment penalties exceed the adverse impact to accretion from accelerating the life of the residual interest. Given the current market volatility, the change in credit losses or discount rate could exceed the ranges in the table above and result in little or no value to the residuals interests.

Mortgage loans that have been securitized and mortgage loans held for sale at October 31, 2007 and April 30, 2007, 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) Three Months Ended	
	October 31, 2007	April 30, 2007	October 31, 2007	April 30, 2007	October 31, 2007	April 30, 2007
Securitized mortgage loans	$ 19,561,391	$ 18,434,940	$ 2,951,195	$ 1,383,832	$ 63,535	$ 41,235
Mortgage loans in warehouse Trusts	57,378	1,456,078	-	-	-	-
Mortgage loans held for sale	1,062,142	295,208	988,275	202,941	36,855	104,972
Total loans	$ 20,680,911	$ 20,186,226	$ 3,939,470	$ 1,586,773	$ 100,390	$ 146,207

Derivative Instruments

A summary of our derivative instruments as of October 31, 2007 and April 30, 2007, and gains or losses incurred during the three and six months ended October 31, 2007 and 2006 is as follows:

(in 000s)

	Asset (Liability) Balance at		Gain (Loss) For the Three Months Ended		Gain (Loss) For the Six Months Ended	
	October 31, 2007	April 30, 2007	October 31, 2007	2006	October 31, 2007	2006
Rate-lock equivalents	$ (516)	$ (987)	$ 7,973	$ (3,716)	$ 472	$ 4,030
Interest rate swaps	57	10,774	(2,669)	(33,447)	(21)	(20,267)
Put options on Eurodollar futures	-	1,212	-	(2,019)	942	(2,058)
Prime short sales	-	75	(546)	1,556	(448)	995
Forward loan sale commitments	-	-	(26,072)	9,576	-	2,493
	$ (459)	$11,074	$(21,314)	$(28,050)	$ 945	$(14,807)

We discontinued our hedging activities during our second quarter, and therefore derivative instruments to which we were a party at October 31, 2007 were limited to loan applications deemed to be rate-lock equivalents.

None of our derivative instruments were designated for hedge accounting treatment as of October 31, 2007 or April 30, 2007.

Commitments and Contingencies

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. Commitments to fund mortgage loans totaled $69.4 million at October 31, 2007 and $2.4 billion at April 30, 2007. External market forces impact the probability of commitments being exercised, and therefore, total commitments outstanding do not necessarily represent future cash requirements. As of December 4, 2007, OOMC and HRBMC stopped accepting mortgage loan applications. Of the loan applications in our pipeline at October 31, 2007, we estimate only $20 million to $30 million will ultimately fund.

In the normal course of business, we maintain recourse with standard representations and warranties. Violations of these representations and warranties or early payment defaults by borrowers may require us to repurchase loans previously sold. Repurchased loans are normally sold in subsequent sale transactions. The following table summarizes our loan repurchase activity:

(dollars in 000s)

	Three Months Ended October 31,		Six Months Ended October 31,		Fiscal Year Ended April 30,
	2007	2006	2007	2006	2007
Loans repurchased from third parties	$ 92,982	$ 316,453	$ 189,784	$ 408,791	$ 978,756
Repurchase reserves added during the period	$ 172,670	$ 47,225	$ 329,966	$ 139,962	$ 388,733
Repurchase reserves added as a percent of originations	23.96%	0.68%	8.24%	0.93%	1.44%

A liability has been established related to the potential loss on repurchase of loans previously sold of $85.9 million and $38.4 million at October 31, 2007 and April 30, 2007, respectively. This reserve relates to potential losses that could be incurred as a result of early payment defaults or breaches of representations and warranties customary to the mortgage banking industry. On an ongoing basis, we monitor the adequacy of our repurchase liability, which is established upon the initial sale of the loans, and is included in liabilities held-for-sale in the condensed consolidated balance sheets. During the six months ended October 31, 2007, we increased our reserve for losses on representations and warranties repurchases as a result of rising repurchase trends. The portion of our reserve balance related to losses on representation and warrant repurchases totaled $47.3 million and $5.6 million at October 31, 2007 and April 30, 2007, respectively. We also continued to experience high levels of early payment defaults, resulting in significant

actual and expected loan repurchase activity. In establishing our reserve for early payment defaults, we've assumed all loans that are currently delinquent and subject to contractual repurchase terms will be repurchased, and that approximately 6% of loans previously sold but not yet subject to contractual repurchase terms will be repurchased. Based on historical experience, we assumed an average 42% loss severity at October 31, 2007, compared to 38% at July 31, 2007 and 26% at April 30, 2007, on all loans repurchased and expected to be repurchased. At October 31, 2007, our repurchase reserve of $85.9 million covered estimated future losses on the repurchase of loans with an outstanding principal balance of $197.0 million.

OOMC has guaranteed 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 by the Trusts. This obligation can be called upon in the event adequate proceeds are not available from the sale of the mortgage loans to satisfy the current or ultimate payment obligations of the Trusts. We have not funded any amounts under this guarantee, however we have provided additional margin as the fair value of the loans has declined and subsequently written the beneficial interest in Trusts down to fair value. The total principal amount of Trust obligations outstanding as of October 31, 2007, April 30, 2007 and October 31, 2006 was $57.4 million, $1.5 billion and $4.7 billion, respectively. The fair value of mortgage loans held by the Trusts as of October 31, 2007, April 30, 2007 and October 31, 2006 was $42.8 million, $1.5 billion and $4.8 billion, respectively. At October 31, 2007 and April 30, 2007 we recorded liabilities of $52,000 and $30,000, respectively, for the estimated fair value of this guarantee obligation, which are included in liabilities held-for-sale in the condensed consolidated balance sheets. Under the warehouse agreements, we may be required to provide funds in the event of declining loan values, but only to the extent of the 10% guaranteed amount. Funds provided as a result of declining loan values at October 31, 2007 and 2006 totaled $26.3 million and $16.2 million, respectively. Of the amount provided as of October 31, 2007, $11.3 million relates to our off-balance sheet warehouse facilities while the remaining $15.0 million relates to our on-balance sheet facility.

Warehouse Facilities

Substantially all non-prime mortgage loans we originate are sold daily to the Trusts. The Trusts purchase the loans from us using committed off-balance sheet warehouse facilities, arranged by us, totaling $1.5 billion in the aggregate. We also had an on-balance sheet facility with capacity of $75.0 million, as discussed below. These facilities are subject to various OOMC performance triggers, limits and financial covenants, including tangible net worth, income and leverage ratios and may be subject to margin calls. We hold an interest in the Trusts equal to the difference between the fair value of the assets and cash proceeds, adjusted for contractual advance rates, received from the Trusts. This interest was valued at zero as of October 31, 2007. In addition to the margin call feature, loans sold to the Trust are subject to repurchase if certain criteria are not met, including loan default provisions. Unfavorable fluctuations in loan value are guaranteed up to 10% of the original principal.

Several warehouse lines were terminated during the second quarter of fiscal year 2008. As a result, OOMC had two committed warehouse facilities available as of October 31, 2007, representing aggregate borrowing capacity of $1.5 billion. In November 2007 one facility was canceled, reducing our aggregate borrowing capacity to $750.0 million. The remaining warehouse facility expires June 12, 2008, and will be sufficient to meet our loan origination funding needs through the expected termination date of our remaining origination activities.

OOMC is party to an on-balance sheet facility that may be used to fund delinquent and repurchased loans. During fiscal year 2008, this facility was amended to reduce the total capacity to $75.0 million and extend the maturity to November 15, 2007. Loans totaling $33.2 million were held on this facility at October 31, 2007, with the related loans and liability reported in assets and liabilities held-for-sale. OOMC was not in compliance with certain restrictive covenants relative to this facility and obtained waivers through November 15, 2007. This facility matured on November 15, 2007, and the outstanding balance was repaid.

On October 1, 2007, OOMC entered into a facility to fund servicing advances (the "Servicing Advance Facility"), in which the servicing advances are collateral for the facility. The Servicing Advance Facility provides funding of up to $400.0 million to fund servicing advances through October 1, 2008, subject to

various triggers, events or occurrences that could result in earlier termination, and bears interest at one-month LIBOR plus an additional margin rate. The Servicing Advance Facility is subject to a cross-default feature in which a default under OOMC's warehouse financing arrangement with the lender to fund non-prime originations would trigger a default under the Servicing Advance Facility. In addition, the Servicing Advance Facility terminates upon a "change in control" of OOMC, in which (i) a party or parties acting in concert acquire a 20% or more equity interest in OOMC or (ii) the Company does not own more than a 50% equity interest in OOMC. This on-balance sheet facility had a balance of $286.6 million at October 31, 2007, with the related liability reported in liabilities held-for-sale. On November 16, 2007, this agreement was amended to increase the amount of funding available from $400.0 million to $750.0 million. We expect the volume of servicing advances to increase and, as a result, may need to increase the funding capacity of this facility or obtain other servicing advance financing.

Restructuring Charge

During fiscal year 2006, we initiated a restructuring plan to reduce costs within our mortgage operations. Restructuring activities continued through fiscal year 2008. On December 4, 2007, we announced the closure of our mortgage origination activities and expect to incur $74.8 million in restructuring charges related to the closure. We incurred $34.9 million of these costs in our second quarter, with the remainder to be incurred primarily in our third quarter of fiscal year 2008. Charges incurred during the six months ended October 31, 2007 totaled $77.1 million, which included $33.9 million in fixed asset write-offs, with the remainder included in "other adjustments" in the table below. These charges are included in the net loss from discontinued operations on our condensed consolidated income statements. Changes in our restructuring charge liability during the six months ended October 31, 2007 are as follows:

(in 000s)

	Accrual Balance as of April 30, 2007	Cash Payments	Other Adjustments	Accrual Balance as of October 31, 2007
Employee severance costs	$ 3,688	$ (25,189)	$ 30,335	$ 8,834
Contract termination costs	10,919	(3,526)	11,862	19,255
	$ 14,607	$ (28,715)	$ 42,197	$ 28,089

The remaining liability related to this restructuring charge is included in liabilities held-for-sale on our condensed consolidated balance sheet and relates to lease obligations for vacant space resulting from branch office closings and employee severance costs.

12. Condensed Consolidating Financial Statements

BFC is an indirect, wholly owned consolidated subsidiary of the Company. BFC is the Issuer and the Company is the Guarantor of the $500.0 million credit facility entered into in April 2007, the Senior Notes issued on October 26, 2004, the CLOCs and other indebtedness issued from time to time. 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 stockholders' equity and other intercompany balances and transactions.

Condensed Consolidating Income Statements					(in 000s)
Three Months Ended October 31, 2007	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$ 103,751	$ 332,596	$ (1,523)	$ 434,824
Cost of services	-	53,156	375,665	(88)	428,733
Cost of other revenues	-	49,639	9,167	-	58,806
Selling, general and administrative	-	49,645	132,833	(1,602)	180,876
Total expenses	-	152,440	517,665	(1,690)	668,415
Operating loss	-	(48,689)	(185,069)	167	(233,591)
Interest expense	-	-	(652)	-	(652)
Other income, net	(223,736)	(16)	10,523	223,736	10,507
Loss from continuing operations before tax benefit	(223,736)	(48,705)	(175,198)	223,903	(223,736)
Income tax benefit	(87,631)	(18,227)	(69,472)	87,699	(87,631)
Net loss from continuing operations	(136,105)	(30,478)	(105,726)	136,204	(136,105)
Net loss from discontinued operations	(366,166)	(363,867)	(667)	364,534	(366,166)
Net loss	$ (502,271)	$(394,345)	$ (106,393)	$500,738	$ (502,271)

Three Months Ended October 31, 2006	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$149,420	$ 247,016	$ (353)	$ 396,083
Cost of services	-	45,770	353,483	1	399,254
Cost of other revenues	-	23,096	2,477	-	25,573
Selling, general and administrative	-	49,802	114,695	(1,525)	162,972
Total expenses	-	118,668	470,655	(1,524)	587,799
Operating income (loss)	-	30,752	(223,639)	1,171	(191,716)
Interest expense	-	(11,810)	(281)	-	(12,091)
Other income, net	(198,619)	1,193	3,995	198,619	5,188
Income (loss) from continuing operations before tax (benefit)	(198,619)	20,135	(219,925)	199,790	(198,619)
Income tax (benefit)	(77,622)	13,055	(90,677)	77,622	(77,622)
Net income (loss) from continuing operations	(120,997)	7,080	(129,248)	122,168	(120,997)
Net loss from discontinued operations	(35,463)	(21,439)	(12,853)	34,292	(35,463)
Net loss	$ (156,460)	$ (14,359)	$ (142,101)	$156,460	$ (156,460)

Six Months Ended October 31, 2007	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$ 292,851	$ 526,951	$ (3,769)	$ 816,033
Cost of services	-	114,970	697,218	(55)	812,133
Cost of other revenues	-	87,276	15,059	–	102,335
Selling, general and administrative	-	96,829	233,368	(3,497)	326,700
Total expenses	-	299,075	945,645	(3,552)	1,241,168
Operating loss	-	(6,224)	(418,694)	(217)	(425,135)
Interest expense	-	–	(1,247)	–	(1,247)
Other income, net	(407,316)	(21)	19,087	407,316	19,066
Loss from continuing operations before tax benefit	(407,316)	(6,245)	(400,854)	407,099	(407,316)
Income tax benefit	(161,388)	(3,605)	(157,697)	161,302	(161,388)
Net loss from continuing operations	(245,928)	(2,640)	(243,157)	245,797	(245,928)
Net loss from discontinued operations	(558,923)	(554,010)	(3,590)	557,600	(558,923)
Net loss	$ (804,851)	$(556,650)	$ (246,747)	$803,397	$ (804,851)

Six Months Ended October 31, 2006	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$285,123	$ 456,701	$ (2,971)	$ 738,853
Cost of services	-	92,880	669,866	33	762,779
Cost of other revenues	-	38,587	5,193	-	43,780
Selling, general and administrative	-	98,328	216,719	(3,004)	312,043
Total expenses	-	229,795	891,778	(2,971)	1,118,602
Operating income (loss)	-	55,328	(435,077)	-	(379,749)
Interest expense	-	(23,618)	(608)	-	(24,226)
Other income, net	(392,593)	3,963	7,419	392,593	11,382
Income (loss) from continuing operations before tax (benefit)	(392,593)	35,673	(428,266)	392,593	(392,593)
Income tax (benefit)	(153,757)	19,110	(172,409)	153,299	(153,757)
Net income (loss) from continuing operations	(238,836)	16,563	(255,857)	239,294	(238,836)
Net loss from discontinued operations	(49,001)	(31,810)	(16,733)	48,543	(49,001)
Net loss	$ (287,837)	$ (15,247)	$ (272,590)	$287,837	$ (287,837)

Condensed Consolidating Balance Sheets					(in 000s)
October 31, 2007	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ -	$ 112,978	$ 273,937	$ -	$ 386,915
Cash & cash equivalents – restricted	-	235,472	1,704	-	237,176
Receivables from customers, brokers and dealers, net	-	414,557	-	-	414,557
Receivables, net	294	130,550	355,958	-	486,802
Mortgage loans held for investment	-	1,082,301	-	-	1,082,301
Intangible assets and goodwill, net	-	179,508	989,386	-	1,168,894
Investments in subsidiaries	3,678,796	-	552	(3,678,796)	552
Assets held for sale	-	2,219,071	16,950	-	2,236,021
Other assets	-	11,422	1,082,131	–	1,093,553
Total assets	$ 3,679,090	$ 4,385,859	$ 2,720,618	$(3,678,796)	$ 7,106,771
Commercial paper and other short-term borrowings	$ -	$ 500,000	$ -	$ -	$ 500,000
Customer deposits	-	886,533	-	-	886,533
Accts. payable to customers, brokers and dealers	-	568,122	-	-	568,122
Long-term debt	-	2,127,354	16,658	-	2,144,012
Liabilities held for sale	-	1,361,557	1,650	-	1,363,207
Other liabilities	2	233,552	866,998	65	1,100,617
Net intercompany advances	3,134,808	(1,842,535)	(1,292,425)	152	-
Stockholders' equity	544,280	551,276	3,127,737	(3,679,013)	544,280
Total liabilities and stockholders' equity	$ 3,679,090	$ 4,385,859	$ 2,720,618	$(3,678,796)	$ 7,106,771

April 30, 2007	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ -	$ 165,118	$ 756,720	$ -	$ 921,838
Cash & cash equivalents – restricted	-	329,000	3,646	-	332,646
Receivables from customers, brokers and dealers, net	-	410,522	-	-	410,522
Receivables, net	233	154,060	401,962	-	556,255
Mortgage loans held for investment	-	1,358,222	-	-	1,358,222
Intangible assets and goodwill, net	-	197,914	977,418	-	1,175,332
Investments in subsidiaries	4,586,474	-	414	(4,586,474)	414
Assets held for sale	-	1,720,984	25,975	-	1,746,959
Other assets	-	129,879	911,976	7	1,041,862
Total assets	$ 4,586,707	$ 4,465,699	$ 3,078,111	$(4,586,467)	$ 7,544,050
Commercial paper and other short-term borrowings	$ -	$ 1,567,082	$ -	$ -	$ 1,567,082
Customer deposits	-	1,129,263	-	-	1,129,263
Accts. payable to customers, brokers and dealers	-	633,189	-	-	633,189
Long-term debt	-	502,236	17,571	-	519,807
Liabilities held for sale	-	610,391	4,982	-	615,373
Other liabilities	2	254,906	1,409,929	-	1,664,837
Net intercompany advances	3,172,206	(1,341,912)	(1,830,294)	-	-
Stockholders' equity	1,414,499	1,110,544	3,475,923	(4,586,467)	1,414,499
Total liabilities and stockholders' equity	$ 4,586,707	$ 4,465,699	$ 3,078,111	$(4,586,467)	$ 7,544,050

Condensed Consolidating Statements of Cash Flows					(in 000s)
Six Months Ended October 31, 2007	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	$ 19,051	$ (275,503)	$ (685,673)	$ -	$ (942,125)
Cash flows from investing:					
Mortgage loans originated for investment, net	-	76,889	-	-	76,889
Purchase property & equipment	-	(7,367)	(41,113)	-	(48,480)
Payments for business acquisitions	-	-	(21,037)	-	(21,037)
Net intercompany advances	58,196	-	-	(58,196)	-
Investing cash flows from discontinued operations	-	5,923	3,673	-	9,596
Other, net	-	5,849	(86)	-	5,763
Net cash provided by (used in) investing activities	58,196	81,294	(58,563)	(58,196)	22,731
Cash flows from financing:					
Repayments of commercial paper	-	(5,125,279)	-	-	(5,125,279)
Proceeds from commercial paper	-	4,133,197	-	-	4,133,197
Repayments of other borrowings	-	(1,005,000)	-	-	(1,005,000)
Proceeds from other borrowings	-	2,555,000	-	-	2,555,000
Customer deposits	-	(243,030)	-	-	(243,030)
Dividends paid	(90,495)	-	-	-	(90,495)
Proceeds from issuance of common stock	13,434	-	-	-	13,434
Net intercompany advances	-	(382,897)	324,701	58,196	-
Financing cash flows from discontinued operations	-	200,812	-	-	200,812
Other, net	(186)	9,266	(63,248)	-	(54,168)
Net cash provided by (used in) financing activities	(77,247)	142,069	261,453	58,196	384,471
Net decrease in cash	-	(52,140)	(482,783)	-	(534,923)
Cash – beginning of period	-	165,118	756,720	-	921,838
Cash – end of period	$ -	$ 112,978	$ 273,937	$ -	$ 386,915

Six Months Ended October 31, 2006	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	$ 29,170	$ (65,283)	$ (1,135,858)	$ -	$ (1,171,971)
Cash flows from investing:					
Mortgage loans originated for investment, net	-	(278,003)	-	-	(278,003)
Purchase property & equipment	-	2,218	(82,658)	-	(80,440)
Payments for business acquisitions	-	-	(12,670)	-	(12,670)
Net intercompany advances	216,983	-	-	(216,983)	-
Investing cash flows from discontinued operations	-	(8,081)	(783)	-	(8,864)
Other, net	-	(37,362)	8,088	-	(29,274)
Net cash provided by (used in) investing activities	216,983	(321,228)	(88,023)	(216,983)	(409,251)
Cash flows from financing:					
Repayments of commercial paper	-	(2,295,573)	-	-	(2,295,573)
Proceeds from issuance of commercial paper	-	3,336,002	-	-	3,336,002
Dividends paid	(84,225)	-	-	-	(84,225)
Payments to acquire treasury shares	(180,897)	-	-	-	(180,897)
Proceeds from issuance of common stock	10,640	-	-	-	10,640
Net intercompany advances	-	(1,202,514)	985,531	216,983	-
Customer deposits	-	595,769	-	-	595,769
Financing cash flows from discontinued operations	-	-	(100)	-	(100)
Other, net	8,329	(17,126)	(62,723)	-	(71,520)
Net cash provided by (used in) financing activities	(246,153)	416,558	922,708	216,983	1,310,096
Net increase (decrease) in cash	-	30,047	(301,173)	-	(271,126)
Cash – beginning of period	-	134,407	539,420	-	673,827
Cash – end of period	$ -	$ 164,454	$ 238,247	$ -	$ 402,701

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

H&R Block is a diversified company delivering tax services and financial advice, investment, and banking services, and business and consulting services. For more than 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 primarily in the United States, Canada and Australia. RSM McGladrey Business Services, Inc. (RSM) is a national accounting, tax and business consulting firm primarily serving midsized businesses. Our Consumer Financial Services segment offers investment services through H&R Block Financial Advisors, Inc. (HRBFA) and full-service banking through H&R Block Bank (HRB Bank).

Discontinued Operations – Recent Developments. On April 19, 2007, we entered into an agreement to sell Option One Mortgage Corporation (OOMC) to Cerberus Capital Management (Cerberus). In conjunction with this plan, we also announced we would terminate the operations of H&R Block Mortgage Corporation (HRBMC), a wholly-owned subsidiary of OOMC.

On December 4, 2007, we agreed to terminate the agreement with Cerberus in light of the changing business environment for OOMC, as mutually acceptable alternatives for restructuring the original agreement could not be reached. We also announced that we would immediately terminate all remaining origination activities and pursue the sale of OOMC's loan servicing activities. OOMC had existing loan applications in its pipeline of $69.4 million in gross loan principal amount at October 31, 2007. We believe that only approximately $20 million to $30 million of these loans will ultimately be funded, at which time our mortgage origination activities will cease. We believe a majority of these loans will be eligible for sale to Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac).

Termination of the mortgage lending activities of OOMC is expected to result in a pretax restructuring charge of $74.8 million. The restructuring charge covers expected severance and lease termination costs, write-off of property, plant and equipment and related shutdown costs. Of the total restructuring charge, $34.9 million was incurred in our second quarter ending October 31, 2007, with the remainder to be incurred primarily in our third quarter ending January 31, 2008. This charge, combined with the restructuring activities previously announced, brings our total restructuring charges for the three and six months ended October 31, 2007 to $61.0 million and $77.1 million, respectively.

Following the termination of its loan origination activities, OOMC will continue to carry out its servicing activities and collect servicing revenues as it does today. Because of the cessation of new originations, the volume of mortgage loans serviced will gradually decline as the aggregate principal amount of existing loans being serviced declines without replacement. The majority of servicing activities are carried out with respect to loans owned by third parties.

We have estimated the fair values of the servicing business and other assets, which resulted in an additional asset impairment for the second quarter ending October 31, 2007 of $123.0 million, bringing our total impairment recorded in discontinued operations to $146.2 million for the six months ended October 31, 2007.

During fiscal year 2007, we also committed to a plan to sell two smaller lines of business and completed the wind-down of one other line of business, all of which were previously reported in our Business Services segment. One of these businesses was sold during the six months ended October 31, 2007. Additionally, during fiscal year 2007, we completed the wind-down of our tax operations in the United Kingdom, which were previously reported in Tax Services. As of October 31, 2007, these businesses are presented as discontinued operations and the assets and liabilities of the businesses being sold are presented as held-for-sale in the condensed consolidated financial statements. All periods presented have been reclassified to reflect our discontinued operations.

See discussion of operating results under "Discontinued Operations."

TAX SERVICES

This segment primarily consists of our income tax preparation businesses – retail, online and software. Additionally, this segment includes commercial tax businesses, which provide tax preparation software and educational materials to CPAs and other tax preparers.

Tax Services – Operating Results				(in 000s)
	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Service revenues:				
Tax preparation fees	$ 49,463	$ 44,247	$ 74,387	$ 69,572
Other services	31,578	31,199	68,927	66,211
	81,041	75,446	143,314	135,783
Royalties	4,919	4,458	7,761	7,381
Other	4,844	2,080	9,592	4,478
Total revenues	90,804	81,984	160,667	147,642
Cost of services:				
Compensation and benefits	61,473	58,864	107,613	104,447
Occupancy	80,108	70,102	155,068	137,682
Depreciation	8,450	9,706	16,610	18,957
Other	46,302	42,139	101,467	90,311
	196,333	180,811	380,758	351,397
Cost of other revenues, selling, general and administrative	93,620	68,066	151,347	116,192
Total expenses	289,953	248,877	532,105	467,589
Pretax loss	$(199,149)	$(166,893)	$(371,438)	$(319,947)

Three months ended October 31, 2007 compared to October 31, 2006

Tax Services' revenues increased $8.8 million, or 10.8%, for the three months ended October 31, 2007 compared to the prior year.

Tax preparation fees increased $5.2 million, or 11.8%, primarily due to improved performance in our Australian operations. This improvement was due to an increase in clients served and favorable changes in foreign currency exchange rates.

Other revenues increased $2.8 million, primarily due to revenues resulting from commercial tax acquisitions.

Total expenses increased $41.1 million, or 16.5%, for the three months ended October 31, 2007. Cost of services increased $15.5 million, or 8.6%, from the prior year, primarily due to higher occupancy expenses. Occupancy expenses increased $10.0 million, or 14.3%, primarily as a result of higher rent and utilities expenses due to a 3.6% increase in company-owned offices under lease and a 5.0% increase in the average rent. Other cost of services increased $4.2 million, or 9.9%, due to additional supplies expense, related primarily to tax training schools.

Cost of other revenues, selling, general and administrative expenses increased $25.6 million, or 37.5%. This increase was primarily due to $12.5 million of incremental bad debt expense related to our refund anticipation loan (RAL) program, which resulted from a larger number of refund claims denied by the Internal Revenue Service (IRS). The IRS made changes to its taxpayer fraud detection system and penalty collection practices for the 2007 tax season, both of which contributed to the increased expense. Corporate wages and amortization of intangible assets increased $4.4 million and $1.3 million, respectively, over the prior year due primarily to acquisitions.

The pretax loss for the three months ended October 31, 2007 was $199.1 million, compared to a loss of $166.9 million in the prior year.

Six months ended October 31, 2007 compared to October 31, 2006

Tax Services' revenues increased $13.0 million, or 8.8%, for the six months ended October 31, 2007 compared to the prior year.

Tax preparation fees increased $4.8 million, or 6.9%, primarily due to improved performance in our Australian operations. Other service revenues increased $2.7 million, or 4.1%, primarily due to customer

fees earned in connection with an agreement with HRB Bank for the H&R Block Emerald Prepaid MasterCard® program, under which, this segment shares in the revenues and expenses associated with the program. This increase was partially offset by a decline in revenues from our Peace of Mind (POM) guarantee, resulting from lower claims in the current year.

Other revenues increased $5.1 million, primarily due to revenues resulting from commercial tax acquisitions.

Total expenses increased $64.5 million, or 13.8%, for the six months ended October 31, 2007. Cost of services increased $29.4 million, or 8.4%, from the prior year, primarily due to higher occupancy expenses. Occupancy expenses increased $17.4 million, or 12.6%, primarily as a result of higher rent and utilities expenses due to a 4.2% increase in company-owned offices under lease and a 4.0% increase in the average rent. Other cost of services increased $11.2 million, or 12.4%, due primarily to $5.2 million in additional corporate shared services, primarily related to information technology projects related to the upcoming tax season. In addition, we incurred $4.6 million of additional supplies expense, related primarily to tax training schools.

Cost of other revenues, selling, general and administrative expenses increased $35.2 million, or 30.3%. This increase was primarily due to $12.5 million of incremental bad debt expense related to our RAL program, which resulted from a larger number of refund claims denied by the IRS. The IRS made changes to its taxpayer fraud detection system and penalty collection practices for the 2007 tax season, both of which contributed to the increased expense. Corporate wages and amortization of intangible assets increased $10.2 million and $3.0 million, respectively, over the prior year due primarily to acquisitions.

The pretax loss for the six months ended October 31, 2007 was $371.4 million, compared to a loss of $319.9 million in the prior year.

BUSINESS SERVICES

This segment offers middle-market companies accounting, tax and consulting services.

Business Services – Operating Statistics

	Three Months Ended October 31, 2007	2006	Six Months Ended October 31, 2007	2006
Accounting, tax and consulting:				
Chargeable hours	1,273,112	1,219,720	2,312,302	2,283,331
Chargeable hours per person	325	312	599	587
Net billed rate per hour	$ 147	$ 148	$ 146	$ 145
Average margin per person	$ 29,824	$ 28,647	$ 49,049	$ 48,584

Business Services – Operating Results (in 000s)

	Three Months Ended October 31, 2007	2006	Six Months Ended October 31, 2007	2006
Service revenues:				
Accounting, tax and consulting	$203,585	$193,360	$366,400	$358,149
Other services	21,682	23,289	40,269	44,727
	225,267	216,649	406,669	402,876
Other	13,781	12,065	25,202	21,295
Total revenues	239,048	228,714	431,871	424,171
Cost of services:				
Compensation and benefits	136,471	133,969	246,323	248,747
Occupancy	17,814	17,419	35,676	34,622
Other	24,811	23,459	43,231	41,390
	179,096	174,847	325,230	324,759
Amortization of intangible assets	3,574	3,769	7,200	8,277
Cost of other revenues, selling, general and administrative	44,597	49,074	89,566	97,078
Total expenses	227,267	227,690	421,996	430,114
Pretax income (loss)	$ 11,781	$ 1,024	$ 9,875	$ (5,943)

Three months ended October 31, 2007 compared to October 31, 2006

Business Services' revenues for the three months ended October 31, 2007 increased $10.3 million, or 4.5%, over the prior year. Accounting, tax and consulting service revenues totaled $203.6 million, up $10.2 million, or 5.3%, from the prior year primarily due to a 4.2% increase in chargeable hours per person.

Total expenses were essentially flat for the three months ended October 31, 2007 compared to the prior year. Cost of services increased $4.2 million, due primarily to an increase in compensation and benefits, which resulted from increases in both the number of employees and the average wage.

Cost of other revenues, selling, general and administrative expenses decreased $4.5 million, or 9.1%, primarily due to decreases of $3.4 million and $2.4 million in external consulting and legal fees, respectively, partially offset by increased costs associated with our business development and marketing initiatives and corporate shared services.

Pretax income for the three months ended October 31, 2007 was $11.8 million compared to income of $1.0 million in the prior year.

Six months ended October 31, 2007 compared to October 31, 2006

Business Services' revenues for the six months ended October 31, 2007 increased $7.7 million, or 1.8%, over the prior year. Accounting, tax and consulting service revenues totaled $366.4 million, up $8.3 million, or 2.3%, from the prior year primarily due to a 2.0% increase in chargeable hours per person.

Other service revenues decreased from the prior year due to a decline in the number of business valuation projects, as this business phases out valuation services and focuses solely on capital market transactions.

Other revenues increased $3.9 million, or 18.3%, due to increased sales of computer hardware and software products and additional fees received from our accounting network.

Total expenses decreased $8.1 million, or 1.9%, for the six months ended October 31, 2007 compared to the prior year. Cost of services was essentially flat compared to the prior year, as a decrease in compensation and benefits was offset by increases in occupancy and other expenses. The decrease in compensation and benefits was primarily due to a change in organizational structure between the businesses we acquired from American Express Tax and Business Services, Inc. (AmexTBS) and the attest firms that, while not affiliates of our company, also serve our clients. As a result, we no longer record the revenues and expenses associated with leasing employees in these offices to the attest firms.

Cost of other revenues, selling, general and administrative expenses decreased $7.5 million, or 7.7%, primarily due to decreases of $7.1 million and $4.8 million in external consulting and legal fees, respectively. Additional consulting fees were incurred in the prior year related to our marketing initiatives, and additional legal expenses were incurred in the prior year related to international acquisitions that were ultimately not completed. These decreases were partially offset by increased costs associated with our business development and marketing initiatives and corporate shared services.

Pretax income for the six months ended October 31, 2007 was $9.9 million compared to a pretax loss of $5.9 million in the prior year.

CONSUMER FINANCIAL SERVICES

This segment is primarily engaged in offering brokerage services, along with investment planning and related financial advice through HRBFA and full-service banking through HRB Bank. HRBFA offers traditional brokerage services, as well as annuities, insurance, fee-based accounts, online account access, equity research and focus lists, model portfolios, asset allocation strategies, and other investment tools and information. Recruitment and retention of productive financial advisors is critical to the success of HRBFA. HRB Bank offers traditional banking services including checking and savings accounts, home equity lines of credit, individual retirement accounts, certificates of deposit and prepaid debit card accounts. HRBFA utilizes HRB Bank for certain FDIC-insured deposits for its clients. HRB Bank has also historically purchased prime loans, as defined by Office of Thrift Supervision (OTS) guidelines, from OOMC and HRBMC in addition to prime loan purchases from third-party sellers. During the first quarter of fiscal year 2008, HRB Bank stopped purchasing prime loans from OOMC and HRBMC.

Consumer Financial Services – Operating Statistics

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Broker-dealer:				
Traditional brokerage accounts(1)	381,765	402,278	381,765	402,278
New traditional brokerage accounts funded by tax clients	2,897	1,967	6,208	5,155
Cross-service revenue as a percent of total production revenue	18.4%	16.1%	18.2%	16.8%
Average assets per traditional brokerage account	$ 90,155	$ 80,089	$ 90,155	$ 80,089
Average margin balances (millions)	$ 366	$ 404	$ 361	$ 427
Average customer payable balances (millions)	$ 527	$ 601	$ 543	$ 623
Number of advisors	956	919	956	919
Banking:				
Efficiency ratio(2)	38%	40%	38%	38%
Annualized net interest margin(3)	2.48%	2.74%	2.30%	3.10%
Annualized pretax return on average assets(4)	(1.38)%	1.48%	0.06%	1.35%
Total assets (thousands)	$1,179,453	$762,074	$1,179,453	$762,074
Mortgage loans held for investment:				
Average FICO score	717	715	717	715
Delinquency rate	1.96%	3.00%	1.96%	3.00%
Loans purchased from affiliates (thousands):				
Purchased from affiliates	$ -	$169,622	$ 56,341	$723,124
Put back to affiliates	(94,820)	-	(191,658)	-
	$ (94,820)	$169,622	$ (135,317)	$723,124

(1) Includes only accounts with a positive balance.
(2) Defined as non-interest expense divided by revenue net of interest expense. See “Reconciliation of Non-GAAP Financial Information” at the end of Part I, Item 2.
(3) Defined as annualized net interest revenue divided by average bank earning assets. See “Reconciliation of Non-GAAP Financial Information” at the end of Part I, Item 2.
(4) Defined as annualized pretax banking income divided by average bank assets. See “Reconciliation of Non-GAAP Financial Information” at the end of Part I, Item 2.

Consumer Financial Services – Operating Results	Three Months Ended October 31, 2007	2006	Six Months Ended October 31, 2007	2006
				(in 000s)
Service revenues:				
Financial advisor production revenue	$ 53,386	$ 45,444	$ 111,682	$ 92,463
Other	13,387	9,212	31,454	17,580
	66,773	54,656	143,136	110,043
Net interest income:				
Margin lending	11,277	13,096	23,549	26,895
Banking activities	7,647	4,392	15,150	8,121
	18,924	17,488	38,699	35,016
Provision for loan loss reserves	(9,842)	(364)	(11,926)	(1,702)
Other	288	324	328	589
Total revenues(1)	76,143	72,104	170,237	143,946
Cost of services:				
Compensation and benefits	38,758	32,458	79,965	64,322
Occupancy	4,890	4,847	10,069	9,908
Other	5,090	5,193	9,900	10,358
	48,738	42,498	99,934	84,588
Amortization of intangible assets	9,156	9,156	18,312	18,312
Selling, general and administrative	27,330	22,768	54,866	46,433
Total expenses	85,224	74,422	173,112	149,333
Pretax loss	$ (9,081)	$ (2,318)	$ (2,875)	$ (5,387)
Supplemental information				
Revenues:(1)				
Broker-dealer	$ 76,554	$ 67,844	$ 161,683	$ 137,184
Bank	(411)	4,260	8,554	6,762
	$ 76,143	$ 72,104	$ 170,237	$ 143,946
Pretax income (loss):				
Broker-dealer	$ (4,672)	$ (4,738)	$ (3,308)	$ (8,976)
Bank	(4,409)	2,420	433	3,589
	$ (9,081)	$ (2,318)	$ (2,875)	$ (5,387)

(1) Total revenues, less interest expense and loan loss reserves on mortgage loans held for investment.

Three months ended October 31, 2007 compared to October 31, 2006

Consumer Financial Services' revenues, net of interest expense and provision for loan loss reserves, for the three months ended October 31, 2007 increased $4.0 million, or 5.6%, over the prior year. Financial advisor production revenue, which consists primarily of fees earned on assets under administration and commissions on client trades, was up $7.9 million, or 17.5%, from the prior year primarily due to higher annualized production per advisor driven by annuity and mutual fund transactions. The following table summarizes the key drivers of production revenue:

Three Months Ended October 31,	2007	2006
Client trades	240,615	215,289
Average revenue per trade	$ 116.09	$ 121.86
Ending balance of assets under administration (billions)	$ 34.4	$ 32.2
Annualized productivity per advisor	$ 222,000	$ 187,000

Other service revenues increased $4.2 million due to a $3.0 million increase in fees received on sweep accounts, and additional revenues from the H&R Block Prepaid Emerald MasterCard®.

Net interest income on banking activities increased $3.3 million from the prior year due to an increase in mortgage loans held for investment, partially offset by an increase in deposits. The following table summarizes the key drivers of net interest revenue on banking activities:

(dollars in 000s)

	Average Balance		Average Rate Earned (Paid)	
Three Months Ended October 31,	2007	2006	2007	2006
Mortgage loans held for investment	$1,194,567	$612,055	6.85%	6.90%
Other investments	65,318	38,641	5.41%	5.39%
Deposits	964,809	492,315	(5.03)%	(5.40)%

We recorded a provision for loan losses of $9.8 million during the current quarter, compared to $0.4 million in the prior year. Our loan loss provision increased significantly during the current quarter as a result of declining collateral values due to declining residential home prices, and increasing delinquencies occurring in our portfolio during October and November of 2007. The residential mortgage industry has experienced similar trends in recent months. If adverse trends continue, we may be required to record additional loan loss provisions, and those losses may be significant.

Our loan loss reserve as a percent of mortgage loans was 1.40%, or $15.5 million, at October 31, 2007, compared to 0.25%, or $1.7 million, at October 31, 2006. Mortgage loans held for investment at October 31, 2007 totaled $1.1 billion, $807.1 million of which were purchased from OOMC and HRBMC. The average FICO score of our mortgage loans held for investment at October 31, 2007 was 717, with the loan-to-value average of 76.9% and average debt-to-income ratio of 34.3%, while the delinquency rate of mortgage loans more than thirty days past due was 1.96%. The delinquency rate declined from 3.00% at October 31, 2006, as non-performing loans originally purchased from OOMC were sold back to OOMC during fiscal year 2008.

Total expenses rose $10.8 million, or 14.5%, from the prior year. Compensation and benefits increased $6.3 million, or 19.4%, primarily due to higher commission and bonus payouts resulting from improved production revenue.

Selling, general and administrative expenses increased $4.6 million, or 20.0%, primarily due to gains on the disposition of certain assets recorded in the prior year.

The pretax loss for the three months ended October 31, 2007 was $9.1 million compared to a prior year loss of $2.3 million.

Six months ended October 31, 2007 compared to October 31, 2006

Consumer Financial Services' revenues, net of interest expense and provision for loan loss reserves, for the six months ended October 31, 2007 increased $26.3 million, or 18.3%, over the prior year.

Financial advisor production revenue was up $19.2 million, or 20.8%, from the prior year primarily due to higher annualized production per advisor driven by annuity and closed-end fund transactions. The following table summarizes the key drivers of production revenue:

Six Months Ended October 31,	2007	2006
Client trades	482,702	439,337
Average revenue per trade	$ 126.34	$ 117.18
Ending balance of assets under administration (billions)	$ 34.4	$ 32.2
Annualized productivity per advisor	$ 237,000	$ 197,000

Other service revenues increased $13.9 million due to $3.1 million in additional underwriting fees, a $6.0 million increase in fees received on money market accounts, and additional revenues from the H&R Block Prepaid Emerald MasterCard®.

Net interest income on banking activities increased $7.0 million from the prior year due to an increase in mortgage loans held for investment, partially offset by an increase in deposits. The following table summarizes the key drivers of net interest revenue on banking activities:

(dollars in 000s)

	Average Balance		Average Rate Earned (Paid)	
Six Months Ended October 31,	2007	2006	2007	2006
Mortgage loans held for investment	$1,266,719	$496,472	6.78%	6.94%
Other investments	75,249	29,793	5.38%	5.22%
Deposits	1,034,852	369,942	(5.07)%	(5.31%)

We recorded a provision for loan losses of $11.9 million during the current year, compared to $1.7 million in the prior year. As discussed above, our provision for loan loss increased significantly due to adverse trends in residential home prices and mortgage loan delinquencies.

Total expenses rose $23.8 million, or 15.9%, from the prior year. Compensation and benefits increased $15.6 million, or 24.3%, primarily due to higher commission and bonus payouts resulting from improved production revenue.

Selling, general and administrative expenses increased $8.4 million, or 18.2%, primarily due to gains on the disposition of certain assets recorded in the prior year.

The pretax loss for the six months ended October 31, 2007 was $2.9 million compared to a prior year loss of $5.4 million.

CORPORATE, INTEREST EXPENSE, OTHER INCOME AND INCOME TAXES ON CONTINUING OPERATIONS

Three months ended October 31, 2007 compared to October 31, 2006

The pretax loss recorded in our corporate operations for the three months ended October 31, 2007 was $27.3 million compared to $30.4 million in the prior year. The lower loss is primarily due to lower interest resulting from refinancing our $500.0 million Senior Notes with a facility at a lower interest rate and less funds used in corporate operations than in the prior year. The prior year included borrowing for the payment of income taxes of $122.6 million during the three months ended October 31, 2006.

Our effective tax rate for continuing operations was 39.2% and 39.1% for the three months ended October 31, 2007 and 2006, respectively. Our effective tax rate for discontinued operations was 33.6% and 44.7% for the three months ended October 31, 2007 and 2006, respectively. Our effective tax rate for discontinued operations for the full fiscal year ended April 30, 2007, was 34.5%. We expect that our effective tax rate for the full year ending April 30, 2008 for discontinued operations will approximate 37%.

Six months ended October 31, 2007 compared to October 31, 2006

The pretax loss recorded in our corporate operations for the six months ended October 31, 2007 was $42.9 million compared to $61.3 million in the prior year. The lower loss is primarily due to lower interest resulting from refinancing our $500.0 million Senior Notes with a facility at a lower interest rate and less funds used in corporate operations than in the prior year. The prior year included borrowing for the payment of income taxes of $313.0 million and the repurchase of treasury shares of $180.9 million during the six months ended October 31, 2006.

Our effective tax rate for continuing operations was 39.6% and 39.2% for the six months ended October 31, 2007 and 2006, respectively. Our effective tax rate increased primarily due to changes in our estimated state tax rate. Our effective tax rate for discontinued operations was 37.0% and 44.9% for the six months ended October 31, 2007 and 2006, respectively.

DISCONTINUED OPERATIONS

Discontinued operations includes OOMC and HRBMC, mortgage businesses primarily engaged in the origination and acquisition of non-prime and prime mortgage loans, the sale and securitization of mortgage loans and residual interests, and the servicing of non-prime loans. Also included are the results of three smaller lines of business previously reported in our Business Services segment, as well as our tax operations in the United Kingdom previously reported in our Tax Services segment. Income statement data presented below is net of eliminations of intercompany activities.

Discontinued Operations – Operating Statistics (dollars in 000s)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Volume of loans originated:				
Wholesale (non-prime)	$ 581,185	$6,149,293	$3,554,608	$ 13,356,925
Retail:				
Prime	127,154	298,163	353,957	558,051
Non-prime	12,216	471,182	97,471	1,055,607
	$ 720,555	$6,918,638	$4,006,036	$ 14,970,583
Loan characteristics:				
Weighted average FICO score(1)	611	611	616	613
Weighted average interest rate for borrowers (WAC)(1)	9.32%	8.75%	8.75%	8.71%
Weighted average loan-to-value(1)	79.6%	82.2%	79.9%	82.4%
Origination margin (% of origination volume):				
Loan sale premium (discount)	(9.28)%	1.49%	(3.39)%	1.48%
Residual cash flows from beneficial interest in Trusts	0.92%	0.28%	0.33%	0.43%
Gain (loss) on derivative instruments	(2.96)%	(0.41)%	0.02%	(0.10)%
Loan sale repurchase reserves	(23.96)%	(0.68)%	(8.24)%	(0.93)%
Retained mortgage servicing rights	0.79%	0.62%	0.72%	0.62%
	(34.49)%	1.30%	(10.56)%	1.50%
Cost of acquisition	0.28%	(0.08)%	0.12%	(0.11)%
Direct origination expenses	(0.81)%	(0.50)%	(0.66)%	(0.51)%
Net gain on sale – gross margin(2)	(35.02)%	0.72%	(11.10)%	0.88%
Other cost of origination	(7.21)%	(1.57)%	(2.93)%	(1.45)%
Other	(0.52)%	0.02%	(0.05)%	0.05%
Net margin	(42.75)%	(0.83)%	(14.08)%	(0.52)%
Loan delivery:				
Loan sales:				
Third-party buyers, net of repurchases	$ 927,992	$6,526,324	$4,043,988	$ 14,440,657
HRB Bank, net of repurchases	(94,820)	169,622	(135,317)	723,124
	$ 833,172	$6,695,946	$3,908,671	$ 15,163,781
Execution price(3)	(6.16)%	1.64%	(2.88)%	1.51%

(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).

Discontinued Operations – Operating Statistics				(in 000s)
	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Components of gains on sales:				
Gain (loss) on mortgage loans	$ (58,330)	$ 125,419	$ (115,704)	$ 286,785
Gain (loss) on derivatives	(21,314)	(28,050)	945	(14,807)
Loan sale repurchase reserves	(172,670)	(47,225)	(329,966)	(139,962)
Impairment of residual interests	(61,692)	(12,236)	(111,296)	(29,502)
	(314,006)	37,908	(556,021)	102,514
Interest income	11,528	14,624	26,627	29,924
Loan servicing revenue	93,016	113,579	190,415	222,503
Other	5,389	354	11,516	10,226
Total revenues	(204,073)	166,465	(327,463)	365,167
Cost of services	67,029	91,538	138,646	179,866
Cost of other revenues	61,232	71,008	117,302	144,208
Impairments	123,000	—	146,229	—
Selling, general and administrative	95,835	68,092	156,926	129,951
Total expenses	347,096	230,638	559,103	454,025
Pretax loss	(551,169)	(64,173)	(886,566)	(88,858)
Income tax benefit	(185,003)	(28,710)	(327,643)	(39,857)
Net loss	$ (366,166)	$ (35,463)	$ (558,923)	$ (49,001)

The non-prime residential mortgage loan market has been adversely affected by a weakening housing market and increasing rates of delinquencies and defaults. Warehouse lenders have required significant margin calls from non-prime residential mortgage loan originators, including OOMC, due to declining values of non-prime residential mortgage loans and increasing levels of loans held for sale by lenders for longer periods of time due to softening secondary market conditions. We have been significantly and negatively impacted by the events and conditions impacting the broader non-prime residential mortgage loan market, resulting in significant impairments and operating losses during fiscal 2007 and 2008.

Three months ended October 31, 2007 compared to October 31, 2006

During the three months ended October 31, 2007, our mortgage loan originations were significantly reduced and on December 4, 2007, we announced we would terminate all remaining origination activities.

Conditions in the non-prime mortgage industry continued to be challenging during the three months ended October 31, 2007. Our mortgage operations, as well as the entire industry, were impacted by deteriorating conditions in the secondary market, where reduced investor demand for loan purchases, higher investor yield requirements and increased estimates for future losses reduced the value of non-prime loans. Under these conditions non-prime originators generally reported significant increases in losses and many were unable to meet their financial obligations. During the second quarter we continued to tighten our underwriting standards, which had the effect of further reducing our loan origination volumes. Our origination volumes declined to $720.6 million during the current quarter, down 89.6% from the prior year. Effective December 4, 2007, we ceased accepting new loan applications, although we will honor the loan commitments in our pipeline.

The pretax loss of $551.2 million for the three months ended October 31, 2007 includes losses of $2.7 million from our Business Services discontinued operations, with the remainder from our mortgage business. As discussed more fully below, mortgage results include $172.7 million in loss provisions and repurchase reserves, impairments of residual interests of $61.7 million and impairments relating to the valuation of remaining assets held for sale totaling $123.0 million.

The following table summarizes the key drivers of loan origination volumes and related gains on sales of mortgage loans:

(dollars in 000s)

Three Months Ended October 31,	2007	2006
Application process:		
Total number of applications	6,006	70,776
Number of sales associates[1]	439	2,466
Originations:		
Total number of loans originated	3,056	34,515
WAC	9.32%	8.75%
Average loan size	$ 236	$ 200
Total volume of loans originated	$ 720,555	$6,918,638
Direct origination and acquisition expenses, net	$ 3,797	$ 40,395
Revenue (loan value):		
Net gain on sale – gross margin[2]	(35.02)%	0.72%

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

Gains on sales of mortgage assets decreased $183.7 million from the prior year. This decrease resulted primarily from significantly lower origination volumes and loan sale premiums, and increases in loan loss reserves and impairments of residual interests.

During the second quarter, concerns about credit quality in the non-prime industry resulted in lower demand for non-prime loans and a higher yield requirement by investors that purchase the loans. As a result, during the quarter we originated mortgage loans that, by the time we sold them in the secondary market, were valued at less than par. Our second quarter net gain on sale gross margin was a negative 35.02%. Additionally, our loan sale premium declined to a negative 9.28% in the current quarter. We wrote down our beneficial interest in Trusts to zero as of October 31, 2007.

The disruption in the secondary market, coupled with declining credit quality and investors performing additional due diligence on loan pools, have caused unprecedented numbers of loans to be excluded from loan pools before the sale. During the current quarter, we increased our reserve for losses on representations and warranties repurchases as a result of rising repurchase trends. We also continued to experience high levels of early payment defaults, resulting in significant actual and expected loan repurchase activity. We recorded total loss provisions of $172.7 million during the current quarter compared to $47.2 million in the prior year. The provision recorded in the current quarter consists of $44.2 million recorded on loans sold during the current quarter and $128.5 million related to loans sold in the prior quarter. After we repurchased loans, we experienced higher severity of losses on those loans. Based on historical experience, we assumed an average 42% loss severity at October 31, 2007, compared to 26% at April 30, 2007, on loans repurchased and expected to be repurchased due to early payment defaults and violations of representations and warranties. See additional discussion of our reserves and repurchase obligations in “Critical Accounting Policies” and in note 11 to our condensed consolidated financial statements.

During the current quarter, the disruption in the secondary market also impacted our residual interests. We recorded impairments of residual interests of $61.7 million due to higher expected credit losses resulting from the decline in performance of the underlying collateral and an increase in our discount rate assumption from 25% to 30%. Residuals interests at October 31, 2007 have a current carrying value of $38.2 million.

During the current period, we recorded a net $21.3 million in losses, compared to $28.1 million in the prior year, related to our various derivative instruments, primarily related to forward loan commitments. We ceased all derivative activities during the quarter. See note 11 to the condensed consolidated financial statements.

The following table summarizes the key metrics related to our loan servicing business:

(dollars in 000s)

Three Months Ended October 31,	2007	2006
Average servicing portfolio:		
With related MSRs	$59,885,050	$64,068,803
Without related MSRs	2,853,427	9,896,993
	$62,738,477	$73,965,796
Ending servicing portfolio:		
With related MSRs	$58,203,629	$63,904,746
Without related MSRs	2,747,371	9,115,001
	$60,951,000	$73,019,747
Number of loans serviced	340,233	427,590
Average delinquency rate	20.50%	8.69%
Weighted average FICO score	622	621
Weighted average interest rate (WAC) of portfolio	8.48%	8.06%
Carrying value of MSRs	$ 199,596	$ 269,679

Loan servicing revenues decreased $20.6 million, or 18.1%, compared to the prior year. The decrease reflects a decline in our average servicing portfolio, which decreased 15.2%, to $62.7 billion. Declines in our average servicing portfolio are primarily the result of a decline in the subservicing portfolio and significantly lower origination volumes, as discussed above. As a result of our decision to terminate remaining loan origination activities, loan servicing revenues are expected to continue to decline.

Total expenses for the three months ended October 31, 2007 increased $116.5 million, or 50.5%, from the prior year, primarily due to asset impairments of $123.0 million recorded in the current quarter. Cost of services decreased $24.5 million primarily due to lower amortization of MSRs.

Cost of other revenues decreased $9.8 million, primarily due to our ongoing restructuring plans. As a result, compensation and benefits declined due to lower staffing levels, although this reduction was partially offset by increased occupancy expenses as a result of early termination costs on leases.

See discussion of the termination of our agreement to sell OOMC in note 1 to the condensed consolidated financial statements and Part II, Item 1A, under “Potential Sale Transaction.”

Selling, general and administrative expenses increased $27.7 million, or 40.7%, over the prior year, as restructuring charges recorded in the current quarter were partially offset by lower operating expenses resulting from prior year restructuring activities.

The pretax loss for the three months ended October 31, 2007 was $551.2 million compared to a loss of $64.2 million in the prior year. The loss from discontinued operations for the current period of $366.2 million is net of tax benefits of $185.0 million, and primarily includes income tax benefits related to OOMC.

Six months ended October 31, 2007 compared to October 31, 2006

The pretax loss of $886.6 million for the six months ended October 31, 2007 includes losses of $7.2 million from our Business Services discontinued operations, with the remainder from our mortgage business. As discussed more fully below, mortgage results include $330.0 million in loss provisions and repurchase reserves, impairments of residual interests of $111.3 million and impairments of other assets totaling $146.2 million.

The following table summarizes the key drivers of loan origination volumes and related gains on sales of mortgage loans:

(dollars in 000s)

Six Months Ended October 31,	2007	2006
Application process:		
Total number of applications	34,780	144,512
Number of sales associates[1]	439	2,466
Originations:		
Total number of loans originated	16,138	74,187
WAC	8.75%	8.71%
Average loan size	$ 248	$ 202
Total volume of loans originated	$ 4,006,036	$ 14,970,583
Direct origination and acquisition expenses, net	$ 21,524	$ 92,960
Revenue (loan value):		
Net gain on sale − gross margin[2]	(11.10)%	0.88%

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

Gains on sales of mortgage assets decreased $402.5 million from the prior year. This decrease resulted primarily from significantly lower origination volumes and loan sale premiums, and increases in loan repurchase reserves and impairments of residual interests.

During the current year, concerns about credit quality in the non-prime industry resulted in lower demand for non-prime loans and a higher yield requirement by investors that purchase the loans. As a result, during the current year we originated mortgage loans that, by the time we sold them in the secondary market, were valued at less than par. Our net gain on sale gross margin for the six months ended October 31, 2007 was a negative 11.10%. Additionally, our loan sale premium declined 487 basis points to a negative 3.39% in the current year. We wrote down our beneficial interest in Trusts to zero as of October 31, 2007.

We recorded total loss provisions relating to the repurchase and disposition of loans previously sold of $330.0 million during the current year compared to $140.0 million in the prior year. The provision recorded in the current year consists of $176.7 million recorded on loans sold during the current year and $153.3 million related to loans sold in the prior year. Loss provisions as a percent of loan volumes increased 917 basis points over the prior year. After we repurchased the loans, we experienced higher severity of losses on those loans. Based on historical experience, we assumed an average 42% loss severity at October 31, 2007, compared to 26% at April 30, 2007, on loans repurchased and expected to be repurchased due to early payment defaults and violations of representations and warranties. See additional discussion of our reserves and repurchase obligations in “Critical Accounting Policies” and in note 11 to our condensed consolidated financial statements.

During the current year, the disruption in the secondary market also impacted our residual interests. We recorded impairments of residual interests of $111.3 million due to higher expected credit losses resulting from the decline in performance of the underlying collateral and an increase in our discount rate assumption from 25% to 30%. As of October 31, 2007, substantially all residual interests from originations prior to January 2007 were written down to zero value. Residuals interests at October 31, 2007 have a current carrying value of $38.2 million.

During the current period, we recorded a net $0.9 million in gains, compared to net losses of $14.8 million in the prior year, related to our various derivative instruments. We ceased all derivative activities during the current quarter. See note 11 to the condensed consolidated financial statements.

The following table summarizes the key metrics related to our loan servicing business:

(dollars in 000s)

Six Months Ended October 31,	2007	2006
Average servicing portfolio:		
With related MSRs	$ 61,651,132	$ 63,802,118
Without related MSRs	2,948,495	10,107,535
	$ 64,599,627	$ 73,909,653
Ending servicing portfolio:		
With related MSRs	$ 58,203,629	$ 63,904,746
Without related MSRs	2,747,371	9,115,001
	$ 60,951,000	$ 73,019,747
Number of loans serviced	340,233	427,590
Average delinquency rate	17.89%	8.01%
Weighted average FICO score	622	621
Weighted average interest rate (WAC) of portfolio	8.41%	7.99%
Carrying value of MSRs	$ 199,596	$ 269,679

Loan servicing revenues decreased $32.1 million, or 14.4%, compared to the prior year. The decrease reflects a decline in our average servicing portfolio, which decreased 12.6%, to $64.6 billion. Declines in our average servicing portfolio are primarily the result of a decline in the subservicing portfolio and significantly lower origination volumes, as discussed above. As a result of our decision to terminate remaining loan origination activities, loan servicing revenues are expected to continue to decline.

Total expenses for the six months ended October 31, 2007 increased $105.1 million, or 23.1%, from the prior year, primarily due to asset impairments of $146.2 million recorded in the current year. Cost of services decreased $41.2 million primarily due to lower amortization of MSRs.

Cost of other revenues decreased $26.9 million, primarily due to our ongoing restructuring plans. As a result, compensation and benefits declined due to lower staffing levels, although this reduction was partially offset by increased occupancy expenses as a result of early termination costs on leases.

See discussion of the termination of our agreement to sell OOMC in note 1 to the condensed consolidated financial statements and Part II, Item 1A, under “Potential Sale Transaction.”

Selling, general and administrative expenses increased $27.0 million, or 20.8%, over the prior year, as restructuring charges recorded in the current year were partially offset by lower operating expenses resulting from prior year restructuring activities.

The pretax loss for the six months ended October 31, 2007 was $886.6 million compared to a loss of $88.9 million in the prior year.

The loss from discontinued operations for the current period of $558.9 million is net of tax benefits of $327.6 million, and primarily includes income tax benefits related to OOMC. Losses from discontinued operations during fiscal year 2007 totaled $808.0 million, net of tax benefits of $425.0 million, including tax benefits related to OOMC of $374.6 million. Although the tax position associated with deferred tax benefits of discontinued businesses will more likely than not be sustained, there is a level of uncertainty associated with the amount of benefit. We believe the net deferred tax asset at October 31, 2007 is, more likely than not, realizable.

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 primarily include cash from operations, issuances of common stock and debt. We use capital primarily to fund working capital requirements, pay dividends and acquire businesses. Our Tax Services and Business Services segments are highly seasonal and therefore require the use of cash to fund operating losses during the period May through December. Our mortgage operations have incurred significant operating losses in recent quarters, also requiring the use of cash and working capital.

Given the likely availability of a number of liquidity options, including our unsecured committed lines of credit (CLOCs), we believe, that in the absence of unexpected developments, our existing sources of capital at October 31, 2007 are sufficient to meet our operating needs.

Cash From Operations. Cash used in operating activities for the first six months of fiscal 2008 totaled $942.1 million, compared with $1.2 billion for the same period of the prior fiscal year. The change was due primarily to lower income tax payments and income tax refunds of $71.7 million received during the six months ended October 31, 2007, which resulted primarily from the significant operating losses of our discontinued operations in the first half of fiscal year 2008.

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 $17.2 million and $17.4 million for the six months ended October 31, 2007 and 2006, respectively.

Dividends. Dividends paid totaled $90.5 million and $84.2 million for the six months ended October 31, 2007 and 2006, respectively.

Share Repurchases. There are 22.4 million shares remaining under share repurchase authorizations at October 31, 2007. We purchase shares on the open market in accordance with existing authorizations, subject to various factors including the price of the stock, our ability to maintain liquidity and financial flexibility, securities laws restrictions, internally and regulatory targeted capital levels and other investment opportunities.

The OTS requires us to maintain a three percent minimum ratio of adjusted tangible capital to adjusted total assets. Due to significant losses in our mortgage operations during fiscal year 2007, we did not meet this minimum capital requirement at April 30, 2007. Due to continued losses in our mortgage operations during fiscal year 2008, we do not expect to be in compliance at April 30, 2008. We do not expect to be in a position to repurchase shares until sometime after fiscal year 2009.

Debt. In April 2007, we obtained a $500.0 million credit facility to provide funding for the $500.0 million of 8 1/2% Senior Notes which were due April 16, 2007. This facility matures on December 20, 2007, at which time we anticipate it will be refinanced.

Market conditions and recent credit-rating downgrades have negatively impacted our ability to issue commercial paper. As a result, we had no commercial paper outstanding at October 31, 2007, compared to $1.0 billion at October 31, 2006. As an alternative to commercial paper issuance, we have been borrowing under our CLOCs to support working capital requirements arising from off-season operating losses in our Tax Services and Business Services segments and operating losses from our mortgage businesses. We had $1.6 billion outstanding under our CLOCs at October 31, 2007. Subsequent to October 31, 2007, we drew additional funds on the CLOCs to bring total borrowings to $1.8 billion. See additional discussion in “Commercial Paper Issuance and Other Borrowings” and note 4 to the condensed consolidated financial statements.

Restricted Cash. We hold certain cash balances that are restricted as to use. Cash and cash equivalents – restricted totaled $237.2 million at October 31, 2007 compared to $332.6 million at April 30, 2007. Consumer Financial Services held $220.0 million of this total segregated in a special reserve account for the exclusive benefit of its broker-dealer clients. Our Consumer Financial Services segment also held $15.5 million on deposit at the Federal Reserve Bank, as HRB Bank is now required to maintain a certain amount of cash in a non-interest-bearing account balance to meet specific reserve requirements.

Segment Cash Flows. A condensed consolidating statement of cash flows by segment for the six months ended October 31, 2007 is as follows:

(in 000s)

	Tax Services	Business Services	Consumer Financial Services	Corporate(1)	Discontinued Operations	Consolidated H&R Block
Cash provided by (used in):						
Operations	$(338,699)	$(17,569)	$ 44,822	$ (315,062)	$ (315,617)	$ (942,125)
Investing	(39,152)	(8,425)	84,295	(23,583)	9,596	22,731
Financing	(42,114)	(1,823)	(327,296)	554,892	200,812	384,471
Net intercompany	427,797	14,618	139,201	(686,825)	105,209	-

(1) Income tax payments, net of refunds of $71.7 million received during the six months ended October 31, 2007, are included in Corporate.

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 $338.7 million in its current six-month operations to cover off-season costs and working capital requirements. This segment used $39.2 million in investing activities primarily related to capital expenditures and acquisitions, and used $42.1 million in financing activities related to book overdrafts.

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 $17.6 million in operating cash flows during the first six months of the year to cover off-season costs and working capital requirements. Business Services used $8.4 million in investing activities primarily related to capital expenditures.

Consumer Financial Services. In the first six months of fiscal year 2008, Consumer Financial Services provided $44.8 million in cash from its operating activities primarily due to the timing of cash deposits that are restricted for the benefit of its broker-dealer clients and net income generated during the period. The segment also provided $84.3 million in investing activities primarily from principal payments received on mortgage loans held for investment and used $327.3 million in financing activities due primarily to FDIC-insured deposits held at HRB Bank.

HRB Bank is a member of the Federal Home Loan Bank (FHLB) of Des Moines, which extends credit to member banks based on eligible collateral. At October 31, 2007, HRB Bank had FHLB advance capacity of $428.9 million, and there was $104.0 million outstanding on this facility. Mortgage loans held for investment of $1.1 billion were pledged as collateral on these advances.

Discontinued Operations. These operations have historically generated cash as a result of the sale and securitization of mortgage loans and residual interests, and as residual interests begin to cash flow. Our discontinued operations used $315.6 million in cash from operating activities primarily due to losses during the six months ended October 31, 2007. Operating cash flows of discontinued operations in the table above includes the net loss from discontinued operations of $558.9 million. Cash provided by financing activities of $200.8 million reflects the proceeds from a servicing advance facility, as discussed below, less the repayment of an on-balance sheet securitization.

On October 1, 2007, OOMC entered into a facility to fund servicing advances (the "Servicing Advance Facility"), in which the servicing advances are collateral for the facility. The Servicing Advance Facility provides funding of up to $400.0 million to fund servicing advances through October 1, 2008, subject to various triggers, events or occurrences that could result in earlier termination, and bears interest at one-month LIBOR plus an additional margin rate. The Servicing Advance Facility is subject to a cross-default feature in which a default under OOMC's warehouse financing arrangement with the lender to fund non-prime originations would trigger a default under the Servicing Advance Facility. In addition, the Servicing Advance Facility terminates upon a "change in control" of OOMC, in which (i) a party or parties acting in concert acquire a 20% or more equity interest in OOMC or (ii) the Company does not own more than a 50% equity interest in OOMC. This on-balance sheet facility had a balance of $286.6 million at October 31, 2007, with the related liability reported in liabilities held-for-sale. In light of increased delinquencies of mortgage loans that we service and the corresponding increase in the amount of servicing advances we are required to make, we amended the facility on November 16, 2007 to increase the amount of funding available from $400.0 million to $750.0 million. We expect mortgage loan delinquencies and corresponding servicing advance requirements will continue to increase, and that we will in turn need to further increase the size of our servicing advance facility or obtain other servicing advance financing.

Due to market conditions, OOMC had significant borrowings on its line of credit from Block Financial Corporation (BFC), its direct corporate parent. BFC provides a line of credit of at least $150 million for working capital needs. There is no commitment to fund any further operations of OOMC.

See discussion of changes in the off-balance sheet arrangements of our discontinued operations below.

OFF-BALANCE SHEET FINANCING ARRANGEMENTS

Several warehouse lines were terminated during the second quarter of fiscal year 2008. As a result, OOMC had two committed warehouse facilities available as of October 31, 2007, representing aggregate borrowing capacity of $1.5 billion. In November 2007 one facility was canceled, reducing our aggregate borrowing capacity to $750.0 million. The remaining warehouse facility expires June 12, 2008, and will be sufficient to meet our loan origination funding needs through the expected termination date of our remaining origination activities.

OOMC is party to an on-balance sheet facility that may be used to fund delinquent and repurchased loans. During fiscal year 2008, this facility was amended to reduce the total capacity to $75.0 million and extend the maturity to November 15, 2007. Loans totaling $33.2 million were held on this facility at October 31, 2007, with the related loans and liability reported in assets and liabilities held-for-sale. OOMC was not in compliance with certain restrictive covenants relative to this facility and obtained waivers through November 15, 2007. This facility matured on November 15, 2007, and the outstanding balance was repaid.

Other than the changes outlined above, there have been no material changes in our off-balance sheet financing arrangements from those reported at April 30, 2007 in our Annual Report on Form 10-K.

COMMERCIAL PAPER ISSUANCE AND OTHER BORROWINGS

The following chart provides the debt ratings for BFC as of October 31, 2007 and April 30, 2007:

	October 31, 2007			April 30, 2007		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Fitch(1)	F2	BBB+	Negative	F1	A	Stable
Moody's	P2	Baa1	Negative	P2	A3	Negative
S&P	A3	BBB-	Negative	A2	BBB+	Negative
DBRS	R-1(low)	A(low)	Negative	R-1(low)	A	Stable

(1) Short-term rating of F3 and long-term rating of BBB effective December 6, 2007.

At October 31, 2007, we maintained $2.0 billion in revolving credit facilities to support issuance of commercial paper and for general corporate purposes. These CLOCs, and borrowings thereunder, have a maturity date of August 2010 and an annual facility fee in a range of six to fifteen basis points per annum, based on our credit ratings. Negative market conditions and recent credit-rating downgrades have negatively impacted our ability to issue commercial paper. As a result, during the current quarter we repaid our commercial paper borrowings with proceeds from the CLOCs, and had no outstanding commercial paper as of October 31, 2007. We had a combined $1.6 billion outstanding under our $2.0 billion in available CLOCs as of October 31, 2007. These borrowings are included in long-term debt on our condensed consolidated balance sheet due to their contractual maturity date. The CLOCs, among other things, require we maintain at least $650.0 million of Adjusted Net Worth, as defined in the agreement, on the last day of any fiscal quarter. On November 19, 2007, effective October 31, 2007, the CLOCs were amended to, among other things, require $450.0 million of Adjusted Net Worth, for the fiscal quarters ending October 31, 2007 and January 31, 2008. Before the end of the second quarter, we initiated efforts to seek an amendment to the Minimum Net Worth Requirement (i) in light of the possibility that we might not have met the Minimum Net Worth Requirement for the fiscal quarter ended October 31, 2007, (ii) to obtain flexibility for purposes of negotiating a sale of OOMC, and (iii) in light of the possibility that, without the amendment, we would not be in compliance with the Minimum Net Worth Covenant as of January 31, 2008 without taking steps to raise additional capital. When financial results for the six months ended October 31, 2007 were finalized, we determined that we had an Adjusted Net Worth of $544.3 million at October 31, 2007, primarily due to operating losses of our discontinued operations.

Other than the changes outlined above, there have been no material changes in our commercial paper program and other borrowings from those reported at April 30, 2007 in our Annual Report on Form 10-K.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

We adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) on May 1, 2007. Total unrecognized tax benefits as of May 1, 2007 were $133.3 million, of which $89.0 million, on a gross basis, were tax positions that, if recognized, would impact the effective tax rate. We have classified the liability for unrecognized tax benefits as long term in the condensed consolidated balance

sheet. We are unable to determine when, and if, unrecognized tax positions will result in obligations requiring future cash payments. See note 5 to the condensed consolidated financial statements for additional information.

Other than the change outlined above, there have been no material changes in our contractual obligations and commercial commitments from those reported at April 30, 2007 in our Annual Report on Form 10-K.

REGULATORY ENVIRONMENT

In March 2006, the OTS approved the federal savings bank charter of HRB Bank. HRB Bank commenced operations on May 1, 2006, at which time H&R Block, Inc. became a savings and loan holding company. As a savings and loan holding company, H&R Block, Inc. is subject to regulation by the OTS. Federal savings banks are subject to extensive regulation and examination by the OTS, their primary federal regulator, as well as the FDIC. In conjunction with H&R Block, Inc.'s application with the OTS for HRB Bank, H&R Block, Inc. made commitments as part of our charter approval order (Master Commitment) which included, but were not limited to: (1) H&R Block, Inc. to maintain a three percent minimum ratio of adjusted tangible capital to adjusted total assets, as defined by the OTS; (2) maintain all HRB Bank capital within HRB Bank in accordance with the submitted three-year business plan; and (3) follow federal regulations surrounding intercompany transactions and approvals. H&R Block, Inc. fell below the three percent minimum ratio at April 30, 2007. We notified the OTS of our failure to meet this requirement, and on May 29, 2007, the OTS issued a Supervisory Directive. We submitted a revised capital plan to the OTS on July 19, 2007, in which we expected to meet the three percent minimum ratio at April 30, 2008. The OTS accepted our revised capital plan.

The Supervisory Directive included additional conditions that we will be required to meet in addition to the Master Commitment. The significant additional conditions included in the Supervisory Directive are as follows: (1) requires HRB Bank to extend its compliance with a minimum 12.0% leverage ratio through fiscal year 2012; (2) requires H&R Block, Inc. to comply with the Master Commitment at all times, except for the projected capital levels and compliance with the three percent minimum ratio, as provided in the fiscal year 2008 and 2009 capital adequacy projections presented to the OTS on July 19, 2007; (3) institutes reporting requirements to the OTS quarterly and monthly by the Board of Directors and management, respectively; and (4) requires HRB Bank's Board of Directors to have an independent chairperson and at least the same number of outside directors as inside directors.

Operating losses of our discontinued operations for the first six months of fiscal year 2008 were higher than projected in our revised capital plan that was submitted to the OTS in July 2007. As a result, our capital levels are lower than those projections. H&R Block, Inc. continued to be below the three percent minimum ratio during our second quarter, and had adjusted tangible capital of negative $644.4 million, and a requirement of $177.5 million to be in compliance at October 31, 2007.

In November 2007, the OTS directed us to submit a new revised capital plan no later than January 15, 2008. At this time, we do not expect to be in compliance with the three percent minimum ratio at April 30, 2008. We do not expect to be in a position to repurchase treasury shares until sometime after fiscal year 2009. Achievement of the capital plan depends on future events and circumstances, the outcome of which cannot be assured. If we are not in a position to cure deficiencies and if operating results continue to be below our plan, a resulting failure could impair our ability to repurchase shares of our common stock, acquire businesses or pay dividends.

Failure to meet the conditions under the Master Commitment and the Supervisory Directive, including capital levels of H&R Block, Inc., could result in the OTS taking further regulatory actions, such as a supervisory agreement, cease-and-desist orders and civil monetary penalties. The OTS could also require us to sell assets, which could negatively impact our financial statements. At this time, the financial impact, if any, of additional regulatory actions cannot be determined.

See additional discussion related to this requirement in Part II, Item 1A, under "Regulatory Environment – Banking."

HRBFA is subject to regulatory requirements intended to ensure the general financial soundness and liquidity of broker-dealers. At October 31, 2007, HRBFA's net capital of $91.2 million, which was 20.0% of aggregate debit items, exceeded its minimum required net capital of $9.1 million by $82.0 million. During the three months ended October 31, 2007, HRBFA paid a dividend of $37.5 million to BFC, its direct corporate parent.

The Alternative Minimum Tax (AMT) was enacted in 1969 to ensure that a small number of high-income taxpayers could not use special tax deductions to substantially eliminate their tax. Because this initial legislation was not indexed for inflation, an increasing number of taxpayers are becoming subject to AMT. Congressional action is pending which would modify the AMT legislation to limit the number of affected taxpayers for the 2007 tax year. Until such time as pending Congressional action becomes law, the IRS has indicated it may need to postpone processing of tax returns scheduled to begin in mid-January 2008, and has further stated it will need approximately seven weeks to revise and test forms reflecting changes that result from the legislation. Delays by the IRS in return-processing may result in a shifting of Tax Services' revenues from our fiscal third quarter to our fourth quarter, could potentially result in a decline in the number of tax returns we prepare during the 2008 fiscal year, and could cause us to incur additional operating expenses. The ultimate outcome of pending Congressional action and the ultimate effect to our business and financial results is uncertain.

Other than the items discussed above, there have been no material changes in our regulatory environment from those reported at April 30, 2007 in our Annual Report on Form 10-K.

CRITICAL ACCOUNTING POLICIES

The following discussion is an update to previous disclosure regarding certain of our critical accounting policies and should be read in conjunction with the complete critical accounting policies disclosures included in our Annual Report on Form 10-K for the year ended April 30, 2007. For all of our critical accounting policies, we caution that future events rarely develop precisely as forecasted, and estimates routinely require adjustment and may require material adjustment.

Valuation of Mortgage Loans Held for Investment

Determining the allowance for credit losses for loans held for investment requires us to make estimates of losses that are highly uncertain and requires a high degree of judgment.

We record an allowance representing our estimate of credit losses inherent in our portfolio of loans held for investment at the balance sheet date. The majority of our estimated credit loss is evaluated for mortgage loans on a pooled basis. We stratify the loan portfolio based on our view of risk associated with various elements of the pool and assign estimated loss rates based on those risks. Loss rates are based on historical experience, our assessment of economic and market conditions and loss rates of comparable financial institutions. We review non-performing loans individually and record loss estimates typically based on the value of the underlying collateral. Changes in our estimates can affect our operating results.

Our loan loss provision increased significantly during the current quarter as a result of declining collateral values due to declining residential home prices, and increasing delinquencies occurring in our portfolio during October and November of 2007. The residential mortgage industry has experienced similar trends in recent months. If adverse trends continue, we may be required to record additional loan loss provisions, and those losses may be significant.

Our loan loss reserve as a percent of mortgage loans was 1.40% at October 31, 2007, compared to 0.35% at April 30, 2007. Mortgage loans held for investment at October 31, 2007 totaled $1.1 billion, $807.1 million of which were purchased from OOMC and HRBMC.

Gains on Sales of Mortgage Assets

Variations in the assumptions we use affect the estimated fair values and the reported net gains on sales. Losses on sales of mortgage loans totaled $115.7 million for the six months ended October 31, 2007 compared to gains of $286.8 million for the six months ended October 31, 2006.

Our repurchase reserves relate to potential losses that could be incurred related to the repurchase of sold loans or indemnification of losses as a result of early payment defaults or breaches of other representations and warranties customary to the mortgage banking industry.

Loans are repurchased due to a combination of factors, including delinquency and other violations of representations and warranties. In whole loan sale transactions, we guarantee the first payment to the purchaser. If this payment is not collected, it is referred to as an early payment default.

For early payment default-related losses, the amount of losses we expect to incur depends primarily on the frequency of early payment defaults, the rate at which defaulted loans subsequently become current on payments ("cure rate"), the propensity of the buyer of the loans to demand recourse under the loan sale

agreement and the severity of loss incurred on loans which have been repurchased. The frequency of early payment defaults, cure rates and loss severity may vary depending on the creditworthiness of the borrower and economic factors such as home price appreciation and interest rates. To the extent actual losses related to repurchase activity are different from our estimates, the value of our repurchase reserves will increase or decrease. See note 11 to our condensed consolidated financial statements under “Commitments and Contingencies.”

Declining credit quality coupled with increasing early payment defaults, caused investors in our loans to become increasingly more likely to execute on first payment default provisions available to them in loan sale agreements. Investors have also begun performing additional due diligence on loans pools, causing unprecedented numbers of loans to be excluded from loan pools before the sale. During the six months ended October 31, 2007, we increased our reserve for losses on representations and warranties repurchases as a result of rising repurchase trends. The portion of our reserve balance related to losses on representation and warrant repurchases totaled $47.1 million and $5.6 million at October 31, 2007 and April 30, 2007, respectively. We also continued to experience high levels of early payment defaults, resulting in significant actual and expected loan repurchase activity. We recorded total loss provisions of $330.0 million during the current year compared to $140.0 million in the prior year. The provision recorded in the current year consists of $176.7 million recorded on loans sold during the current period and $153.3 million related to loans sold in the prior year. At October 31, 2007, we assumed that substantially all loans that failed to make timely payments according to contractual early payment default provisions will be repurchased, and that approximately 6% of loans will be repurchased from sales that have not yet reached the contractual date upon which repurchases can be determined. Based on historical experience, we assumed an average 42% loss severity, up from 26% at April 30, 2007, on all loans repurchased and expected to be repurchased as of October 31, 2007. The increase in our loan repurchase liability was primarily due to the increase in our loss severity assumption.

Based on our analysis as of October 31, 2007, we estimated our liability for recourse obligations to be $85.9 million. The sensitivity of the recourse liability to 10% and 20% adverse changes in loss assumptions is $8.6 million and $17.2 million, respectively.

Valuation of Residual Interests

We use discounted cash flow models to determine the estimated fair values of our residual interests. We develop our assumptions for expected credit losses, prepayment speeds, discount rates and interest rates based on historical experience. Variations in our assumptions could materially affect the estimated fair values, which may require us to record impairments. In addition, variations will also affect the amount of residual interest accretion recorded on a monthly basis.

We recorded impairments totaling $111.3 million in our condensed consolidated income statements for the six months ended October 31, 2007. During the current year, we increased our discount rate assumption from 25% to 30% as a result of continued uncertainty and volatility in the market and higher investor yield requirements. See note 11 to our condensed consolidated financial statements and Part I, Item 3 for additional discussion.

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.

RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

We report our financial results in accordance with generally accepted accounting principles (GAAP). However, we believe certain non-GAAP performance measures and ratios used in managing the business may provide additional meaningful comparisons between current year results and prior periods. Reconciliations to GAAP

financial measures are provided below. These non-GAAP financial measures should be viewed in addition to, not as an alternative for, our reported GAAP results.

Banking Ratios (dollars in 000s)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Efficiency Ratio:				
Total Consumer Financial Services expenses	$ 110,335	$ 83,866	$ 218,501	$ 165,764
Less: Interest and non-banking expenses	106,664	82,026	210,706	162,589
Non-interest banking expense	$ 3,671	$ 1,840	$ 7,795	$ 3,175
Total Consumer Financial Services revenues	$ 101,254	$ 81,548	$ 215,626	$ 160,377
Less: Non-banking revenues and interest expense	91,617	76,924	194,940	151,913
Banking revenue − net of interest expense	$ 9,637	$ 4,624	$ 20,686	$ 8,464
	38%	40%	38%	38%
Net Interest Margin (annualized):				
Net banking interest revenue	$ 7,647	$ 4,392	$ 15,150	$ 8,121
Net banking interest revenue (annualized)	$ 31,026	$ 17,786	$ 30,773	$ 16,298
Divided by average bank earning assets	$ 1,252,467	$ 649,243	$ 1,335,726	$ 525,067
	2.48%	2.74%	2.30%	3.10%
Return on Average Assets (annualized):				
Pretax banking income	$ (4,409)	$ 2,420	$ 433	$ 3,589
Pretax banking income (annualized)	$ (17,636)	$ 9,680	$ 866	$ 7,178
Divided by average bank assets	$ 1,274,284	$ 656,024	$ 1,358,212	$ 532,131
	(1.38)%	1.48%	0.06%	1.35%

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Item 7A of our Annual Report on Form 10-K for fiscal year 2007 presents discussions of market risks that may impact our future results. The following risk factors should be read in conjunction with that discussion.

Interest Rate Risk and Credit Spreads − Non-prime Originations. Interest rate changes and credit spreads impact the value of the loans underlying our beneficial interest in Trusts, on our balance sheet or in our origination pipeline, as well as residual interests in securitizations and MSRs.

At October 31, 2007, there were $57.4 million of loans held in the Trusts and the value of our beneficial interest in Trusts was written down to zero. At October 31, 2007, we had $997.6 million of mortgage loans held for sale on our balance sheet. Of this total, $134.8 million loans were repurchased from whole loan investors or the Trusts, and are recorded net of a $64.6 million allowance for loan losses. The remaining $927.4 million were loans accrued as they hit optional repurchase triggers, but that we do not intend to repurchase. A corresponding liability for these loans was also recorded at October 31, 2007. Changes in interest rates and other market factors including credit spreads may result in a change in value of our beneficial interest in Trusts and mortgage loans held for sale.

We are impacted by changes in loan sale prices including interest rates, credit spreads and other factors. We are exposed to interest rate risk and credit spreads associated with commitments to fund approved loan applications of $69.4 million, subject to conditions and loan contract verification.

During fiscal year 2008, we discontinued our use of derivative activities. Changes in credit spread are derived from investor demand and competition for available funds. Investor demand can be impacted by sector performance and loan collateral performance. Sector performance factors include the stability of the industry and individual competitors. Uncertainty regarding the ability of the industry as a whole to meet repurchase obligations could impact credit spread demands by investors. Loan collateral performance or anticipated performance can be driven by actual performance of the collateral or by market-related factors impacting the industry as a whole. On December 4, 2007, we announced we would immediately terminate all remaining loan

origination activities. We believe that only approximately $20 million to $30 million of these loans will ultimately be funded, at which time our mortgage origination activities will cease. We believe a majority of these loans will be eligible for sale to Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac).

Residual Interests. Relative to modeled assumptions, an increase or decrease in interest rates would impact the value of our residual interests. Residual interests bear the interest rate risk embedded within the securitization due to an initial fixed-rate period on the loans versus a floating-rate funding cost. Residual interests also bear the ongoing risk that the floating interest rate earned after the fixed period on the mortgage loans is different from the floating interest rate on the bonds sold in the securitization.

We enter into interest rate caps and swaps to mitigate interest rate risk associated with mortgage loans that will be securitized and residual interests that are classified as trading securities because they will be sold in a subsequent NIM transaction. The caps and swaps enhance the marketability of the securitization and NIM transactions. An interest rate cap represents a right to receive cash if interest rates rise above a contractual strike rate, its value therefore increases as interest rates rise. The interest rate used in our interest rate caps and the floating rate used in swaps are based on LIBOR. At October 31, 2007 we had no assets or liabilities recorded related to interest rate caps. We did not securitize any mortgage loans and ceased derivative activities, both during the quarter ended October 31, 2007.

Sensitivity Analysis. The sensitivities of certain financial instruments to changes in interest rates as of October 31, 2007 are presented below. The following table represents hypothetical instantaneous and sustained parallel shifts in interest rates and should not be relied on as an indicator of future expected results.

(in 000s)

	Carrying Value at October 31, 2007	Basis Point Change -300	-200	-100	+100	+200	+300
Mortgage loans held for investment	$ 1,082,301	$32,567	$27,315	$19,403	$(21,031)	$(44,299)	$(66,980)
Mortgage loans held for sale	997,578	43,783	28,873	14,251	(13,581)	(25,144)	(34,812)
Residual interests in securitizations	38,158	(2,566)	(2,202)	(1,344)	1,388	2,337	1,662

The table above addresses changes in interest rates only. See additional discussion of the impact of changes in the markets and the impact to our financial condition and results of operations in note 11 to the condensed consolidated financial statements.

There have been no other material changes in our market risks from those reported at April 30, 2007 in our Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this Form 10-Q, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. The controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, we have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information below should be read in conjunction with the information included in note 8 to our condensed consolidated financial statements.

RAL Litigation. We reported in our annual report on Form 10-K for the year ended Aril 30, 2007, certain events and information regarding lawsuits regarding the 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; untrue, misleading or deceptive statements in marketing RALs; 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 Act; violations of the federal Fair Debt Collection Practices Act and unfair competition regarding debt collection activities; 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 very substantial in some instances. We have successfully defended against numerous RAL Cases, some of which 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 have been settled, with one settlement resulting in a pretax expense of $43.5 million in fiscal year 2003 (the “Texas RAL Settlement”) and other settlements resulting in a combined pretax expense in fiscal year 2006 of $70.2 million (the “2006 Settlements”).

We believe we have meritorious defenses to the remaining RAL Cases and we intend to defend them vigorously. There can be no assurances, however, as to the outcome of the pending RAL Cases individually or in the aggregate. Likewise, there can be no assurances regarding the impact of the RAL Cases on our financial statements. There were no significant developments regarding the RAL Cases during the fiscal quarter ended October 31, 2007.

Peace of Mind Litigation. *Lorie J. Marshall, et al. v. H&R Block Tax Services, Inc., et al.,* Civil Action 2003L000004, in the Circuit Court of Madison County, Illinois, is a class action case filed on January 18, 2002, that was granted class certification on August 27, 2003. Plaintiffs’ claims consist of five counts relating to the Peace of Mind (POM) program under which the applicable tax return preparation subsidiary assumes liability for additional tax assessments attributable to tax return preparation error. The plaintiffs allege that the sale of POM guarantees constitutes (i) statutory fraud by selling insurance without a license, (ii) an unfair trade practice, by omission and by “cramming” (i.e., charging customers for the guarantee even though they did not request it or want it), and (iii) a breach of fiduciary duty. In August 2003, the court certified the plaintiff classes consisting of all persons who from January 1, 1997 to final judgment (i) were charged a separate fee for POM by “H&R Block” or a defendant H&R Block class member; (ii) reside in certain class states and were charged a separate fee for POM by “H&R Block” or a defendant H&R Block class member not licensed to sell insurance; and (iii) had an unsolicited charge for POM posted to their bills by “H&R Block” or a defendant H&R Block class member. Persons who received the POM guarantee through an H&R Block Premium office and persons who reside in Alabama are excluded from the plaintiff class. The court also certified a defendant class consisting of any entity with names that include “H&R Block” or “HRB,” or are otherwise affiliated or associated with H&R Block Tax Services, Inc., and that sold or sells the POM product. The trial court subsequently denied the defendants’ motion to certify 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 POM guarantee. This case is being tried before the same judge that presided over the Texas RAL Settlement, involves the same plaintiffs’ attorneys that are involved in the Marshall litigation in Illinois, and contains similar allegations. No class has been certified in this case.

We believe the claims in the POM actions are without merit, and we intend to defend them vigorously. The amounts claimed in the POM actions are substantial, however, and there can be no assurances as to the outcome of these pending actions individually or in the aggregate. Likewise, there can be no assurances regarding the impact of these actions on our consolidated financial statements.

Electronic Filing Litigation. We are a defendant to a class action filed on August 30, 2002 and entitled *Erin M. McNulty and Brian J. Erzar v. H&R Block, Inc., et al.*, Case No. 02-CIV-4654 in the Court of Common Please of Lackawanna County, Pennsylvania, in which the plaintiffs allege that the defendants deceptively portray electronic filing fees as a necessary and required component of standard tax preparation services and do not inform tax preparation clients that they may (i) file tax returns free of charge by mailing the returns, (ii) electronically file tax returns from personal computers either free of charge are at significantly lower fees and (iii) be eligible to electronically file tax returns free of charge via telephone. The plaintiffs seek unspecified damages and disgorgement of all electronic filing, tax preparation and related fees collected during the applicable class period. Class certification was granted in this case on September 5, 2007. We believe the claims in this case are without merit, and we intend to defend them vigorously, but there can be no assurances as to its outcome.

Express IRA Litigation. On March 15, 2006, the New York Attorney General filed a lawsuit in the Supreme Court of the State of New York, County of New York (Index No. 06/401110) entitled *The People of New York v. H&R Block, Inc. and H&R Block Financial Advisors, Inc.* The complaint alleged fraudulent business practices, deceptive acts and practices, common law fraud and breach of fiduciary duty with respect to the Express IRA product and sought equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. On July 12, 2007, the Supreme Court of the State of New York issued a ruling that dismissed all defendants other than H&R Block Financial Advisors, Inc. and the claims of common law fraud. We intend to defend this case vigorously, but there are no assurances as to its outcome.

In addition to the New York Attorney General action, a number of civil actions were filed against us concerning the Express IRA matter, the first of which was filed on March 17, 2006. Except for two cases pending in state court, all of the civil actions have been consolidated by the panel for Multi-District Litigation into a single action styled *In re H&R Block, Inc. Express IRA Marketing Litigation* in the United States District Court for the Western District of Missouri. We intend to defend these cases vigorously, but there are no assurances as to their outcome.

Securities Litigation. On April 6, 2007, a putative class action styled *In re H&R Block Securities Litigation* was filed against the Company and certain of its officers in the United States District Court for the Western District of Missouri. The complaint alleged, among other things, deceptive, material and misleading financial statements, failure to prepare financial statements in accordance with generally accepted accounting principles and concealment of the potential for lawsuits stemming from the allegedly fraudulent nature of the Company's operations. The complaint sought unspecified damages and equitable relief. On October 5, 2007, the court dismissed the complaint and granted the plaintiffs leave to re-file the portion of the complaint pertaining to the Company's financial statements. On November 19, 2007, the plaintiffs re-filed the complaint, alleging, among other things, deceptive, material and misleading financial statements and failure to prepare financial statements in accordance with generally accepted accounting principles. We intend to defend this litigation vigorously, but there are no assurances as to its outcome.

Other Claims and Litigation. As reported previously, the NASD brought charges against HRBFA regarding the sale by HRBFA of Enron debentures in 2001. The hearing for this matter was concluded in August 2007, and post-hearing briefs were submitted in October 2007. We intend to defend the NASD charges vigorously, although there can be no assurances regarding the outcome and resolution of the matter.

As part of an industry-wide review, the IRS is investigating tax-planning strategies that certain RSM McGladrey (RSM) clients utilized during fiscal years 2000 through 2003. Specifically, the IRS is examining these strategies to determine whether RSM complied with tax shelter reporting and listing regulations and whether such strategies were abusive as defined by the IRS. The IRS has indicated that it will assess a fine against RSM for RSM's alleged failure to comply with the tax shelter reporting and listing regulations. RSM is in discussions with the IRS regarding this penalty, which we believe will not have a material adverse effect on RSM's operations or on our consolidated financial statements. If the IRS were to determine that the tax planning strategies were inappropriate, clients that utilized the strategies could face penalties and interest for underpayment of taxes. Some of these clients are seeking or may attempt to seek recovery from RSM. There can be no assurance regarding the outcome and resolution of this matter.

RSM EquiCo, Inc., a subsidiary of RSM, is a party to a putative class action filed on July 11, 2006 and entitled *Do Right's Plant Growers v. RSM EquiCo, Inc., RSM McGladrey, Inc., H&R Block, Inc. and Does 1-100, inclusive*, Case No. 06 CC00137, in the California Superior Court, Orange County. The complaint contains

allegations regarding business valuation services provided by RSM EquiCo, Inc. including fraud, negligent misrepresentation, breach of contract, breach of implied covenant of good faith and fair dealing, breach of fiduciary duty and unfair competition and seeks unspecified damages, restitution and equitable relief. There can be no assurance regarding the outcome and resolution of this matter.

We have from time to time been party to investigations, claims and lawsuits not discussed herein arising out of our business operations. These investigations, claims and lawsuits include actions by state attorneys general, other state regulators, individual plaintiffs, and 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 investigations, claims and lawsuits pertain to RALs, the origination and servicing of mortgage loans, the electronic filing of customers' income tax returns, the POM guarantee program, and our Express IRA program and other investment products and RSM EquiCo, Inc. business valuation services. 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 the event of an unfavorable outcome, the amounts we may be required to pay in the discharge of liabilities or settlements could have a material adverse effect on our consolidated financial statements.

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, employment matters and contract disputes. We believe we have meritorious defenses to each of the Other Claims, and we are defending 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 1A. RISK FACTORS

Item 1A of our Annual Report on Form 10-K for fiscal year 2007 presents risk factors that may impact our future results. In light of recent developments in the mortgage, housing and secondary markets, the following risk factors should be read in conjunction with that discussion.

Potential Sale Transaction. In fiscal year 2007, we entered into an agreement to sell OOMC. On December 4, 2007, we agreed to terminate the agreement in light of the changing business environment for OOMC, as mutually acceptable alternatives for restructuring the original agreement could not be reached. We also announced that we would immediately terminate all remaining origination activities and pursue the sale of OOMC's loan servicing activities.

Following the termination of its loan origination activities, OOMC will continue to carry out its servicing activities and collect servicing revenues as it does today. Because of the cessation of new originations, the volume of mortgage loans serviced will gradually decline as the aggregate principal amount of existing loans being serviced declines without replacement. The majority of servicing activities are carried out with respect to loans owned by third parties.

We have estimated the fair values of the servicing business and other assets, which resulted in an additional impairment for the second quarter ending October 31, 2007 of $123.0 million. Although we are actively pursuing the sale of our remaining loan servicing activities, it is possible that we will be unsuccessful in selling or selling at a price that does not result in further impairment.

Liquidity and Capital. We use capital primarily to fund working capital requirements, pay dividends and acquire businesses.

Market conditions and recent credit-rating downgrades have negatively impacted our ability to issue commercial paper. As a result, we had no commercial paper outstanding at October 31, 2007. As an alternative to commercial paper issuance, we have been borrowing under our unsecured revolving committed lines of credit (CLOCs) to support working capital requirements arising from off-season operating losses in our Tax Services and Business Services segments and operating losses from our mortgage businesses. We had

borrowings totaling $1.6 billion outstanding under our CLOCs at October 31, 2007, of a total borrowing capacity of $2.0 billion. Subsequent to October 31, 2007, we drew additional funds on the CLOCs to bring total borrowings to $1.8 billion as of the date of this filing.

The CLOCs, among other things, require we maintain at least $650.0 million of Adjusted Net Worth, as defined in the agreement, on the last day of any fiscal quarter. On November 19, 2007, effective October 31, 2007, the CLOCs were amended to, among other things, require $450.0 million of Adjusted Net Worth, for the fiscal quarters ending October 31, 2007 and January 31, 2008. Before the end of the second quarter, we initiated efforts to seek an amendment to the Minimum Net Worth Requirement (i) in light of the possibility that we might not have met the Minimum Net Worth Requirement for the fiscal quarter ended October 31, 2007, (ii) to obtain flexibility for purposes of negotiating a sale of OOMC, and (iii) in light of the possibility that, without the amendment, we would not be in compliance with the Minimum Net Worth Covenant as of January 31, 2008 without taking steps to raise additional capital. When financial results for the six months ended October 31, 2007 were finalized, we determined that we had an Adjusted Net Worth of $544.3 million at October 31, 2007, primarily due to operating losses of our discontinued operations.

A further disruption in credit markets, or a violation of covenants under our CLOCs, could adversely affect our access to these funds. In addition, it is possible that the borrowing capacity under our CLOCs may not be sufficient to meet our financing needs. To meet our future financing needs we may be required issue additional debt or equity securities.

As part of our loan servicing responsibilities, we are required to advance funds to cover delinquent scheduled principal and interest payments to security holders, as well as to cover delinquent tax and insurance payments and other costs required to protect the investors' interest in the collateral securing the loans. Generally, servicing advances are recoverable from either the mortgagor, the insurer of the loan or the investor through the non-recourse provision of the loan servicing contract. In light of increased delinquencies of mortgage loans that we service, the amount of funds we are required to advance on a monthly basis has been increasing. Servicing advances and related assets totaled $821.4 million, $510.2 million and $445.4 million at October, 31, 2007, July 31, 2007 and April 30, 2007, respectively. We expect the volume of servicing advances to increase, although we cannot know the volume of servicing advances that are likely to be required in any given period.

Delinquencies and corresponding servicing advances increase significantly when adjustable rate mortgages (ARMs) initially reset. At October 31, 2007 OOMC serviced 340.2 million mortgage loans, of which approximately 63% are ARMs. OOMC is actively working with borrowers to minimize delinquencies, including modifying loans and notifying borrowers of upcoming rate changes prior to their reset date.

On October 1, 2007, OOMC entered into a facility to fund servicing advances, which provides funding of up to $400.0 million. On November 16, 2007, this agreement was amended to increase the amount of funding available from $400.0 million to $750.0 million. To meet our servicing advance obligations, we may need to increase the size of our facility that funds servicing advances, obtain other servicing advance financing or sell portions of our mortgage servicing rights. It is possible that we (i) may not be able to obtain additional servicing advance financing, (ii) may not be able to sell mortgage servicing rights within a timeframe that would allow us to reduce our servicing advance obligations on a timely basis or (iii) may be forced to sell mortgage servicing rights at prices that will result in further impairment.

In April 2007, we obtained a $500.0 million credit facility to provide funding for the $500.0 million of 8 1/2% Senior Notes which were due April 16, 2007. This facility matures on December 20, 2007. We have a signed commitment to extend $250.0 million of this to the end of April 2008. We have also received a verbal credit approval to extend the remaining $250.0 million, with a paydown schedule from January 31, 2008 to February 28, 2008. See additional discussion in note 4 to the condensed consolidated financial statements.

Market and Credit Risks. Our day-to-day operating activities of originating and selling mortgage loans have many aspects of interest rate risk. Additionally, the valuation of our retained residual interests and mortgage servicing rights includes many estimates and assumptions made by management surrounding interest rates, prepayment speeds and credit losses. Variation in interest rates or the factors underlying our assumptions could affect our results of operations.

Conditions in the non-prime mortgage industry continued to be challenging into fiscal year 2008. Our mortgage operations, as well as the entire industry, were impacted by deteriorating conditions in the secondary market, where reduced investor demand for loan purchases, higher investor yield requirements and increased

estimates for future losses reduced the value of non-prime loans. Under these conditions non-prime originators generally reported significant increases in losses and many were unable to meet their financial obligations. Conditions in the non-prime mortgage industry resulted in significant losses in our mortgage operations during fiscal year 2007 and 2008. The mortgage industry continues to be extremely volatile, which could result in further impairments to our residual interests and loans held for sale, or further losses as a result of obligations to repurchase loans previously sold.

We held mortgage loans for investment totaling $1.1 billion at October 31, 2007. The overall credit quality of mortgage loans held for investment is impacted by the strength of the U.S. economy and local economic conditions, including residential housing prices. Economic trends that negatively affect housing prices and the job market could result in deterioration in credit quality of our mortgage loan portfolio and a decline in the value of associated collateral. As discussed above, future ARM resets could also lead to increased delinquencies in our mortgage loans held for investment. Recent trends in the residential mortgage loan market reflect an increase in loan delinquencies and declining collateral values. As a result of similar trends in our loan portfolio, we recorded loan loss provisions totaling $9.8 million during the quarter ended October 31, 2007.

To the extent that market conditions remain volatile, or fail to improve, our mortgage business may continue to incur operating losses and asset impairments. See additional discussion of the performance of our mortgage operations in Part I, Item 2, under “Discontinued Operations.” If adverse trends in the residential mortgage loan market continue, including adverse trends in our mortgage loan portfolio specifically, we could incur additional significant loan loss provisions.

Regulatory Environment – Banking. H&R Block, Inc. is subject to a three percent minimum ratio of adjusted tangible capital to adjusted total assets, as defined by the OTS. We fell below the three percent minimum ratio at April 30, 2007. We notified the OTS of our failure to meet this requirement, and on May 29, 2007, the OTS issued a Supervisory Directive. We submitted a revised capital plan to the OTS on July 19, 2007, in which we expected to meet the three percent minimum ratio at April 30, 2008. The OTS accepted our revised capital plan.

The Supervisory Directive included additional conditions that we will be required to meet in addition to the Master Commitment. The significant additional conditions included in the Supervisory Directive are as follows: (1) requires HRB Bank to extend its compliance with a minimum 12.0% leverage ratio through fiscal year 2012; (2) requires H&R Block, Inc. to comply with the Master Commitment at all times, except for the projected capital levels and compliance with the three percent minimum ratio, as provided in the fiscal year 2008 and 2009 capital adequacy projections presented to the OTS on July 19, 2007; (3) institutes reporting requirements to the OTS quarterly and monthly by the Board of Directors and management, respectively; and (4) requires HRB Bank’s Board of Directors to have an independent chairperson and at least the same number of outside directors as inside directors.

Operating losses of our discontinued operations for the first half of fiscal year 2008 were higher than projected in our revised capital plan that was submitted to the OTS in July 2007. As a result, our capital levels are lower than those projections. H&R Block, Inc. continued to be below the three percent minimum ratio during our second quarter, and had adjusted tangible capital of negative $644.4 million, and a requirement of $177.5 million to be in compliance at October 31, 2007.

In November 2007, the OTS directed us to submit a new revised capital plan no later than January 15, 2008. At this time, we do not expect to be in compliance with the three percent minimum ratio at April 30, 2008. We do not expect to be in a position to repurchase treasury shares until sometime after fiscal year 2009. Achievement of the capital plan depends on future events and circumstances, the outcome of which cannot be assured. If we are not in a position to cure deficiencies and if operating results continue to be below our plan, a resulting failure could impair our ability to repurchase shares of our common stock, acquire businesses or pay dividends.

Failure to meet the conditions under the Master Commitment and the Supervisory Directive, including capital levels of H&R Block, Inc., could result in the OTS taking further regulatory actions, such as a supervisory agreement, cease-and-desist orders and civil monetary penalties. The OTS could also require us to sell assets, which could negatively impact our financial statements. At this time, the financial impact, if any, of additional regulatory actions cannot be determined. See note 6 to the condensed consolidated financial statements for additional information.

Regulatory Environment – Tax Services. The Alternative Minimum Tax (AMT) was enacted in 1969 to ensure that a small number of high-income taxpayers could not use special tax deductions to substantially eliminate their tax. Because this initial legislation was not indexed for inflation, an increasing number of taxpayers are becoming subject to AMT. Congressional action is pending which would modify the AMT legislation to limit the number of affected taxpayers for the 2007 tax year. Until such time as pending Congressional action becomes law, the IRS has indicated it may need to postpone processing of tax returns scheduled to begin in mid-January 2008, and has further stated it will need approximately seven weeks to revise and test forms reflecting changes that result from the legislation. Delays by the IRS in return-processing may result in a shifting of our revenues from our fiscal third quarter to our fourth quarter, could potentially result in a decline in the number of tax returns we prepare during the 2008 fiscal year, and could cause us to incur additional operating expenses. The ultimate outcome of pending Congressional action and the ultimate effect to our business and financial results is uncertain.

Other than the items discussed above, there have been no material changes in our risk factors from those reported at April 30, 2007 in our annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

A summary of our purchases of H&R Block common stock during the second quarter of fiscal year 2008 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]
August 1 – August 31	4	$	19.62	-	22,352
September 1 – September 30	6	$	19.89	-	22,352
October 1 – October 31	5	$	21.91	-	22,352

(1) We purchased 14,667 shares in connection with the funding of employee income tax withholding obligations arising upon the exercise of stock options or the lapse of restrictions on nonvested shares.

(2) On June 9, 2004, our Board of Directors approved the repurchase of 15.0 million shares of H&R Block, Inc. common stock. On June 7, 2006, our Board approved an additional authorization to repurchase 20.0 million shares. These authorizations have no expiration date.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our annual meeting of shareholders was held on September 6, 2007, at which three Class III directors were elected to serve three-year terms and the proposals set forth below were submitted to a vote of shareholders. The number of votes cast for, against or withheld, the number of abstentions, and the number of no votes (if applicable) for the election of directors and each proposal were as follows:

Election of Class III Directors

Nominee	Votes FOR	Votes WITHHELD	Votes AGAINST
Donna R. Ecton	44,912,204	3,969,823	1,135,597
Louis W. Smith	44,805,117	4,102,772	1,109,734
Rayford Wilkins, Jr.	44,888,139	4,267,254	862,228
Richard C. Breeden	232,776,544	153,052	688,316
Robert A. Gerard	226,255,916	6,688,437	673,557
L. Edward Shaw	226,230,116	6,699,269	688,526

Ratification of the Appointment of KPMG LLP as our Independent Accountants for the fiscal year ended April 30, 2008	
Votes For	279,695,522
Votes Against	2,659,133
Abstain	1,280,878

Shareholder Proposal Related to the Company's Chairman of the Board Position	
Votes For	183,491,644
Votes Against	94,357,101
Abstain	5,786,784

At the meeting Richard C. Breeden, Robert A. Gerard and L. Edward Shaw were elected as Class III directors. The terms of the following directors continued after the meeting: Thomas M. Bloch, Jerry D. Choate, Mark A. Ernst, Henry F. Frigon, Roger W. Hale, Len J. Lauer, David Baker Lewis and Tom D. Seip.

ITEM 6. EXHIBITS

10.1 Amendment Number Nine dated as of August 1, 2007, to the Second Amended and Restated Sale and Servicing Agreement among Option One Mortgage Corporation, Option One Loan Warehouse, LLC, Option One Mortgage Capital Corporation, Option One Owner Trust 2001-2 and Wells Fargo Bank, N.A.

10.2 Kiosk License Agreement dated August 22, 2007, among H&R Block Services, Inc., Wal-Mart Stores East, LP, Wal-Mart Stores, Inc., Wal-Mart Louisiana, LLC and Wal-Mart Stores Texas, LLC.*

10.3 Omnibus Amendment as of September 28, 2007, among Option One Owner Trust 2003-5, Option One Mortgage Corporation, Option One Mortgage Capital Corporation, Option One Loan Warehouse, LLC, Wells Fargo Bank, N.A., and Citigroup Global Realty Markets Realty Corp.

10.4 Amendment Number Three, dated as of October 1, 2007, to the Second Amended and Restated Sale and Servicing Agreement dated as of April 29, 2005 among Option One Owner Trust 2001-1A, Option One Loan Warehouse, LLC, Option One Mortgage Corporation and Wells Fargo Bank, N.A.

10.5 Amendment Number Two, dated as of October 1, 2007, to the Amended and Restated Note Purchase Agreement dated as of April 16, 2004 among Option One Owner Trust 2001-1A, Option One Loan Warehouse, LLC, and Greenwich Capital Financial Products, Inc.

10.6 Receivables Purchase Agreement dated as of October 1, 2007, among Option One Mortgage Corporation, Option One Advance Corporation and Option One Advance Trust 2007-ADV2.

10.7 Indenture dated as of October 1, 2007 between Option One Advance Trust 2007-ADV2 and Wells Fargo Bank, N.A.

10.8 Note Purchase Agreement dated as of October 1, 2007, between Option One Advance Trust 2007-ADV2 and Greenwich Capital Financial Products, Inc.

10.9 Amendment Number Ten, dated October 26, 2007, to the Amended and Restated Note Purchase Agreement among Option One Owner Trust 2001-2, Option One Loan Warehouse, LLC, and Bank of America, N.A.

10.10 Omnibus Amendment as of October 30, 2007, among Option One Owner Trust 2003-5, Option One Mortgage Corporation, Option One Mortgage Capital Corporation, Option One Loan Warehouse, LLC, Wells Fargo Bank, N.A., and Citigroup Global Realty Markets Realty Corp.

10.11 Advances, Pledge and Security Agreement dated April 17, 2006, between H&R Block Bank and the Federal Home Loan Bank of Des Moines.

10.12 Amendment Number One, dated October 24, 2007, to the Indenture dated as of October 1, 2007, among Option One Advance Trust 2007-ADV2 and Wells Fargo Bank, 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.

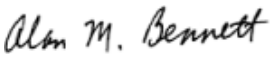
32.2 Certification by Chief Financial Officer furnished pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

* Confidential Information has been omitted from this exhibit and filed separately with the Commission pursuant to a confidential treatment request under Rule 24b-2.

SIGNATURES

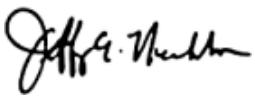
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

H&R BLOCK, INC.



Alan M. Bennett
Interim Chief Executive Officer
December 12, 2007

Becky S. Shulman
Senior Vice President, Treasurer and
Interim Chief Financial Officer
December 12, 2007



Jeffrey E. Nachbor
Senior Vice President and
Corporate Controller
December 12, 2007

Exhibit 10.1

AMENDMENT NUMBER NINE
to the
SECOND AMENDED AND RESTATED SALE AND SERVICING AGREEMENT,
Dated as of March 8, 2005,
among
OPTION ONE OWNER TRUST 2001-2,
OPTION ONE LOAN WAREHOUSE CORPORATION,
OPTION ONE MORTGAGE CORPORATION,
OPTION ONE MORTGAGE CAPITAL CORPORATION
and
WELLS FARGO BANK N.A.

This AMENDMENT NUMBER NINE (this "Amendment") is made and is effective as of this 1st day of August, 2007 (the "Effective Date"), among Option One Owner Trust 2001-2 (the "Issuer"), Option One Loan Warehouse, LLC (as successor in interest to Option One Loan Warehouse Corporation (the "Depositor"), Option One Mortgage Corporation (the "Loan Originator" and the "Servicer"), Option One Mortgage Capital Corporation ("Capital") and Wells Fargo Bank N.A., as Indenture Trustee (the "Indenture Trustee"), to the Second Amended and Restated Sale and Servicing Agreement, dated as of March 8, 2005, as amended (the "Sale and Servicing Agreement"), among the Issuer, the Depositor, the Loan Originator, the Servicer and the Indenture Trustee.

RECITALS

WHEREAS, the parties hereto desire to amend the Sale and Servicing Agreement, as more expressly set forth herein.

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 terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Sale and Servicing Agreement.

SECTION 2. Amendments.

(a) As of the Effective Date, the definition of "Collateral Percentage" in Section 1.01 of the Sale and Servicing Agreement is hereby deleted in its entirety and replaced with the following (with the added language underlined for emphasis):

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, 94%; and

(b) with respect to all Scratch & Dent Loans, 90%.

(b) As of the Effective Date, Section 1.01 of the Sale and Servicing Agreement is herby amended by deleting clause (e) of the definition of "Financial Covenants" in its entirety.

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 (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

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, as Issuer

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 LLC, as Depositor

By: /s/ CR Fulton
Name: Charles R. Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION, as Loan Originator and Servicer

By: /s/ CR Fulton
Name: Charles R. Fulton
Title: Vice President

OPTION ONE MORTGAGE CAPITAL CORPORATION

By: /s/ CR Fulton
Name: Charles R. Fulton
Title: Vice President

WELLS FARGO BANK N.A., as Indenture Trustee

By: _____
Name:
Title:

AGREED AND ACKNOWLEDGED:
BANK OF AMERICA, N.A., as Majority Noteholder

By: _____
Name:
Title:

Exhibit 10.2

NOTE: CERTAIN MATERIAL HAS BEEN OMMITTED FROM THIS AGREEMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER RULE 24b-2. THE LOCATIONS OF THESE OMISSIONS ARE INDICATED THROUGHOUT THE AGREEMENT BY THE FOLLOWING MARKINGS: [***].

Kiosk License Agreement

Wal-Mart Stores East, LP, individually and only as to Stores (as defined below) owned, leased, or operated in AL, CT, DE, FL, GA, IN, KY, ME, MD, MA, MI, MS, MO, NH, NJ, NM, NY, NC, OH, OK, PA, RI, SC, TN, VT, VA, WI, WV; Wal-Mart Stores, Inc., individually and only as to Stores owned or leased in AK, AR, AZ, CA, CO, HI, ID, IL, IA, KS, MN, MT, NE, NV, ND, OR, SD, UT, WA, WY; Wal-Mart Louisiana, LLC, individually and only as to Stores owned or leased in Louisiana; and Wal-Mart Stores Texas, LLC, individually and only as to Stores owned or leased in Texas (each referred to as "Retailer" for purposes of this Kiosk License Agreement as it applies to the Store) and H&R Block Services, Inc., operating H&R Block offices through its wholly owned subsidiaries, ("Licensee") enter into this Kiosk License Agreement effective this 22nd day of August 2007 (this "Agreement") and agree as follows:

1. Definitions. For purposes of this Agreement, the following definitions apply:

A. "Kiosk" or "Kiosks" means an area of space in which Licensee conducts the Promotion (as defined below) measuring six (6) feet deep by fifteen (15) feet wide with privacy screens around the tax preparation areas that are at least five (5) feet high.

B. "Franchisee" or "Franchisees" means any franchisee operating H&R Block offices.

C. "Promotion" means the tax preparation services offered and provided by Licensee and Licensee's Franchisees (as defined above) at the Kiosk in accordance with this Agreement.

D. "Full Tax Season" means the period beginning on or about January 2nd of a given year through April 15th of the same year or such later date as the United State Internal Revenue Service permits the filing of federal income tax returns without an extension of the applicable Tax Season.

E. "Peak Tax Season" means the period beginning on or about January 2nd of a given year and ending on March 1st of the same year.

F. "Tax Season" means the time in which Licensee is granted a license to conduct the Promotion in a Kiosk and can either be for the Full Tax Season or for the Peak Tax Season.

G. "Tax Timeline" means a timeline describing the various phases and requirements, and the deadlines for each, of the Store (as defined below) selection process. An example of the Tax Timeline is attached to, and incorporated into, this Agreement as Exhibit B.

H. "Tax Returns" means a federal income tax return(s) that Licensee receives a fee for preparing.

I. "Store" or "Stores" means the "Wal-Mart" retail store operated by Retailer.

2. Granting Language, Final List and Pre-Approved Locations.

A. *Retailer grants to Licensee, subject to the terms and conditions of this Agreement, the right to conduct the Promotion on dates specified in the applicable Tax Timeline. Retailer shall make each Store on the Final List available to Licensee no later than January 2nd of the applicable Tax Season. Licensee may begin construction of the Kiosk at any time after the Store is made available to Licensee, provided that no construction is conducted on a Saturday or Sunday.*

B. Retailer shall provide Licensee with the applicable Tax Timeline no later than April 1st of the year preceding the applicable Tax Season.

(1) Each party shall perform all phases and meet all requirements described in the applicable Tax Timeline in accordance with the deadlines for each designated in the same Tax Timeline.

(2) Retailer makes no guaranties that Licensee or Licensee's Franchisees will be allowed to conduct the Promotion in the same Stores each Tax Season of this Agreement.

C. Retailer shall provide Licensee, on or before the date designated in the applicable Tax Timeline, a final list of Stores in which Licensee is granted a license to conduct the Promotion for the applicable Tax Season (the "Final List").

(1) Retailer's obligation to provide Licensee with the Final List extends only to those Stores that Licensee has submitted to Retailer in accordance with this Agreement and the applicable Tax Timeline.

(2) If Retailer elects to close a Store included on the Final List prior to or during the applicable Tax Season, Retailer will use commercially reasonable efforts to provide Licensee with a substitute Store in which the Promotion may be conducted, but Licensee is under no obligation to accept the substitute Store. However, Retailer will not be liable under any circumstances for any loss (including, but not limited to, lost profits) sustained by Licensee, Licensee's Franchisee, or both, as a result of either the Store closing or because a substitute location is not provided.

(3) Both Retailer and Licensee will be released from any further obligation under this Agreement, and Retailer will return to Licensee the pro rata share of any License Fee paid to Retailer in advance of Licensee's use of the license granted under this Agreement, upon the occurrence of any of the following: (a) Retailer fails to provide a substitute Store in which the Promotion may be conducted; or (b) Retailer provides a substitute Store in which the Promotion may be conducted but the substitute Store is not the size of a "Wal-Mart Supercenter" and is not within a three (3) mile radius of the original Store and Licensee does not accept the substitute location.

D. Licensee shall construct the Kiosk at its own expense and in accordance with this Agreement and the applicable Tax Timeline.

(1) All construction by Licensee, as required by the preceding sentence, must comply with applicable codes, regulations, and laws.

(2) Licensee's obligations to construct the Kiosk, as required by this Section 2D, includes, but is not limited to, carpentry and utilities.

(3) Licensee shall install and maintain, at no cost to Retailer, any telephone equipment required in the Kiosk and is responsible for the equipment, installation, and service charges.

(4) Licensee may use existing electrical utility service at the Store in which a Kiosk is located for the basic operation of the Kiosk at no additional charge over the amount set forth in Section 7, below.

(5) No construction may take place in a Store on the weekends.

E. Licensee and Licensee's Franchisees shall conduct the Promotion, and such ancillary products as designated in Exhibit A (which is attached to and incorporated into this Agreement), within any Store on the Final List from a Kiosk located at one of the locations pre-approved by Retailer and designated in Exhibit C, which is attached to and incorporated into this Agreement, (the "Pre-Approved Location").

(1) Retailer may relocate a Kiosk within the Store but has no obligation to provide Licensee or Licensee's Franchisee, for any reason whatsoever, a substitute location for the Kiosk other than one of the Pre-Approved Locations. In the event that Retailer offers a substitute location for the Kiosk other than one of the Pre-Approved Locations, Licensee will have no obligation to operate the Promotion in the offered substitute location.

(2) Upon the mutual consent of Retailer and Licensee, the Kiosk may be moved within the Store but to a location other than a Pre-Approved Location. If Retailer seeks Licensee's consent to relocate the Kiosk to a location other than a Pre-Approved Location, and if Licensee declines to consent, Licensee and Retailer may each be released from their respective obligations under this Agreement as to the applicable Kiosk and Store, and Retailer will return to Licensee the pro rata share of any License Fee paid to Retailer in advance of Licensee's use of the license granted under this Agreement.

(3) If Retailer relocates a Kiosk (whether to a Pre-Approved Location or to a location other than a Pre-Approved Location to which Licensee consented) after Licensee installs telecommunications at the Kiosk, or if Retailer fails to notify Licensee of a pending relocation prior to Licensee installing telecommunications at the Kiosk, Retailer will reimburse Licensee for any direct costs Licensee incurs by moving and re-establishing telecommunications at the new location.

(4) Other than as provided in the preceding paragraph, Retailer is not liable to Licensee or to Licensee's Franchisees for any loss as a result of the actual or requested relocation of the Kiosk including, but not limited to, lost profits.

3. Term and Renewal.

A. This Agreement commences on the effective date first noted above and continues until 11:59 pm central time on May 30, 2009 (the "Initial Term"), unless terminated earlier in accordance with Section 14, below.

B. This Agreement automatically renews for one (1) year at the expiration of the Initial Term.

4. Hours of Operation.

A. Licensee and Licensee's Franchisees shall conduct the Promotion at each Kiosk during the following hours, unless prohibited by law:

(1) During the period from January 2nd (or such later date as Licensee begins operating in a particular Store) through January 21st, at least eight (8) hours per day Monday through Friday and at least five (5) hours per day each Saturday and each Sunday;

(2) During the period from January 22nd through February 29th, at least ten (10) hours per day Monday through Saturday, and at least five (5) hours per day each Sunday;

(3) During the period from March 1st through April 7th, at least seven and one-half ($7^1/_2$) hours per day Monday through Friday, at least ten (10) hours per day each Saturday, and at least five (5) hours per day each Sunday; and

(4) During the period from April 8th through the end of the applicable Tax Season, at least ten (10) hours per day Monday through Saturday and at least five (5) hours per day each Sunday.

B. Licensee shall staff, and shall cause Licensee's Franchisees to staff, each Kiosk with at least one (1) person at all times required by the preceding paragraph.

5. Signage.

A. Licensee shall post in a conspicuous location on the Kiosk signs informing prospective customers:

(1) That Licensee provides to customers, without charge to the customer, an estimate of cost for Licensee preparing the customer's Tax Returns;

(2) Listing a toll free telephone number that customers may contact Licensee to address any problems; and

(3) Listing the Hours of Operation required in Section 4, above.

B. Retailer shall not permit advertising at any Store where a Kiosk is located by any third party relating to the operation of a tax preparation service or related business.

6. Maintenance.

A. Licensee shall maintain the Kiosk and keep the Kiosk clean, hazard free, and safe for customers and associates.

B. Retailer shall maintain all areas of the Store other than the Kiosk.

7. Licensee Fee; Commission; and Report.

A. Licensee shall pay to Retailer the applicable annual License Fee, as designated in Exhibit D, which is attached to and incorporated into this Agreement, in three (3) equal installments, with the first payment on or before the third business day prior to the end of January in the applicable Tax Season; the second payment on or before the third business day prior to the end of February in the applicable Tax Season; and the third payment on or before the third business day prior to the end of March in the applicable Tax Season.

B. Licensee also shall pay to Retailer on or before April 30th of the applicable Tax Season the Commission Rent designated on Exhibit D based on the number of Tax Returns prepared for customers of a particular Store.

C. Licensee shall submit to Retailer all payments due under this Agreement via wire transfer along with an excel spreadsheet detailing the distribution of payment for each Store in which a Kiosk is located. Licensee guarantees all payments due Retailer under this Agreement. Retailer shall provide account numbers for the wire transfer.

D. Licensee shall submit to Retailer contemporaneously with the Commission Rent a report showing the exact number of Tax Returns Licensee and Licensee's Franchisees prepared at each Kiosk for customers of a particular Store during the applicable Tax Season.

E. In the event that a Store is changed from a Division 1 format or a Supercenter format to another format during a Tax Season, the amount Licensee owes to Retailer under this Agreement for the entire applicable Tax Season must be prorated based on the Store designation of the Store during the applicable Tax Season.

F. Licensee's failure to comply with this Section 7 or with Exhibit D is a material breach of this Agreement.

8. Indemnification.

A. For the purposes of this Agreement:

(1) “Claim” means any action, cause of action, claim, or any other assertion of a legal right; damages including, but not limited to, consequential, future, incidental, liquidated, special, and punitive damages; diminution in value; fines; judgments; liabilities; losses including, but not limited to, economic loss and lost profits; regulatory actions, sanctions, or settlement payments; and reasonable fees and expenses of attorneys, accountants, experts, and investigators.

(2) “Indemnitee” means Retailer; Retailer’s subsidiaries, affiliates, officers, managers, members, directors, stockholders, employees, agents, and representatives; and Retailer’s lessor or other party to an agreement with Retailer related to Retailer’s purchase, lease, or use of the Store or the underlying land, which Retailer has a contractual obligation to indemnify for Claims in connection with the Store.

(3) “Indemnified Claim” means a Claim for which one party is obligated to indemnify, defend, and hold harmless the other party.

B. Licensee shall indemnify, defend, and hold harmless Retailer against any Claim, even if the Claim is groundless, fraudulent, or false, raised or asserted by a third party, including a government entity, in connection with or resulting from any actual or alleged:

A. Breach of this Agreement by Licensee or by Licensee’s Franchisees;

B. Negligence or willful misconduct by Licensee or Licensee’s Franchisees, while on Retailer’s property or in relation to Licensee’s performance under this Agreement;

C. The passive negligence, secondary liability, vicarious liability, strict liability, or breach of a statutory or non-delegable duty of Indemnitees, related, directly or indirectly, to any matter covered under this Section 8B or to the performance under this Agreement of Licensee or Licensee’s Franchisees; and

D. Any criminal conduct by Licensee or any of Licensee’s Franchisees while on Retailer’s property or in relation to Licensee’s performance under this Agreement.

C. Licensee’s obligation to indemnify, defend, and hold harmless the Indemnitees under this Section 8 is independent of, and not limited by, any of Licensee’s obligations under Section 9, below, even if damages or benefits are payable under worker’s compensation or other statutes or if Licensee breaches its obligations under this Section 8.

D. Licensee waives any right, at law or in equity, to indemnity or contribution from the Indemnitee, except as provided in Section 8F, below.

E. Licensee shall indemnify, defend, and hold harmless the Indemnitee unless and until a final judicial decision, from which there is no further right to appeal (including if such right to appeal has expired due to time limitations or other procedural causes), determined that the Indemnitee is not entitled to be indemnified, defended, and held harmless under this Agreement.

F. Retailer shall indemnify, defend, and hold harmless Licensee, Licensee’s Franchisees, and Licensee’s affiliates, subsidiaries, successors and assigns, officers, directors, agents and employees against all Claims for property damage and personal injury, including death, suffered, incurred, or asserted by any person arising solely out of an act or omission by Retailer, arising out of operations of the Store in which a Kiosk is located, or both. Retailer is not liable to Licensee or Licensee’s Franchisees, affiliates, subsidiaries, successors and assigns, officers, and directors, for any lost profits.

G. Indemnitee will not be liable to Licensee, nor to any of Licensee's Franchisees, for any Claim relating to the negligence, willful misconduct, or intentional or criminal conduct of any of Licensee's customers or Franchisees.

H. Each party receiving notice, from whatever source, of an Indemnified Claim shall upon receipt of such notice:

(1) Notify the Indemnitee, as soon as is commercially practical, of the assertion, filing, or service of any Indemnified Claim; and

(2) Immediately take all appropriate actions necessary to protect and defend the party that must be indemnified, defended, and held harmless under this Agreement against the Indemnified Claim.

I. Licensee shall cause the counsel engaged to defend the Indemnitee with respect to the Indemnified Claim to acknowledge receipt of, to accept, and to represent Indemnitee's interest regarding the Indemnified Claim in accordance with "Wal-Mart's Indemnity Counsel Guidelines."

(1) If, in its sole discretion, the Indemnitee determines that a conflict of interest exists between the Indemnitee and the indemnifying counsel or that the indemnifying counsel is not pursuing a defense for the Indemnitee that is in the Indemnitee's best interests, the Indemnitee may request that Licensee replace the indemnifying counsel.

(2) Licensee may not unreasonably withhold its consent to replace the indemnifying counsel and will replace the indemnifying counsel timely or cause the indemnifying counsel to be replaced timely.

(3) If Licensee unreasonably withholds consent or the indemnifying counsel is not timely replaced after the Indemnitee requested, the Indemnitee may replace the indemnifying counsel, and Licensee will reimburse the Indemnitee any costs incurred by the Indemnitee in replacing the counsel.

J. Under this Section 8 survives the termination or expiration of this Agreement until applicable law fully and finally bars all Claims against the Indemnitee. ALL OBLIGATIONS UNDER THIS AGREEMENT WILL BE ENFORCED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW FOR THE BENEFIT OF THE INDEMNITEES. In the event that applicable law affects the validity or enforceability of this Section 8, then the applicable law will operate to amend this Section 8 to the minimum extent necessary to bring the provisions into conformity with the applicable law. This Section 8, as modified, will continue in full force and effect.

K. Any failure by Licensee to comply with this Section 8 is a material breach of this Agreement, which does not relieve Licensee of its obligations under this Section 8.

9. Insurance.

A. Licensee shall procure and maintain during the Initial Term and any renewal term of this Agreement, at no expense to Retailer, the following insurance coverage:

(1) Worker's Compensation insurance with statutory limits, or if no statutory limits exist, with minimum limits of five hundred thousand dollars ($500,000) per occurrence, and Employer's Liability coverage with minimum limits of ($500,000), for each employee for bodily injury by accident and for each employee for bodily injury by disease. Licensee shall cause Insurer (as defined below) to issue an endorsement providing stopgap insurance in monopolistic states in which a Kiosk may be located.

(2) Commercial General Liability insurance with a three million dollar ($3,000,000) minimum limit per occurrence for each Store in which a Kiosk is located or with per location aggregate limits for each Store in which a Kiosk is located. This Commercial General Liability policy may not contain an exclusion for contractual liability assumed by Licensee in this Agreement unless such coverage is

provided by a separate policy with minimum limits equal to the Commercial General Liability insurance limits designated in the preceding sentence.

B. Licensee may satisfy the minimum limits required in Section 9A(1), Section 9A(2), and Section 9A(3), by procuring and maintaining Umbrella/Excess Liability insurance on an umbrella basis, in excess over, and no less broad than the primary liability coverage; with the same inception and expiration dates as the primary liability coverage it is in excess of; with minimum limits necessary to satisfy the required primary minimum limits; and which "drop down" for any exhausted aggregate limits of the primary liability coverage. Licensee shall cause Insurer (as defined below) to issue an endorsement to any policy Licensee procures in satisfaction of its obligations in this paragraph providing per location per occurrence limits or with per location aggregate limits for each Store in which a Kiosk is located and listing as Additional Insured the parties described below.

C. Licensee shall procure and maintain all insurance policies required in this Section 9 from an insurance carrier with a rating of B+ or better and a financial Size Category rating of VII or better, as rated in the A.M. Best Key Rating Guide for Property and Casualty Insurance Companies (the "Insurer").

D. Additional Insureds are Wal-Mart Stores, Inc., its Subsidiaries and its Affiliates, and the directors, officers, shareholders, employees, agents, and representatives, and the respective successors and assigns of each, and any party Retailer has a contractual obligation to indemnify for Claims in connection with the Store.

E. All insurance policies required by this Section 9 must be primary, not in excess, and non-contributory.

F. Licensee shall submit to Retailer no later than January 2nd of the applicable Tax Season, Certificates of Insurance and endorsements evidencing Licensee's compliance with this Section 9.

(1) All Certificates of Insurance must show as Certificate Holder "Wal-Mart Stores, Inc., its subsidiaries and affiliates" at 1300 S.E. 8th Street, Bentonville, Arkansas 72716-0850.

(2) All Certificates of Insurance and endorsements must show Licensee as the Named Insured.

G. Failure to comply with this Section 9 is a material breach of this Agreement. Licensee shall indemnify, defend, and hold harmless the Indemnitees against any Indemnified Claim that the required insurance would have covered but for Licensee's breach.

10. Equipment. Retailer is neither responsible nor liable for any injury or damage to any person or property resulting from the use, misuse, or failure of any equipment Licensee or Licensee's Franchisees use even if Retailer furnishes, rents, or loans the equipment to Licensee or Licensee's Franchisees.

A. The acceptance or use of equipment furnished, rented, or loaned to Licensee or Licensee's Franchisees by Retailer is an acceptance by Licensee of full responsibility for any Claim.

B. Licensee shall indemnify, defend, and hold harmless the Indemnitees in accordance with Section 8, above, against any Claims in connection with the equipment that Retailer furnishes, rents, or loans to Licensee or Licensee's Franchisees.

11. Customer Service and Record Ownership

A. Licensee shall conduct at least two (2) random personal visits of each Kiosk during the applicable Tax Season to ensure compliance with all Licensee's and Retailer's rules and regulations; and shall provide Retailer with a summary of each visit no later than thirty (30) days following the applicable visit.

B. Licensee shall promptly respond, resolve, or both, all customer complaints related to the Promotion.

C. All files and information related to Licensee's and Licensee's Franchisee's customers remain the property of Licensee.

12. Taxes and Permitting

A. Licensee shall determine whether a sales tax number is required to conduct the Promotion and which, if any, federal, state, and local licenses and permits are required to conduct the Promotion and shall secure, at no cost to Retailer all such sales tax numbers and all applicable licenses and permits as may be required.

(1) Licensee shall not use any of Retailer's sales tax numbers or licenses and permits.

(2) Licensee's Franchisees shall not use any of Retailer's sales tax numbers or licenses and permits.

B. Licensee shall pay all appropriate tax liabilities levied upon its operation of the Promotion.

13. Use of Name

A. Licensee shall not use Retailer's trade names, trademarks, service names, service marks, or logos without the prior written consent of Retailer. Neither Licensee nor Licensee's Franchisees may list Retailer as a customer in any press releases, advertisements, trade shows, posters, reference lists, or similar public announcements without Retailer's prior, written permission.

B. Retailer shall only use Licensee's name to advertise the fact that Licensee is engaged in the Promotion at participating Stores, but Retailer is not obligated to advertise the fact that Licensee is engaged in the Promotion at participating Stores.

14. Default and Termination.

A. Each of the following constitutes an "Event of Default" under this Agreement.

(1) A material breach of this Agreement that remains uncured more than fifteen (15) days after the non-breaching party notifies the breaching party, in writing, of the breach.

(2) A non-material breach of this Agreement that remains uncured more than thirty (30) days after the non-breaching party notifies the breaching party, in writing, of the breach.

(3) Any action by Licensee or Licensee's Franchisee that Retailer, in its reasonable discretion, determines constitutes unprofessional conduct, that may harm Retailer's reputation, or that may result in or do result in criminal charges against Licensee, Licensee's Franchisees, or both.

(4) Any failure by Licensee or by Licensee's Franchisees to staff a Kiosk with at least one (1) appropriately trained person for at least three (3) consecutive days at any time after any part of the Kiosk is installed on the floor (even if the Kiosk is not fully operational), or if Retailer relocates Licensee after any part of the Kiosk is installed on the floor, any failure by Licensee or by Licensee's Franchisees to staff a Kiosk with at least one (1) appropriately trained person for at least three (3) consecutive days after any part of the Kiosk is installed in the new location (even if the Kiosk is not fully operational).

(5) Either party becomes insolvent or bankrupt, files a voluntary petition in bankruptcy, makes an assignment for the benefit of creditors, consents to the appointment of a trustee or receiver, or ceases paying its debt in the ordinary course as they become due or becomes insolvent.

(6) A trustee or receiver is appointed for a substantial part of the properties of either party and the appointment is not dismissed within thirty (30) days.

(7) Bankruptcy reorganization, arrangement, or liquidation proceedings instituted by or against either party, and if against that party, are consented to or are not dismissed within thirty (30) days.

B. Upon an Event of Default, the non-defaulting party may terminate this Agreement in its entirety or as to a particular Kiosk by providing written notice to the defaulting party ten (10) days prior to the effective termination date.

C. Licensee may terminate this Agreement in its entirety or as to one or more Kiosks upon written notification of the termination by Licensee to Retailer no later than February 20th of the applicable Tax season. However, Licensee remains liable to Retailer for all applicable License Fees, Commission Rent, and any other payment due Retailer from Licensee or Licensee's Franchisee under this Agreement.

D. Either party may terminate this Agreement, without cause, anytime between April 16th and May 1st of preceding the applicable Tax Season upon written notice to the other party.

E. If Licensee's Franchisee fails to enter into an agreement with Licensee under which Licensee's Franchisee is obligated to conduct the Promotion at a particular Store on the Final List, Licensee may elect to be released from its obligations under this Agreement as to the particular Store only provided that Licensee notify Retailer, in writing, of the failure and of its election on the later of either September 19th of the year preceding the applicable Tax Season or three (3) weeks after the date this Agreement is executed by both Retailer and Licensee.

F. If this Agreement terminates as a result of an Event of Default or in accordance with Section 14C or Section 14D, above, Licensee and Licensee's Franchisees will remove all Kiosks, equipment, and property from the Store in which the Kiosk was located and to which this Agreement was terminated within three (3) weekdays following the effective date of the termination.

G. Termination of this Agreement in its entirety terminates each license granted. Termination of this Agreement as to a particular Kiosk terminate the license as to that Kiosk.

H. At the expiration of each applicable Tax Season, Licensee and Licensee's Franchisees shall remove all Kiosks, equipment, and property from seventy five percent (75%) of the Stores in which a Promotion was conducted during the applicable Tax Season within the first three (3) weekdays following end of the applicable Tax Season and shall remove all Kiosks, equipment, and property from the remaining twenty five percent (25%) of the Stores in which a Promotion was conducted during the applicable Tax Season within the first five (5) weekdays following the end of the applicable Tax Season.

(1) Retailer is not responsible for any costs to Licensee or to Licensee's Franchisees incurred in the removal of equipment and property as required in the preceding paragraph.

(2) In the event that any equipment or property is not removed in accordance with Section 10B, Retailer may consider any equipment or property abandoned and may dispose of the equipment and property by any reasonable means necessary to free the space; Retailer may charge Licensee for any costs thereby incurred.

15. Audit.

A. Retailer, at its own expense, may audit such books and records of Licensee and Licensee's Franchisees as necessary to determine the number of Tax Returns prepared at each Kiosk or to determine the gross revenue generated at each Kiosk, but shall not have access to or be entitled to review any taxpayer information.

B. Retailer shall notify Licensee of Retailer's election to audit Licensee's and Licensee's Franchisees books in accordance with the preceding paragraph seven (7) days prior to the audit.

C. All audit conducted by Retailer or by Retailer's agents, employees, and representatives, must be conducted during Licensee's regular business hours, at the location such records are maintained, and may not be conducted during any Tax Season.

16. Limitation of Liability.

A. **EXCEPT FOR RETAILER'S OBLIGATIONS UNDER SECTION 8, ABOVE, THE MAXIMUM LIABILITY, IF ANY, OF RETAILER FOR ALL DAMAGES RELATED TO A BREACH OF THIS AGREEMENT IS LIMITED TO AN AMOUNT NOT TO EXCEED THE TOTAL AMOUNT LICENSEE OWES UNDER THIS AGREEMENT FOR THE TAX SEASON IN WHICH THE BREACH OCCURS. IN NO EVENT, AND REGARDLESS OF WHICH THEORY OF LAW LICENSEE SEEKS DAMAGES, WILL RETAILER BE LIABLE FOR ANY INDIRECT, PUNITIVE, EXEMPLARY, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES INCLUDING, WITHOUT LIMITATION, LOST PROFITS, LOST INCOME, LOST REVENUES, BUSINESS INTERRUPTION, OR LOST BUSINESS ARISING FROM (I) THE RELATIONSHIP BETWEEN THE PARTIES (INCLUDING ALL PRIOR DEALINGS AND AGREEMENTS), (II) THE CONDUCT OF BUSINESS UNDER THIS AGREEMENT, (III) BREACH OR TERMINATION OF THIS AGREEMENT, OR (IV) BUSINESS RELATIONS BETWEEN THE PARTIES EVEN IF THE PARTIES ADVISED EACH OTHER OF THE POSSIBILITY OF SUCH DAMAGES. LICENSEE AGREES THAT LICENSEE'S EXCLUSIVE REMEDY, IN LAW OR IN EQUITY, TO RECOVER DAMAGES IS DEFINED BY THIS AGREEMENT AND FURTHER LIMITED BY THIS PARAGRAPH.**

B. Licensee expressly agrees Retailer is not liable to Licensee's Franchisees for any breach of this Agreement and further agrees that Retailer's liability to Licensee's Franchisees, if any, is limited by the preceding paragraph.

C. **EXCEPT FOR LICENSEE'S INDEMNIFICATION OBLIGATIONS UNDER SECTION 8 AND INSURANCE OBLIGATIONS UNDER SECTION 9, ABOVE, THE MAXIMUM LIABILITY, IF ANY, OF LICENSEE TO RETAILER FOR ALL DAMAGES RELATED TO A BREACH OF THIS AGREEMENT IS LIMITED TO TEN THOUSAND DOLLARS ($10,000) FOR EACH STORE IN WHICH A PROMOTION IS CONDUCTED THAT IS AFFECTED BY THE BREACH. IN NO EVENT, AND REGARDLESS OF WHICH THEORY OF LAW RETAILER SEEKS DAMAGES, WILL LICENSEE BE LIABLE FOR ANY INDIRECT, PUNITIVE, EXEMPLARY, INCIDENTAL, OR SPECIAL DAMAGES, INCLUDING BUSINESS INTERRUPTION, ARISING FROM (I) THE RELATIONSHIP BETWEEN THE PARTIES (INCLUDING ALL PRIOR DEALINGS AND AGREEMENTS), (II) THE CONDUCT OF BUSINESS UNDER THIS AGREEMENT, (III) BREACH OR TERMINATION OF THIS AGREEMENT, OR (IV) BUSINESS RELATIONS BETWEEN THE PARTIES EVEN IF THE PARTIES ADVISED EACH OTHER OF THE POSSIBILITY OF SUCH DAMAGES. RETAILER AGREES THAT RETAILER'S EXCLUSIVE REMEDY, IN LAW OR IN EQUITY, TO RECOVER DAMAGES ID DEFINED BY THIS AGREEMENT AND FURTHER LIMITED BY THIS PARAGRAPH.**

17. Compliance.

A. Licensee shall comply, and shall cause Licensee's Franchisees to comply, with all federal, state, and local laws, rules, orders, directives, and regulations pertaining to its operations within the Leased Premises including, but not limited to and as amended, the Age Discrimination in Employment Act of 1967, 29 U.S.C. §621, et seq.; the Americans with Disabilities Act of 1990, 42 U.S.C. §12101, et seq.; the Child Labor Act, 29 U.S.C. §212, et seq.; the Civil Rights Act of 1964, et seq.; the Economic Dislocation and Worker Adjustment Act, 29 U.S.C. §565, et seq.; the Employee Polygraph Act of 1988, 29 U.S.C. §2001, et seq., the Equal Pay Act of 1963, 29 U.S.C. §201, et seq.; the Fair Labor Standards Act of 1938, 29 U.S.C. §201, et seq.; the Family and Medical Leave Act of 1993, 29 U.S.C. §2601, et seq.; the Immigration Reform and Control Act of 1986, 8 U.S.C. §1324a, et seq.; the Older Worker Benefit Protection Act, 29 U.S.C. §621, et seq.; and the Omnibus Budget Reconciliation Act of 1986, 29 U.S.C. §623, et seq.; and all other applicable laws, statutes, and regulations.

B. Retailer has absolutely no responsibility, obligation, or liability for the hiring and other employment practices of Licensee and Licensee's Franchisees. Licensee warrants and represents that it and Licensee's Franchisees have a policy to:

(1) Comply in all respects with all immigration laws and regulations;

(2) Properly maintain all records required by the United States Citizenship and Immigration Services (the "USCIS") including, without limitation, the completion and maintenance of the Form I-9 for each party's employees;

(3) Respond in a timely fashion to any inspection requests related to such I-9 Forms;

(4) Cooperate fully in all respects with any audit, inquiry, inspection, or investigation the USCIS may conduct of such party or any of its employees;

(5) Conduct annual audit of the I-9 Forms for its employees;

(6) Promptly correct any defects or deficiencies the audit reveals; and

(7) Require all subcontractors performing any work required by this Agreement to comply with the covenants set forth in this Section 17B.

C. With respect to its business operations in the Kiosk, Licensee shall comply, and shall cause Licensee's Franchisees to comply, with the Comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendment and Reauthorization Act, the Resource Conservation Recovery Act, the Federal Water Pollution Control Act, the Federal Environmental Pesticides Act, the Clean Water Act, any federal, state, or local "Superfund" or "Super Lien" statute, or any other statute, law, ordinance, code, rule, regulation, order , or decree, including any amendments thereto, regulating, relating to, or imposing liability (including strict liability), or standards of conduct concerning any Hazardous Substance or any escape, seepage, leakage, spillage, emission discharge, or release of any Hazardous Substance or material resulting from Licensee and Licensee's Franchisees use, handling, management, storage, transportation and disposal of any Hazardous Substance in, about, or under the Store in which a Kiosk is located.

D. Licensee shall comply, and shall cause Licensee's Franchisees to comply, with the provisions of the Americans with Disabilities Act ("ADA") in complying with its obligations under this Agreement.

E. Licensee represents and warrants that neither it nor Licensee's Franchisees are:

(1) A person or entity designated by the U.S. Government on the list of the Specially Designated Nationals and Blocked Persons (the "SDN List"), as maintained by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") at http://www.ustreas.gov/offices/enforcement/ofac/sdn, with which a U.S. person or entity cannot deal with or otherwise engage in business transactions;

(2) A person or entity who is otherwise the target of U.S. economic sanctions and trade embargoes enforced and administered by OFAC, such that a U.S. person or entity cannot deal or otherwise engage in business transactions with Licensee and Licensee's Franchisees;

(3) Either wholly or partly owned or wholly or partly controlled by any person or entity on the SDN List, including without limitation by virtue of such person being a director or owning voting shares or interests in an entity on the SDN List;

(4) A person or entity acting, directly or indirectly, for or on behalf of any person or entity on the SDN List; or

(5) A person or entity acting, directly or indirectly, for or on behalf of a foreign government that is the target of the OFAC sanctions regulations such that the entry into this Agreement would be prohibited under U.S. law.

F. Licensee shall, and shall cause Licensee's Franchisees to, inquire diligently into and screen the qualifications of each employee, agent, or representative operating out of the Leased Premises, and no one that may pose a reasonably ascertainable risk to the safety or property of Wal-Mart or its Associates, customers, or business invitees is permitted on Wal-Mart property. For purposes of this paragraph, "inquire diligently into and screen" means conducting a criminal background check in accordance with federal and state law, properly checking references, and using such other methods to determine qualifications that a reasonable and prudent employer might utilize under the circumstances. Also, "risk" means any propensity to engage in violence, sex crimes, fraud, theft, vandalism, or any other conduct likely to result in harm to a person or property. Failure to comply with this provision constitutes a material breach of this Agreement.

G. Licensee and Licensee's Franchisees, and any agent, employee, or representative of either Licensee or Licensee's Franchisees, should remove immediately from the Store any merchandise purchased from Retailer.

(1) Licensee and Licensee's Franchisees, and any agent, employee, or representative of either Licensee or Licensee's Franchisees, may not bring into the Kiosk any merchandise purchased from Retailer unless the merchandise is purchased for use by Licensee and Licensee's Franchisees, and any agent, employee, or representative of either Licensee or Licensee's Franchisees, in the operation of its business in the Kiosk or unless the merchandise is purchased for immediate consumption by Licensee or Licensee's Franchisees, or by any agent, employee, or representative of either Licensee or Licensee's Franchisees.

(2) Licensee and Licensee's Franchisees, and any agent, employee, or representative of either Licensee or Licensee's Franchisees, must keep a receipt for the merchandise purchased with the merchandise at all times while the merchandise is in either the Kiosk or the Store.

(3) No merchandise for which Licensee or Licensee's Franchisees, or any agent, employee, or representative of either Licensee or Licensee's Franchisees, has not paid may be removed from the Store or brought into the Kiosk.

(4) Any purchase by Licensee and Licensee's Franchisees, and any agent, employee, or representative of either Tenant or Sublessee, is subject to search according to Retailer's security procedures applicable to other customers of Retailer. Any one removing, or involved in the removal of, merchandise, either from the Store or into the Kiosk, without first paying for the merchandise may be trespassed from the Store or all of Retailer's property, may be treated as a shoplifter, or both. Shoplifters may be subject to prosecution.

H. Retailer shall provide Licensee with a copy of the Wal-Mart Licensee Handbook ("Handbook"), and Licensee shall comply and shall ensure that Licensee's Franchisees, and the Franchisees of Licensee's Franchisees comply with the Handbook.

(1) Licensee shall ensure that Licensee's Franchisees conducting the Promotion, and that the Franchisees of Licensee's Franchisees conducting the Promotion, are sufficiently trained and appropriately qualified to conduct the Promotion consistent with the first-class operations and facilities of Retailer.

(2) Licensee shall ensure that Licensee's Franchisees, and the Franchisees of Licensee's Franchisees, are appropriately attired and groomed and that each maintains a pleasant and courteous attitude toward customers.

(3) Licensee will reassign any of Licensee's employees and will require Licensee's Franchisees to reassign a Franchisee employee, as applicable, at Retailer's request.

(4) Retailer, in its sole judgment and discretion, may deny entry to or remove from its premises Licensee and Licensee's Franchisees, or any agent, employee, or representative of either Licensee or Licensee's Franchisees, who violates any of Retailer's rules or regulations.

18. Miscellaneous

A. Financial Services. Licensee covenants and warrants that neither it nor Licensees Franchisees, affiliates, subsidiaries, or assigns, will directly offer any financial services in any Store to Retailer's customers or shoppers other than the services that are provided as part of the Promotion, including the ancillary products listed on Exhibit A. Despite the preceding sentence, where allowed by law, Licensee may contact any of its clients outside of any Store about the client's interest in financial services and may offer, in the course of the Promotion, its refund settlement products including, without limitation, refund anticipation loans, refund anticipation checks, and IRA's. Any breach of this Section is a material breach of this Agreement.

B. Independent Contractor. The relationship created between the parties by this Agreement is that of independent contractor, and except as set forth elsewhere in this Agreement, neither party has the right to direct and control the day-to-day operations of the other or to create or assume any obligation on behalf of the other party for any purpose whatsoever. Nothing in this Agreement constitutes the parties as partners, join venturers, co-owners, or otherwise as participants in a joint or common undertaking. Neither party owns the assets, customers, or business of the other. Except as set forth elsewhere in this Agreement, each party is solely responsible for that parties financial obligations associated with the party's business.

C. Exclusivity. Retailer has or may have relationships with other business, persons, or entities, engaged in providing services and products similar to or competitive with the Promotion; Licensee has or may have relationships with other retailers to provide tax return preparation services at or from locations operated by such other retailers. Licensee and Retailer agree that neither Retailer's relationship with such other tax return preparation businesses, nor Licensee's relationship with such other retailers, gives rights of any kind to the other party. Despite the previous sentence, Retailer will not allow any person or entity other than Licensee to conduct the Promotion at any Store in which a Kiosk is located.

D. Assignment. The license granted by this Agreement is personal to Licensee and is not assignable, except to franchisees of Licensee operating under a separate franchise agreement. Any attempt by Licensee or by a franchisee of Licensee to assign, encumber, or otherwise transfer the license granted by this Agreement terminates the privileges granted by the license under this Agreement.

E. Authority. Each Retailer enters into this Agreement severally and solely as to the Store it operates and in which the Kiosk is located and without any obligation with respect to any other Store. Accordingly, only the respective Retailer that operates the Store in which such Kiosk is located may execute, for a Kiosk, an Attachment A.

F. Entire Agreement. This Agreement (together with the Annexes, schedules, exhibits, amendments, addendums hereto) constitutes the entire agreement of the parties, and supersedes all prior agreements and undertakings, both written and oral, among the parties, with respect to the subject matter hereof.

G. Notice. Any notice required by this Agreement must be in writing and delivered either by hand; by commercial courier; or by placing notice in the U.S. mail, certified mail, return receipt requested, properly addressed and with sufficient postage.

(1) Notice is deemed received on delivery if by hand; one (1) business day (Monday through Friday) after deposit with the commercial courier, provided deposit is done timely so as to effect next business day delivery, if by commercial courier; or three (3) business days after placing the notice in the U.S. mail, properly addressed and with sufficient postage for certified mail, return receipt requested.

(2) Notice intended for Licensee must be sent to H&R Block Services, Inc., Attention: Dave Santee, One H&R Block Way, Kansas City, Missouri 64105, with copy to H&R Block Services, Inc., Attention: Legal Department, One H&R Block Way, Kansas City, Missouri 64105.

(3) Notice intended for Retailer must be sent to: Wal-Mart Stores, Inc., Other Income, 1300 SE 8th Street, Bentonville, AR 72716-0850, with a copy to: Wal-Mart Stores, Inc., Wal-Mart Stores Division – Legal, Office of the General Counsel, 702 SW 8th Street, Bentonville, AR 72716-0185.

H. Governing Law. The parties mutually acknowledge and agree that this Agreement, and any property or tort disputes between the parties, will be construed and enforced in accordance with the laws of the State of Arkansas, without regard to the internal law of Arkansas regarding conflicts of law. The parties mutually acknowledge and agree that they shall not raise in connection therewith, and hereby waive, any defenses based upon venue, inconvenience of forum or lack of personal jurisdiction in any action or suit brought in accordance with the foregoing.

I. Jurisdiction and venue. For any suit, action, or legal proceeding arising from this Agreement or from any property or tort dispute between the parties, the parties exclusively consent and submit to the jurisdiction and venue of the state courts of Arkansas situated in Benton County, Arkansas or the federal courts situated in the Western District of Arkansas. **The parties acknowledge that they have read and understand this clause and willingly agree to its terms.**

[signature page to follow]

Signed:

Witness: Landlord:

/s/ Taylor Smith 8-22-07

Attest: Taylor Smith Date
Wal-Mart Stores, Inc.

Witness: Landlord:

/s/ Taylor Smith 8-22-07

Attest: Taylor Smith Date
Wal-Mart Stores East, LP

Witness: Landlord:

/s/ Taylor Smith 8-22-07

Attest: Taylor Smith Date
Wal-Mart Stores Texas, LLC

Witness: Landlord:

/s/ Taylor Smith 8-22-07

Attest: Taylor Smith Date
Wal-Mart Louisiana, LLC

Signed:

Witness: Tenants:

Kristin Kratofil /s/ Margaret Latshaw 8/15/07

Signature Date

Attest:

Margaret Latshaw

Printed Name

Exhibit A

Products

Licensee may offer the following ancillary products if provided in accordance with this Agreement and subject to any conditions noted below:

Peace of Mind Extended Service Plan — H&R Block clients can purchase the extended service plan that pays additional tax liability resulting from an H&R Block error and provides representation in the event the client is audited.

H&R Block Emerald Prepaid MasterCard — a prepaid debit card obtained during the tax interview that can receive direct deposits of refunds, RALs and RACs (as each term is defined below). **After Tax Season 2008, Licensee must receive Retailer's written approval to provide this ancillary product during a Tax Season at least thirty (30) days prior to the applicable Tax Season.**

Refund Anticipation Loan (RAL) — bank product that allows H&R Block clients, for a fee, to receive a loan in the amount of their anticipated federal tax refund in as little as 24 hours. Loan proceeds can be deposited into a client's bank account, the Emerald Card, or received in the form of a check.

Instant Refund Anticipation Loans (IRALs) — bank product that allows H&R Block clients, for a fee, to receive a loan in the amount of their anticipated federal tax refund in an instant disbursement. Loan proceeds can be deposited into a client's bank account, the Emerald Card, or received in the form of a check.

Refund Anticipation Check (RAC) — bank product that allows H&R Block clients to receive the amount of their federal tax refund (minus a bank fee) within 8-15 days after completing their taxes at an H&R Block office.

H&R Block Easy Savings Account® — a savings account for H&R Block clients with short- or mid-term savings needs.

H&R Block Easy IRA® — a savings product for H&R Block clients who have longer-term savings goals. The IRA can be funded with a client's tax refund and is often a benefit for clients to enable them to become eligible for tax benefits such as the Saver's Credit or other credits and may reduce their taxable income. With the H&R Block Easy IRA, the client can choose either a Roth or traditional IRA, based on their unique situation and savings goals.

Second Look® — Line by line review of current year federal, state and local tax returns prepared by someone other than HRB, which includes HRB's Standard Guarantee

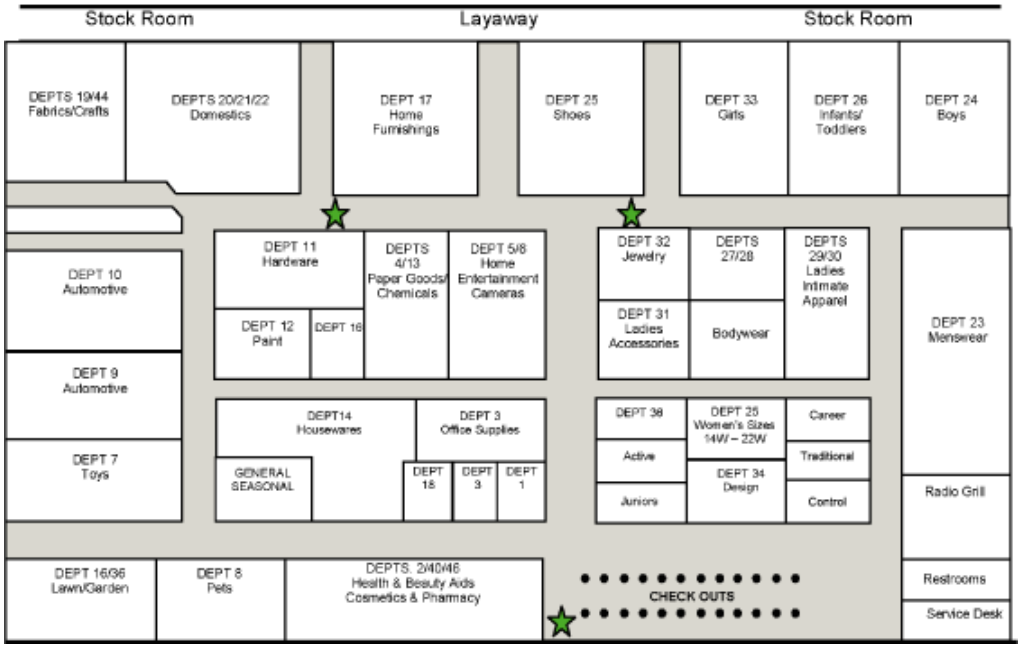
Exhibit B
T A X T I M E L I N E

Commitments for 2008

START DATE	ACTION	END DATE	
4/2/07	Wal-Mart sends list of all stores that had no tax kiosk last year to tax companies. Tax Companies can send Wal-Mart one list of stores by 4-20-07 they are interested in persuing for next year. Wal-Mart will take this input into consideration when compiling the Phase 2 list.	4/2/07	
4/2/07	Wal-Mart sends OPSUSR email to stores with Tax Kiosk this year explaining Pre-Commitments for next year	4/5/07	PHASE 1
4/9/07	Tax Companies approach Store Managers in their existing kiosk locations to ask for a Pre-Commitment for next year	4/20/07	
4/23/07	Tax Companies email Wal-Mart one complete list of all Pre-Committed stores for next year.	4/23/07	
4/24/07	Wal-Mart works on Phase 2 list	4/29/07	
4/30/07	Wal-Mart sends Tax Companies their specific stores they can approach for commitments.	5/4/07	PHASE 2
5/7/07	Tax Companies can approach stores on their list for commitments.	7/8/07	
7/9/07	Tax Companies send Wal-Mart one list of all stores they have commitments for from the list Wal-Mart sent on 4-30-07.	7/9/07	
7/10/07	Wal-Mart works on compiling master Tax Commitment List and prepares an “Open Season” list of stores still un-committed.	7/13/07	
7/16/07	Wal-Mart sends Tax Companies an email explaining the “Rules of Engagement” for the next round of store visits.	7/20/07	
7/23/07	Wal-Mart sends “Open Season” store list to all Tax Companies.	7/23/07	PHASE 3
7/24/07	Tax Companies solicit stores on “Open Season” list to get commitments for next year	9/8/07	
9/10/07	Tax Companies send Wal-Mart one list of all stores they have commitments on from the “Open Season” list Wal-Mart sent on 7-23-07	9/10/07	
9/11/07	Wal-Mart works on FINAL LIST	9/14/07	
9/14/07	Wal-Mart sends each Tax Company their Final List according to Wal-Mart’s book-keeping.	9/14/07	
9/17/07	Tax Companies compare their final list to Wal-Mart’s final list. Tax Companies prepare one list to send to Wal-Mart of discrepancies.	9/18/07	
9/19/07	Send Wal-Mart one list of any discrepancies on Final List	9/19/07	
9/20/07	Wal-Mart works on Final List	9/20/07	
9/21/07	Wal-Mart sends Final List to Tax Companies	9/21/07	
11/1/07	All TELE-COM phone and data cables must be ran by this date or will have to wait until after 12-27-07 to be ran.		

Exhibit C

Division 1 Approved Tax Locations



SuperCenter Approved Tax Locations

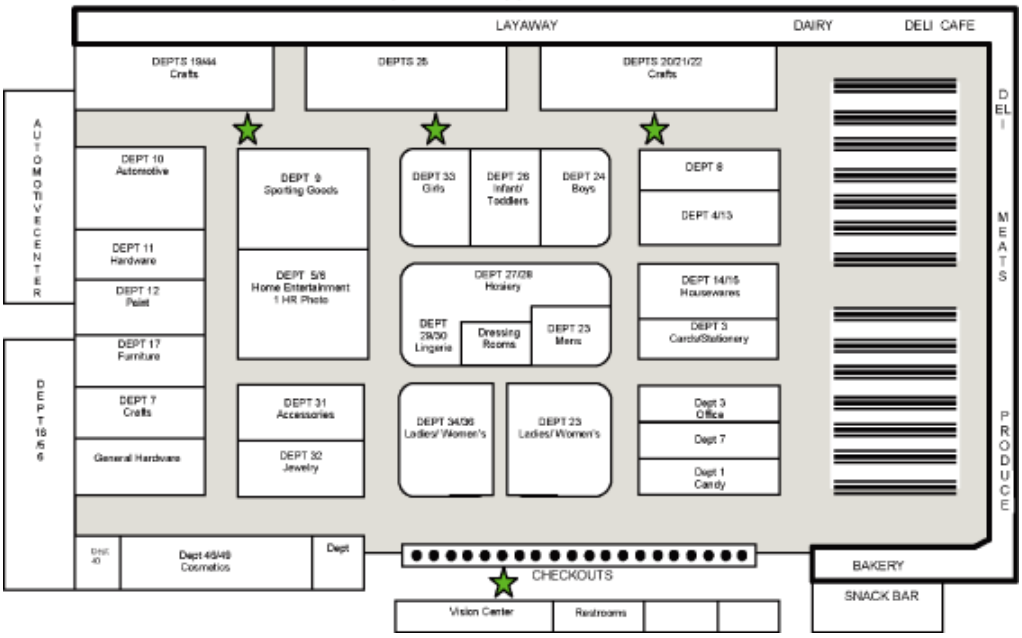


Exhibit D

License Fee Schedule

Licensee shall pay Retailer for each Kiosk in accordance with this Agreement as designated below.

		Supercenter Stores	Div. 1 Stores
Annual License Fee	Full Tax Season Kiosk	$[***]	$[***]
	Peak Tax Season Kiosk	$[***]	$[***]

Commission Rent	# of Tax Returns	Supercenter Store	Div. 1 Store
Full Tax Season Kiosk	[***]	$[***]	$[***]
	[***]	$[***]	$[***]
	[***]	$[***]	$[***]
	[***]	$[***]	$[***]
	[***]	$[***]	$[***]
	[***]	$[***]	$[***]
Peak Tax Season Kiosk	[***]	$[***]	$[***]
	[***]	$[***]	$[***]
	[***]	$[***]	$[***]
	[***]	$[***]	$[***]
	[***]	$[***]	$[***]
	[***]	$[***]	$[***]

Exhibit 10.3

OMNIBUS AMENDMENT
OPTION ONE OWNER TRUST 2003-5

This OMNIBUS AMENDMENT (the "Amendment") dated as of September 28, 2007 is by and among Option One Owner Trust 2003-5 (the "Issuer"), Option One Mortgage Corporation ("OOMC"), in its capacity as loan originator (in such capacity, the "Loan Originator") and as servicer (in such capacity, the "Servicer"), Option One Mortgage Capital Corporation ("Capital"), Option One Loan Warehouse LLC (formerly known as Option One Loan Warehouse Corporation) (the "Depositor"), Wells Fargo Bank, N.A. (successor-in-interest to Wells Fargo Bank Minnesota, National Association), as indenture trustee (the "Indenture Trustee"), and Citigroup Global Markets Realty Corp. (the "Purchaser").

PRELIMINARY STATEMENTS:

A. The Issuer, OOMC, Capital, the Depositor and the Indenture Trustee are parties to that certain Amended and Restated Sale and Servicing Agreement dated as of November 12, 2004 (as amended and waived through the date hereof, the "Sale and Servicing Agreement").

B. The Issuer, the Depositor and the Purchaser are parties to that certain Note Purchase Agreement dated as of November 14, 2003 (as amended and waived through the date hereof, the "Note Purchase Agreement").

C. The Issuer and the Indenture Trustee are parties to that certain Indenture dated as of November 1, 2003 (as amended and waived through the date hereof, the "Indenture").

D. The parties hereto desire to amend the Sale and Servicing Agreement, the Indenture and the Note Purchase Agreement subject to the terms and conditions of this Amendment.

E. OOMC and Capital acknowledge that the changes to the Sale and Servicing Agreement, the Indenture and the Note Purchase Agreement are conditioned on the termination of the Option One Owner Trust 2007-5A.

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 or the Indenture.

SECTION 2. Amendments to the Sale and Servicing Agreement.

(A) Section 1.01 of the Sale and Servicing Agreement is hereby amended by amending the definition of the term "Revolving Period" in its entirety to read as follows:

Revolving Period: With respect to the Notes, the period commencing on November 10, 2006 and ending on the earlier of (i) October 30, 2007, and (ii) the date on which the Revolving Period is terminated pursuant to Section 2.07; provided that the Revolving Period shall automatically terminate if the maximum note principal balance under the note purchase agreement entered into between the Depositor, the Purchaser and Option One Owner Trust 2007-5A shall not have been reduced to zero ($0.00) by September 28, 2007.

(B) The following paragraph is hereby added to Section 11.15 of the Sale and Servicing Agreement, immediately following Section 11.15, reading in its entirety as follows:

"Notwithstanding the foregoing, the Loan Originator agrees that, with respect to any Loans securing the Notes on or after September 28, 2007, the Loan Originator shall provide the Initial Noteholder with any written reports that it has of due diligence reviews it has conducted with respect to such Loans and agrees to 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 due diligence reviews with respect to such Loans."

SECTION 3. Amendments to the Note Purchase Agreement.

(A) Section 1.01 of the Sale and Servicing Agreement is hereby amended by amending the definition of the term "Maximum Note Principal Balance" in its entirety to read as follows:

"Maximum Note Principal Balance" means an amount equal to $150,000,000.

SECTION 4. Amendments to the Indenture.

(A) (i) Section 1.01 of the Indenture is hereby amended by adding the following definition:

"Acceleration Date" means (i) termination of the agreement for the sale of Option One to Cerberus Capital Management on or before October 30, 2007, (ii) any default under, or failure to perform as requested under, or termination of, the Servicing Agreement dated as of December 1, 2006 between Option One Mortgage Corporation, as Servicer and Citigroup Global Markets Realty Corp., as Owner or (iii) Option One, Option One Capital or any of their Affiliates act or fail to act, which action or inaction results in termination for cause of any agreement entered into by Option One, Option One Capital or any of their Affiliates, including without limitation, 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 2001-2, the Depositor, Option One and the Indenture Trustee, the Second Amended and Restated Sale and Servicing Agreement, dated as of January 1, 2007, among Option One Owner Trust 2002-3, the Depositor, Option One, Option One Capital and the Indenture Trustee, 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, the Sale and Servicing Agreement, dated as of November 1, 2003, among the Option One Owner Trust 2003-5, the Depositor, Option One and the Indenture Trustee and the Sale and Servicing Agreement, dated as of December 30, 2005 among Option One Owner Trust 2005-9, the Depositor, Option One and the Indenture Trustee, in each case as such agreement is amended, supplemented or modified and effective from time to time pursuant to the terms thereof, and such action or inaction entitles any counterparty to declare the Indebtedness thereunder to be due and payable prior to the maturity thereof.

(ii) Section 1.01 of the Indenture is hereby amended by amending the definition of the term "Maturity Date" in its entirety to read as follows:

"Maturity Date" means October 30, 2007.

(B) Section 2.06(b) of the Indenture is hereby amended by amending the last sentence of the first paragraph thereof in its entirety to read as follows:

"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, (iv) the Acceleration 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."

SECTION 5. Representations. In order to induce the parties hereto to execute and deliver this Amendment, each of the Issuer and the Depositor hereby jointly and severally represents to the other parties hereto and the Initial Noteholder 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 6. Limited Effect. Except as expressly amended and modified by this Amendment, the Sale and Servicing Agreement, Indenture and the Note Purchase Agreement shall continue in full force and effect in accordance with their respective terms. Reference to this Amendment need not be made in the Sale and Servicing Agreement, Indenture or Note Purchase

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, Indenture or the Note Purchase Agreement, any reference in any of such items to the Sale and Servicing Agreement, Indenture or Note Purchase Agreement, as applicable, being sufficient to refer to the Sale and Servicing Agreement, Indenture or Note Purchase Agreement as amended hereby.

SECTION 7. Fees and Expenses. The Issuer and the Depositor jointly and severally covenant to pay as and when billed, 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 and (ii) all reasonable fees and expenses of the Indenture Trustee and Owner Trustee and their counsel.

SECTION 8. 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 9. 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 10. 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.

SECTION 11. Direction and Authorization. Citigroup Global Markets Realty Corp., by signing below, represents and warrants that it is the holder of 100% of the Securities and authorizes and directs the Indenture Trustee to waive any Opinion of Counsel contemplated by Section 11.02 of the Sale and Servicing Agreement, or other condition to the amendment of the Sale and Servicing Agreement in the respects provided in this Amendment.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Amendment and Consent as of the day and year first above written.

OPTION ONE OWNER TRUST 2003-5,
as Issuer

By: Wilmington Trust Company, not in its individual capacity, but solely as Owner Trustee

By: /s/ Jennifer A. Luce
Name: Jennifer A. Luce
Title: Sr. Financial Services Officer

OPTION ONE LOAN WAREHOUSE LLC,
as Depositor

By: /s/ William L. O'Neill
Name: William L. O'Neill
Title: Treasurer

OPTION ONE MORTGAGE CORPORATION, as Loan Originator and as Servicer

By: /s/ William L. O'Neill
Name: William L. O'Neill
Title: Senior Vice President

WELLS FARGO BANK, N.A.,
as Indenture Trustee

By: /s/ Jacquelyn E. Kimball
Name: Jacquelyn E. Kimball
Title: Vice President

OPTION ONE MORTGAGE CAPITAL CORPORATION

By: /s/ William L. O'Neill
Name: William L. O'Neill
Title: Vice President

CITIGROUP GLOBAL MARKETS REALTY CORP., as Purchaser

By: /s/ Randy Appleyard
Name: Randy Appleyard
Title: Authorized Agent

Exhibit 10.4

AMENDMENT NUMBER THREE
to the
SECOND AMENDED AND RESTATED SALE AND SERVICING AGREEMENT,
dated as of April 29, 2005,
among
OPTION ONE OWNER TRUST 2001-1 A,
OPTION ONE LOAN WAREHOUSE CORPORATION,
OPTION ONE MORTGAGE CORPORATION
and
WELLS FARGO BANK, N.A.

This AMENDMENT NUMBER THREE (this "Amendment Number Three") is made and is effective as of this 1st day of October, 2007, among Option One Owner Trust 2001-1A (the "Issuer"), Option One Loan Warehouse LLC (formerly known as Option One Loan Warehouse Corporation) (the "Depositor"), Option One Mortgage Corporation (the "Loan Originator" and the "Servicer") and Wells Fargo Bank, N.A. (formerly known as Wells Fargo Bank Minnesota, National Association) as Indenture Trustee (the "Indenture Trustee"), to the Second Amended and Restated Sale and Servicing Agreement, dated as of April 29, 2005 (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 Number Three.

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 October 1, 2007, the following amendments shall be in full force and effect.

(i) Section 1.01 of the Agreement is hereby amended by deleting the defined term "Collateral Value Increase Date" in its entirety.

(ii) Section 1.01 of the Agreement is hereby amended by adding the following new defined term immediately after the definition of "Servicing Addendum":

Servicing Advance Facility: That certain Servicing Advance Facility, to be entered into between Greenwich Capital Financial Products, Inc. (or its Affiliates) and the Loan Originator (or its Affiliates) in order to provide the Loan Originator (or its Affiliates) with financing for servicing advances.

(iii) Section 2.01 (c)(i) of the Agreement is hereby amended by deleting the following sentence therefrom in its entirety:

In addition, if the Initial Noteholder determines on any date following the related Transfer Date (any such date, a "Collateral Value Increase Date") that the Collateral value of specified Mortgage Loans shall be 102% pursuant to clause (2)(A) of the definition of Collateral Value, the Trust may request that the Initial Noteholder advance Additional Note Principal Balances equal to such increase in the Collateral Value of the related Mortgage Loans and the Initial Noteholder may, in its sole discretion, make such advance of Additional Note Principal Balances.

(iv) Section 2.01 (c)(ii) of the Agreement is hereby amended by deleting each occurrence of the phrase "or Collateral Value Increase Date" in such Section.

(v) Section 2.06(a) of the Agreement is hereby amended by (i) deleting the phrase "As of the Closing Date, each Transfer Date and, as applicable, each Collateral Value Increase Date:" and replacing it with "As of the Closing Date and each Transfer Date:" and (ii) deleting each occurrence of the phrase "or Collateral Value Increase Date" throughout the Section.

(vi) Section 2.01 of the Agreement is hereby amended by adding the following new subparagraph (d) to such Section:

(d) Notwithstanding any other term in this Agreement, as of October 1, 2007, the Issuer shall no longer purchase Residual Securities or any Additional Note Balances in connection with any Advance Notes and no further Funding Dates shall occur with respect thereto.

SECTION 3. Representations. In order to induce the parties hereto to execute and deliver this Amendment Number Three, each of the Issuer and the Depositor 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 Number Three, (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. Consent and Waiver. The Noteholder, as the sole Noteholder of 100% of the Notes issued under the Indenture, hereby consents to this Amendment Number Three, without regard to any adverse effect the substance of this Amendment Number Three may have on the Notes, and the Noteholder waives the requirement under Section 11.02 of the Sale and Servicing Agreement

that the Indenture Trustee and the Issuer receive an Opinion of Counsel for the benefit of the Noteholder to the effect that this Amendment Number Three is authorized or permitted by the Sale and Servicing Agreement.

SECTION 5. Limited Effect. Except as expressly amended and modified by this Amendment Number Three, the Sale and Servicing Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment Number Three 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 6. 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 7. THIS AMENDMENT NUMBER THREE 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 (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

SECTION 8. Counterparts. This Amendment Number Three 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 9. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Amendment Number Three is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-1A 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 Number Three or any other related documents.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment Number Three to be executed and delivered by their duly authorized officers as of the day and year first above written.

OPTION ONE OWNER TRUST 2001-1A

By: Wilmington Trust Company, not in its
individual capacity but solely as owner trustee

By: _____
Name:
Title:

OPTION ONE LOAN WAREHOUSE LLC

By: /s/ William L. O'Neill
Name: William L. O'Neill
Title: Secretary, Treasurer

OPTION ONE MORTGAGE CORPORATION

By: /s/ William L. O'Neill
Name: William L. O'Neill
Title: Senior Vice President

WELLS FARGO BANK, N.A., as Indenture Trustee

By: _____
Name:
Title:

Exhibit 10.5

AMENDMENT NUMBER TWO TO
AMENDED AND RESTATED NOTE PURCHASE AGREEMENT

This Amendment Number Two (this "Amendment"), dated as of October 1, 2007, amends the Amended and Restated Note Purchase Agreement, dated as of April 16, 2004 (the "Agreement"), among Option One Owner Trust 2001-1A, a Delaware statutory trust (the "Company"), Greenwich Capital Financial Products, Inc. a Delaware corporation (the "Purchaser") and Option One Loan Warehouse LLC (formerly known as Option One Loan Warehouse Corporation), a California corporation (the "Depositor").

RECITALS

WHEREAS, the parties hereto have entered into the Agreement;

WHEREAS, the parties hereto now wish to amend certain provisions in the Agreement pursuant to Section 10.01 of the Agreement;

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, the parties hereto agree to amend the Agreement pursuant to Section 10.01 of the Agreement and restate certain provisions thereof as follows:

SECTION 1. Defined Terms. Unless defined in this Amendment, capitalized terms used in this Amendment (including the preamble) shall have the meaning given such terms in the Agreement.

SECTION 2. Amendment. Effective as of October 1, 2007, the following amendments shall be in full force and effect.

(i) Section 1.01 of the Agreement is hereby amended by deleting the definition of "Maximum Note Principal Balance" in its entirety and replacing it with the following:

"Maximum Note Principal Balance" means an amount equal to $750,000,000, less the aggregate amount outstanding from time to time under any secured loan or repurchase facility entered into by Greenwich, or its Affiliates, and Option One Mortgage Corporation, or its Subsidiaries, including without limitation the Servicing Advance Facility.

(ii) Section 3.02 of the Agreement is hereby amended by adding the following new subparagraph (e) to such Section:

(e) Notwithstanding any other term in this Note Purchase Agreement, as of October 1, 2007, the Issuer shall no longer purchase Residual Securities and Additional Note Balances in connection with any Advance Notes under this Agreement.

SECTION 3. Condition to Effectiveness. As a condition to the effectiveness of this Amendment, the Purchaser shall have given its consent.

SECTION 4. Effect of Amendment. Upon the execution of this Amendment and the attached consent of Purchaser, the Agreement shall be modified and amended in accordance herewith and the respective rights, limitations, obligations, duties, liabilities and immunities of each party to the Agreement shall hereafter be determined, exercised and enforced subject in all respects to such modifications and amendments, and all the terms and conditions of this Amendment shall be and be deemed to be part of the terms and conditions of the Agreement for any and all purposes as of the date first set forth above. The Agreement, as amended hereby, is hereby ratified and confirmed in all respects.

SECTION 5. The Agreement in Full Force and Effect as Amended. Except as specifically amended hereby, all the terms and conditions of the Agreement shall remain in full force and effect and, except as expressly provided herein, the effectiveness of this Amendment shall not operate as, or constitute a waiver or modification of, any right, power or remedy of any party to the Agreement. All references to the Agreement in any other document or instrument shall be deemed to mean the Agreement as amended by this Amendment.

SECTION 6. Counterparts. This Amendment may be executed by the parties in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement. This Amendment shall become effective when counterparts hereof executed on behalf of such party shall have been received.

SECTION 7. Governing Law. This Amendment shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein.

SECTION 8. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Amendment Number Two is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-1A 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 Number Two or any other related documents.

IN WITNESS WHEREOF, the Company, the Purchaser and the Depositor have caused this Amendment to be duly executed by their respective officers, effective as of the day and year first above written.

OPTION ONE OWNER TRUST 2001-1A,
as Company

By: WILMINGTON TRUST COMPANY,
not in its individual capacity but solely as Owner Trustee

By: _____
Name:
Title:

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.,
as the Purchaser

By: _____
Name:
Title:

OPTION ONE LOAN WAREHOUSE LLC
as the Depositor

By: /s/ William L. O'Neill
Name: William L. O'Neill
Title: Secretary, Treasurer

Exhibit 10.6

EXECUTION COPY

RECEIVABLES PURCHASE AGREEMENT

AMONG

OPTION ONE ADVANCE TRUST 2007-ADV2

AS ISSUER

OPTION ONE ADVANCE CORPORATION

AS DEPOSITOR

AND

OPTION ONE MORTGAGE CORPORATION

AS SELLER

DATED AS OF OCTOBER 1, 2007

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RECEIVABLES PURCHASE AGREEMENT, dated as of October 1, 2007 (the "Receivables Purchase Agreement" or this "Agreement"), among OPTION ONE ADVANCE TRUST 2007-ADV2 (the "Issuer"), OPTION ONE ADVANCE CORPORATION (the "Depositor") and OPTION ONE MORTGAGE CORPORATION (the "Seller" or "Option One").

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. Additionally, the following terms shall have the following meanings:

"Cash Purchase Price" means, with respect to the Eligible Receivables sold and/or contributed on a Funding Date, the Collateral Value of the Eligible Receivables sold to the Issuer on such Funding Date.

"Closing" shall have the meaning set forth in Section 2.02.

"Contribution" shall have the meaning set forth in Section 2.01(a).

"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" as defined in Section 10.01(b).

"Indenture" means the Indenture, dated as of October 1, 2007, between the Issuer and Wells Fargo Bank, National Association, as Indenture Trustee.

"Initial Purchaser" means Greenwich Capital Financial Products, Inc.

"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.

"Material Adverse Effect" has the meaning set forth in Section 5.01(a) as to the Depositor and the meaning set forth in Section 6.01(a) as to the Seller.

"Receivables Related Collateral" has the meaning set forth in Section 7.01.

"Relevant UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"Repurchase Price" has the meaning set forth in Section 6.02.

"Required Noteholders" has the meaning set forth in Section 8.06.

Section 1.02. Other Definitional Provisions.

(a) All terms defined in this Agreement shall have the meanings defined herein 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 Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section, subsection, Schedule and Exhibit references contained in this Agreement are references to Sections, subsections, Schedules and Exhibits in or to this Agreement unless otherwise specified.

ARTICLE II.

SALE OF RECEIVABLES; CLOSING; ACKNOWLEDGMENT AND CONSENT

Section 2.01. Sale of Receivables.

(a) On the Initial Funding Date, the Seller shall sell and contribute to the Depositor and the Depositor shall acquire from the Seller, in accordance with the procedures and subject to the terms and conditions set forth herein and in the Indenture, the Initial Receivables described in the initial Funding Date Report attached as Exhibit A

hereto. On each subsequent Funding Date during the Funding Period, the Seller shall sell and/or contribute to the Depositor and the Depositor shall acquire from the Seller, in accordance with the procedures and subject to the terms and conditions set forth herein and in the Indenture, Additional Receivables representing the contractual rights to be reimbursed for all of the Advances and Servicing Advances with respect to the Securitization Trusts made prior to such Funding Date not previously sold and contributed to the Depositor. On the Initial Funding Date, the Depositor shall sell and/or contribute to the Issuer and the Issuer shall acquire from the Depositor, in accordance with the procedures and subject to the terms and conditions set forth herein and in the Indenture, the Initial Receivables described in the initial Funding Date Report attached as Exhibit A hereto, representing the contractual rights to be reimbursed for the applicable Advances and Servicing Advances with respect to the Securitization Trusts made prior to the Initial Funding Date. On each subsequent Funding Date during the Funding Period, the Depositor shall sell and/or contribute to the Issuer and the Issuer shall acquire from the Depositor, in accordance with the procedures and subject to the terms and conditions set forth herein and in the Indenture, the Additional Receivables acquired by the Depositor on such Funding Date. Subject to the satisfaction of the Funding Conditions on each Funding Date, the Issuer shall pay to the Depositor and the Depositor shall pay to the Seller the Cash Purchase Price in respect of the Initial Receivables or Additional Receivables sold and/or contributed on the Initial Funding Date or such subsequent Funding Date, as applicable, in accordance with Section 7.01 of the Indenture. The excess of (i) the aggregate amount of the Initial Receivables or Additional Receivables sold and/or contributed on the Initial Funding Date or any subsequent Funding Date over (ii) the Cash Purchase Price with respect to such Initial Receivables or Additional Receivables sold and/or contributed on the Initial Funding Date or such subsequent Funding Date shall be a capital contribution by the Seller to the Depositor and by the Depositor to the Issuer (the "Contribution"). The Aggregate Receivables at any time of determination shall consist of the Initial Receivables and the Additional Receivables sold and/or contributed to the Issuer prior to such time of determination.

(b) In consideration of the sale and/or contribution of the Initial Receivables by the Seller, on the Initial Funding Date, the Depositor shall, subject to the terms and conditions hereof and of the Indenture, pay to the Seller the Cash Purchase Price with respect to the Initial Receivables. In consideration of the sale of the Additional Receivables by the Seller, on each Funding Date during the Funding Period, the Depositor shall, in accordance with the procedures set forth herein and in the Indenture and subject to the satisfaction of the Funding Conditions, pay to the Seller the aggregate Cash Purchase Price with respect to the Additional Receivables sold and/or contributed by the Seller to the Depositor on such Funding Date, to the extent of funds available therefor on such Funding Date. In consideration of the sale and/or contribution of the Initial Receivables by the Depositor, on the Initial Funding Date, the Issuer shall, subject to the terms and conditions hereof and of the Indenture, pay to the Depositor the Cash Purchase Price with respect to the Initial Receivables and deliver to the Depositor the Trust Certificates. In consideration of the sale of the Additional Receivables by the Depositor, on each Funding Date during the Funding Period, the Issuer shall, in accordance with the procedures set forth herein and in the Indenture and subject to the satisfaction of the Funding Conditions, pay to the Depositor the aggregate Cash Purchase

Price with respect to the Additional Receivables sold and/or contributed by the Depositor to the Issuer on such Funding Date, to the extent of funds available therefor on such Funding Date.

(c) On the Initial Funding Date, the Seller shall deliver to the Depositor and the Depositor shall deliver to the Issuer, with copies to the Agent and the Indenture Trustee, the Funding Notice and a bill of sale, in substantially the forms annexed as Exhibits B and C hereto, respectively, for the Initial Receivables. On each Funding Date, the Seller shall deliver to the Depositor and the Depositor shall deliver to the Issuer, with copies to the Agent and the Indenture Trustee, the Funding Notice and a bill of sale, in substantially the forms annexed as Exhibits B and C hereto, respectively, with respect to the Additional Receivables to be sold and/or contributed on such Funding Date.

Section 2.02. Closing. The closing (the "Closing") of the execution of this Agreement, upon and concurrent with the closing under the Note Purchase Agreement, shall take place at 2:00 PM at the offices of Thacher Proffitt & Wood LLP, 2 World Financial Center, New York, New York 10281 on October 1, 2007, or if the conditions precedent to closing set forth in Article III of this 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").

Section 2.03. Seller's Acknowledgment and Consent to Assignment. Seller hereby acknowledges that the Depositor has assigned to the Issuer and the Issuer has Granted to the Indenture Trustee, on behalf of the Secured Parties, the rights of the Depositor and the Issuer as purchasers under this Agreement, including, without limitation, the right to enforce the obligations of the Seller hereunder. The Seller hereby consents to such assignment by the Depositor and Grant in the Indenture by the Issuer to the Indenture Trustee, on behalf of the Secured Parties, and, agrees to remit the Repurchase Price in respect of any repurchased Receivable directly to the Reimbursement Account as provided for in Section 6.02 hereof. The Seller acknowledges that the Indenture Trustee, on behalf of the Secured Parties, shall be a third party beneficiary in respect of the representations, warranties, covenants, rights and benefits arising hereunder that are so Granted by the Issuer. The Seller hereby authorizes the Issuer and the Indenture Trustee, as the Issuer's assignee, on behalf of the Seller, to execute and deliver such documents or certificates as may be necessary in order to enforce its rights to or collect under the Receivables. The Seller hereby agrees to be bound by and perform all of the covenants and obligations of the Seller and the Servicer set forth in the Indenture.

ARTICLE III.

CONDITIONS PRECEDENT TO CLOSING

Section 3.01. Closing Subject to Conditions Precedent. The Closing 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 Agent in its sole discretion):

(a) Performance by the Seller and the Depositor. All the terms, covenants, agreements and conditions of the Transaction Documents to be complied with and performed by the Seller and the Depositor 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 Seller and the Depositor made in the Transaction Documents shall be true and correct in all material respects as of the Initial Funding Date (except to the extent they expressly relate to an earlier or later time).

(c) Officer's Certificate. The Agent and the Indenture Trustee shall have received in form and substance reasonably satisfactory to the Agent and its counsel an Officer's Certificate from the Seller and the Depositor, 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 Seller, the Depositor and the Servicer. Counsel to the Seller, the Depositor and the Servicer shall have delivered to the Agent and the Indenture Trustee favorable opinions as to matters described in Section 4.01 of the Note Purchase Agreement, dated as of the Closing Date and reasonably satisfactory in form and substance to the Agent and its counsel.

(e) Filings and Recordations. The Agent and the Indenture Trustee shall have received evidence reasonably satisfactory to the Agent of (i) the completion of all recordings, registrations and filings as may be necessary or, in the reasonable opinion of the Agent, desirable to perfect or evidence the assignment by the Seller to the Depositor of the Seller's ownership interest in the Aggregate Receivables and the proceeds thereof and the assignment by the Depositor to the Issuer of the Depositor's ownership interest in the Aggregate Receivables and the proceeds thereof and (ii) the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Agent, desirable to perfect or evidence the Grant of a first priority perfected security interest in the Issuer's ownership interest in the Trust Estate, in favor of the Indenture Trustee, subject to no Liens prior to the Lien created by the Indenture.

(f) Documents. The Agent and the Indenture Trustee shall have received a duly executed counterpart of this Agreement (in a form acceptable to the Agent), each of the other Transaction Documents and each and every document or certification delivered by the Seller and the Depositor in connection with this Agreement

or any other Transaction Document, and each such document shall be in full force and effect.

(g) 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 Transaction Documents and the documents related thereto in any material respect.

(h) Approvals and Consents. All Governmental Actions of all Governmental Authorities required to consummate the transactions contemplated by the Transaction Documents and the documents related thereto shall have been obtained or made.

(i) Fees and Expenses. The fees and expenses payable by the Seller pursuant to Section 9.02 hereof shall have been paid.

(j) Other Documents. The Seller and the Depositor shall have furnished to the Agent and the Indenture Trustee such other opinions, information, certificates and documents as the Agent may reasonably request.

(k) Verification Agent. The Seller shall have engaged the Verification Agent pursuant to the Verification Agent Letter.

If any condition specified in this Section 3.01 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Issuer by notice to the Depositor and by the Depositor by notice to the Seller at any time at or prior to the Closing Date, and the Issuer or Depositor, as applicable, shall incur no liability as a result of such termination.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

Section 4.01. Representations and Warranties. The Issuer hereby makes the following representations and warranties on which the Seller and the Depositor are relying in executing this Agreement and selling the Aggregate Receivables:

(a) Organization. The Issuer is a statutory trust duly formed and validly existing in good standing under the laws of the State of Delaware and is duly qualified to do business and is in good standing in each jurisdiction in which such qualification is necessary.

(b) Power and Authority. The Issuer has all requisite trust power and authority and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being conducted and to execute and deliver and perform its obligations under this Agreement.

(c) Authorization of Transaction. All appropriate and necessary action has been taken by the Issuer to authorize the execution and delivery of this Agreement and all other Transaction Documents to which it is a party, and to authorize the performance and observance of the terms hereof and thereof.

(d) Agreement Binding. This Agreement and each of the other Transaction Documents to which the Issuer is a party constitute the legal, valid and binding obligation of the Issuer enforceable in accordance with their terms except as may be limited by laws governing insolvency or creditors' rights or by rules of equity. The execution, delivery and performance by the Issuer of this Agreement and the other Transaction Documents to which the Issuer is a party will not violate any provision of law, regulation, order or other governmental directive, or conflict with, constitute a default under, or result in the breach of any provision of any material agreement, ordinance, decree, bond, indenture, order or judgment to which the Issuer is a party or by which it or its properties is or are bound.

(e) Consents. All licenses, consents and approvals required from and all registrations and filings required to be made by the Issuer with any governmental or other public body or authority for the making and performance by the Issuer of this Agreement and the other Transaction Documents to which it is a party have been obtained and are in effect.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF THE DEPOSITOR

Section 5.01. Representations and Warranties. The Depositor hereby makes the following representations and warranties on which the Issuer and the Seller are relying in executing this Agreement. The representations are made as of the execution and delivery of this Agreement, and as of each date of conveyance of any Additional Receivables. Such representations and warranties shall survive the sale and/or contribution of any Aggregate Receivables to the Depositor and are as follows:

(a) Organization. The Depositor is a corporation duly formed and validly existing in good standing under the laws of the State of Delaware and is duly qualified to do business and is in good standing in each jurisdiction in which such qualification is necessary, except where the failure to be so qualified or in good standing would not reasonably be expected to have a material adverse effect on (i) the business, operations or financial condition of (A) the Depositor or (B) the Depositor and its Affiliates taken as a whole or (ii) the validity or enforceability of this Agreement or any of the other Transaction Documents or the rights or remedies of the Seller, the Issuer or the Indenture Trustee hereunder or thereunder or (iii) the ability of the Depositor to perform its obligations under this Agreement or (iv) the enforceability or recoverability of any of the Aggregate Receivables (a "Material Adverse Effect").

(b) Power and Authority. The Depositor has all requisite power and authority and has all material governmental licenses, authorizations, consents and

approvals necessary to own its assets and carry on its business as now being conducted and to execute and deliver and perform its obligations under this Agreement and any other Transaction Document to which it is a party and, except to the extent not necessary in order to execute and deliver and perform its obligations under this Agreement and any other Transaction Document to which it is a party, to own its assets and carry on its business as now being conducted.

(c) Authorization of Transaction. All appropriate and necessary action has been taken by the Depositor to authorize the execution and delivery of this Agreement and all other Transaction Documents to which it is a party, and to authorize the performance and observance of the terms hereof and thereof.

(d) Agreement Binding. This Agreement and each of the other Transaction Documents to which the Depositor is a party constitute the legal, valid and binding obligation of the Depositor, enforceable in accordance with their terms except as may be limited by laws governing insolvency or creditors' rights or by rules of equity. The execution, delivery and performance by the Depositor of this Agreement and the other Transaction Documents to which the Depositor is a party will not violate any provision of law, regulation, order or other governmental directive, or conflict with, constitute a default under, or result in the breach of any provision of any material agreement, ordinance, decree, bond, indenture, order or judgment to which the Depositor is a party or by which it or its properties is or are bound.

(e) Compliance with Law. The Depositor is conducting its business and operations in compliance with all applicable laws, regulations, ordinances and directives of governmental authorities, except where the failure to comply would not reasonably be expected to have a Material Adverse Effect. The Depositor has filed all tax returns required to be filed and has paid all taxes in respect of the ownership of its assets or the conduct of its operations prior to the date after which penalties attach for failure to pay, except to the extent that the payment or amount of such taxes is being contested in good faith by it in appropriate proceedings and adequate reserves have been provided for the payment thereof.

(f) Consents. All licenses, consents and approvals required from and all registrations and filings required to be made by the Depositor with any governmental or other public body or authority for the making and performance by the Depositor of this Agreement and the other Transaction Documents to which it is a party have been obtained and are in effect.

(g) Litigation. There is no action, suit or proceeding at law or in equity by or before any court, governmental agency or authority or arbitral tribunal now pending or, to the knowledge of the Depositor, threatened against or affecting it which have a reasonable possibility of being determined adversely in a manner or amount that would have a Material Adverse Effect.

(h) Other Obligations. The Depositor is not in default in the performance, observance or fulfillment of any obligation, covenant or condition in any

agreement or instrument to which it is a party or by which it is bound the result of which should reasonably be expected to have a Material Adverse Effect.

(i) 1940 Act. The Depositor is not an "investment company" or a company "controlled" by an investment company within the meaning of the 1940 Act.

(j) Solvency. The Depositor, both prior to and after giving effect to each sale and/or contribution of Aggregate Receivables on the Initial Funding Date or on any Funding Date thereafter (i) is not, and will not be, "insolvent" (as such term is defined in § 101(32)(A) of the Bankruptcy Code), (ii) is, and will be, able to pay its debts as they become due, and (iii) does not have unreasonably small capital for the transaction contemplated in the Transaction Documents.

(k) Full Disclosure. No document, certificate or report furnished by or on behalf of the Depositor, in writing, pursuant to this Agreement, any other Transaction Document or in connection with the transactions contemplated hereby or thereby contains or will contain when furnished any untrue statement of a material fact. There are no facts relating to and known by the Depositor, which when taken as a whole, materially adversely affect the financial condition or assets or business of the Depositor, or which should reasonably be expected to impair the ability of the Depositor to perform its obligations under this Agreement or any other Transaction Document, which have not been disclosed herein or in the certificates and other documents furnished by or on behalf of the Depositor pursuant hereto or thereto. All books, records and documents delivered in connection with the Transaction Documents are and will be true, correct and complete.

(l) ERISA. All Plans maintained by the Depositor or any of its Affiliates are in substantial compliance with all applicable laws (including ERISA).

(m) Fair Consideration. The Seller is receiving fair consideration and reasonably equivalent value in exchange for the sale and/or contribution of the Aggregate Receivables under this Agreement.

(n) Bulk Transfers. No sale, contribution, transfer, assignment or conveyance of Aggregate Receivables by the Depositor to the Issuer contemplated by this Agreement will be subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction.

(o) Name. The legal name of the Depositor is as set forth in this Agreement and the Depositor does not have any trade names, fictitious names, assumed names or "doing business" names.

ARTICLE VI.

REPRESENTATIONS AND WARRANTIES OF THE SELLER

Section 6.01. Representations and Warranties. The Seller hereby makes the following representations and warranties on which the Depositor and the Issuer are relying in accepting the Aggregate Receivables and executing this Agreement. The

representations are made as of the execution and delivery of this Agreement, and as of each date of conveyance of any Additional Receivables. Such representations and warranties shall survive the sale and/or contribution of any Aggregate Receivables to the Depositor and are as follows:

(a) Organization. The Seller is a corporation duly formed and validly existing in good standing under the laws of the state of California and is duly qualified to do business and is in good standing in each jurisdiction in which such qualification is necessary, except where the failure to be so qualified or in good standing would not reasonably be expected to have a material adverse effect on (i) the business, operations or financial condition of (A) the Seller or (B) the Seller and its Affiliates taken as a whole or (ii) the validity or enforceability of this Agreement or any of the other Transaction Documents or the rights or remedies of the Depositor, the Issuer or the Indenture Trustee hereunder or thereunder or (iii) the ability of the Seller to perform its obligations under this Agreement or (iv) the enforceability or recoverability of any of the Aggregate Receivables (a "Material Adverse Effect").

(b) Power and Authority. The Seller has all requisite corporate power and authority and has all material governmental licenses, authorizations, consents and approvals necessary to execute and deliver and perform its obligations under this Agreement and any other Transaction Document to which it is a party and, except to the extent not necessary in order to execute and deliver and perform its obligations under this Agreement and any other Transaction Document to which it is a party, to own its assets and carry on its business as now being conducted.

(c) Authorization of Transaction. All appropriate and necessary action has been taken by the Seller to authorize the execution and delivery of this Agreement and all other Transaction Documents to which it is a party, and to authorize the performance and observance of the terms hereof and thereof.

(d) Agreement Binding. This Agreement and each of the other Transaction Documents to which the Seller is a party constitute the legal, valid and binding obligation of the Seller enforceable in accordance with their terms except as may be limited by laws governing insolvency or creditors' rights or by rules of equity. The execution, delivery and performance by the Seller of this Agreement and the other Transaction Documents to which the Seller is a party will not violate any provision of law, regulation, order or other governmental directive, or conflict with, constitute a default under, or result in the breach of any provision of any agreement, ordinance, decree, bond, indenture, order or judgment to which the Seller is a party or by which it or its properties is or are bound.

(e) Compliance with Law. The Seller is conducting its business and operations in compliance with all applicable laws, regulations, ordinances and directives of governmental authorities, except where the failure to comply would not reasonably be expected to have a Material Adverse Effect. The Seller has filed all tax returns required to be filed and has paid all taxes in respect of the ownership of its assets or the conduct of its operations prior to the date after which penalties attach for failure to pay, except to the

extent that the payment or amount of such taxes is being contested in good faith by it in appropriate proceedings and adequate reserves have been provided for the payment thereof.

(f) Consents. All licenses, consents and approvals required from and all registrations and filings required to be made by the Seller with any governmental or other public body or authority for the making and performance by the Seller of this Agreement and the other Transaction Documents to which it is a party have been obtained and are in effect.

(g) Litigation. There is no action, suit or proceeding at law or in equity by or before any court, governmental agency or authority or arbitral tribunal now pending or, to the knowledge of the Seller, threatened against or affecting it which have a reasonable possibility of being determined adversely in a manner or amount that would reasonably be expected to have a Material Adverse Effect.

(h) Other Obligations. The Seller is not in default in the performance, observance or fulfillment of any obligation, covenant or condition in any agreement or instrument to which it is a party or by which it is bound the result of which should reasonably be expected to have a Material Adverse Effect.

(i) 1940 Act. The Seller is not an "investment company" or a company "controlled" by an investment company within the meaning of the 1940 Act.

(j) Solvency. The Seller, both prior to and after giving effect to each sale and/or contribution of Aggregate Receivables on the Initial Funding Date or on any Funding Date thereafter (i) is not, and will not be, "insolvent" (as such term is defined in § 101(32)(A) of the Bankruptcy Code), (ii) is, and will be, able to pay its debts as they become due, and (iii) does not have unreasonably small capital for the business in which it is engaged or for any business or transaction in which it is about to engage.

(k) Full Disclosure. No document, certificate or report furnished by or on behalf of the Seller or the Servicer, in writing, pursuant to this Agreement, any other Transaction Document or in connection with the transactions contemplated hereby or thereby contains or will contain when furnished any untrue statement of a material fact. There are no facts relating to and known by the Seller, which when taken as a whole, materially adversely affect the financial condition or assets or business of the Seller or the Servicer, or which should reasonably be expected to impair the ability of the Seller or the Servicer to perform its obligations under this Agreement or any other Transaction Document or Pooling and Servicing Agreement, which have not been disclosed herein or in the certificates and other documents furnished by or on behalf of the Seller or the Servicer pursuant hereto or thereto. All books, records and documents delivered in connection with the Transaction Documents are and will be true, correct and complete.

(l) ERISA. All Plans maintained by the Seller or any of its Affiliates are in substantial compliance with all applicable laws (including ERISA).

(m) Fair Consideration. The Seller is receiving fair consideration and reasonably equivalent value in exchange for the sale and/or contribution of the Aggregate Receivables to the Depositor under this Agreement.

(n) Bulk Transfers. No sale, contribution, transfer, assignment or conveyance of Aggregate Receivables by the Seller to the Depositor contemplated by this Agreement will be subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction.

(o) Name. The legal name of the Seller is as set forth in this Agreement and the Seller does not have any trade names, fictitious names, assumed names or "doing business" names.

(p) Repayment of Receivables. The Seller has no reason to believe that at the time of the sale and/or contribution of any Receivables to the Depositor pursuant hereto, such Receivables will not be paid in full.

(q) Reimbursement Amounts. The Seller has not waived or forgiven any obligation of a Mortgagor to repay any Advance or Servicing Advance.

(r) Aggregate Receivables.

(i) Each Initial Receivable and Additional Receivable is payable in United States dollars and has been created pursuant to and in accordance with the terms of the related Pooling Agreement, in accordance with the Seller's customary procedures with respect to the applicable Securitization Trust and in the ordinary course of business of the Seller.

(ii) The sale and/or contribution to the Depositor and the Issuer of the rights to reimbursement for the Advances and Servicing Advances under each Securitization Trust, and the assignment and Grant thereof to the Trust Estate, does not violate the terms of the related Pooling and Servicing Agreement or any other document or agreements to which the Seller is a party or to which its assets or properties are subject.

(iii) No Receivable has been sold, transferred, assigned or pledged by the Seller to any Person other than the Depositor. Immediately prior to the transfer and assignment herein contemplated, the Seller was the sole obligor with respect to each such Receivable, and had the right to transfer and sell such Receivable, free and clear of all Liens and rights of others; immediately upon the transfer and assignment thereof, the Issuer shall own all of such interest in and to such Receivable, free and clear of all Liens and

rights of others (other than the Lien created by the Indenture).

(iv) As of the date of conveyance thereof, the Seller has not taken any action that, or failed to take any action the omission of which, would materially impair the rights of the Depositor, the Issuer, the Indenture Trustee (or any Secured Party) with respect to any such Receivable.

(v) As of the date of conveyance thereof, no such Receivable has been identified by the Seller or reported to the Seller as having resulted from fraud perpetrated by any Person with respect to the related account.

(vi) All filings (including UCC filings) necessary in any jurisdiction to perfect the transfers and assignments herein contemplated, and solely in the event the transfer contemplated hereby were to be recharacterized as a pledge rather than an absolute sale, to perfect the Depositor's security interest in the Aggregate Receivables that is prior to any other interest held or to be held by any other Person (except the Indenture Trustee on behalf of the Secured Parties) have been made.

(vii) No Receivable is secured by "real property" or "fixtures" or evidenced by an "instrument" as such quoted terms are used for purposes of creating and perfecting a security interest under the Relevant UCC.

(viii) Each such Receivable is the legal, valid and binding obligation of the related Securitization Trust and is enforceable in accordance with its terms. There is no valid and enforceable offset, defense or counterclaim to the obligation of the related Securitization Trust to make payment of any such Receivable.

(ix) Each such Receivable is entitled to be paid, has not been repaid in whole or been compromised, adjusted (except by partial payment), extended, satisfied, subordinated, rescinded, amended or modified, and is not subject to compromise, adjustment, extension, satisfaction, subordination, rescission, set-off, counterclaim, defense, amendment or modification by the Seller.

(x) As of the date of conveyance thereof, such Receivables do not include amounts payable as a result of accounting or

other errors, or the failure to deposit funds or the misapplication of funds by the Servicer.

(xi) As of the date of conveyance thereof, no such Receivable has been identified by the Seller as a Nonrecoverable Advance (as defined in the Pooling and Servicing Agreements) for which reimbursement has not been sought from the Securitization Trust in accordance with the related Pooling and Servicing Agreement.

(xii) The Initial Receivables represent all of the rights to be reimbursed for all Advances and/or Servicing Advances with respect to the Securitization Trusts as of the Initial Funding Date. The Seller has not sold, assigned, transferred or conveyed, without the Agent's consent, any Advance or Servicing Advance with respect to the Securitization Trusts to any Person other than the Depositor. The Additional Receivables conveyed on any Funding Date constitute all of the Advances and/or Servicing Advances with respect to the Securitization Trusts not previously sold and contributed to the Depositor hereunder, except for Receivables repurchased by the Seller pursuant to Section 6.02.

(xiii) If such Advance or Servicing Advance becomes a Nonrecoverable Advance after the related Transfer Date, the related Pooling and Servicing Agreement provides for the reimbursement of such advance from the general collections of the Securitization Trust prior to any payments to related Securitization Trust certificateholders.

(xiv) Each Pooling and Servicing Agreement is in full force and effect and, other than as set forth in Schedule II, has not been amended or modified, and no party thereto, to the knowledge of the Seller, is in default thereunder..

(xv) No Receivable is an obligation of a Securitization Trust for which a Securitization Termination Event has occurred and is continuing.

(xvi) The principal amount of any Additional Receivable relating to a Servicing Advance or Loan-Level Advance, when added to the aggregate outstanding principal amount of all Receivables relating to Servicing Advances and Loan-Level Advances under the related Securitization Trust, does not cause the weighted average months outstanding with respect to all such Receivables to exceed 16 months.

(xvii) The principal amount of any Additional Receivable, when added to the aggregate outstanding principal amount of all Receivables under the related Securitization Trust, does not cause the aggregate outstanding principal amount of all such Receivables to exceed 15% of the aggregate outstanding principal amount of all Receivables.

(xviii) If a Receivable relating to a Servicing Advance relates to a Mortgage Loan secured by a second or more junior lien on the related mortgaged property, the outstanding principal amount of that Receivable, when added to the aggregate outstanding principal amount of all Receivables relating to Servicing Advances that relate to Mortgage Loans secured by second or more junior lien on the respective mortgaged properties, does not cause the aggregate principal amount of all Receivables relating to Servicing Advances secured by second or more junior liens on mortgaged properties to exceed 5% of the aggregate principal amount of all Receivables relating to Servicing Advances.

Section 6.02. Repurchase Upon Breach. The Issuer, the Depositor, the Indenture Trustee or the Seller, as the case may be, shall inform the Issuer, the Depositor or the Seller (as applicable), the Agent and the Indenture Trustee promptly (but in no event later than two (2) Business Days following such discovery), in writing, upon the discovery of any breach of the Seller's or Depositor's representations and warranties hereunder. If any such representation or warranty pertains to a Receivable (including the representations under Sections 5.01(a)(iv) and 6.01(a)(iv)), unless such breach shall have been cured or waived within thirty (30) days after the earlier to occur of the discovery of such breach by the Issuer, the Depositor or the Seller (as applicable) or receipt of written notice of such breach by the Issuer, the Depositor, the Agent, the Indenture Trustee or the Seller (as applicable), the Seller or the Depositor, as applicable, shall repurchase such Receivable from the Issuer at a price equal to the outstanding Receivable Balance of such Receivable as of the date of repurchase (the "Repurchase Price"). The Seller or the Depositor, as applicable, shall pay any Repurchase Price directly to the Indenture Trustee for deposit into the Reimbursement Account.

ARTICLE VII.

INTENTION OF THE PARTIES; SECURITY INTEREST

Section 7.01. Intention of the Parties. It is the intention of the parties hereto that each transfer and assignment contemplated by this Agreement shall constitute an absolute sale or contribution, or a combination thereof, of the related Receivables from the Seller to the Depositor and from the Depositor to the Issuer and that the related Receivables shall not be part of the Seller's or the Depositor's estate or otherwise be considered property of the Seller or the Depositor in the event of the bankruptcy, receivership, insolvency, liquidation, conservatorship or similar proceeding relating to the Seller or the Depositor or any of their property. Except as set forth below, it is not

intended that any amounts available for reimbursement of Receivables be deemed to have been pledged by the Seller to the Depositor or by the Depositor to the Issuer or the Indenture Trustee to secure a debt or other obligation of the Seller or the Depositor. In the event that (A) the purchase of Receivables by the Depositor or the Issuer is deemed by a court or applicable regulatory, administrative or other governmental body contrary to the express intent of the parties to constitute a pledge rather than a sale or contribution, or a combination thereof, of the Receivables, or (B) if amounts available now or in the future for reimbursement of any Receivables are held to be property of the Seller or the Depositor or a loan to the Seller or the Depositor, or (C) if for any reason this Agreement is held or deemed to be a financing or some other similar arrangement or agreement, then: (i) this Agreement is and shall be a security agreement within the meaning of Articles 8 and 9 of the Relevant UCC; (ii) the Issuer shall be treated as having a first priority, perfected security interest in and to, and lien on, the Receivables transferred and assigned to the Issuer hereunder; (iii) the agreement of the Seller and the Depositor hereunder to sell, assign, convey and transfer the Receivables shall be a grant by the Seller to the Depositor of a security interest in all of the Seller's property and right (including the power to convey title thereto), title, and interest, whether now owned or hereafter acquired ("Receivables Related Collateral ") and shall be a grant by the Depositor to the Issuer of a security interest in all of the Depositor's property and right (including the power to convey title thereto), title, and interest, whether now owned or hereafter acquired, in and to (A) all amounts payable now or in the future by or with respect to the Receivables and (B) any and all general intangibles consisting of, arising from or relating to any of the foregoing, and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all such amounts from time to time held or invested in accounts maintained by or on behalf of the Seller, by or on behalf of the Securitization Trusts or by the Depositor, whether in the form of cash, instruments, securities or other property. The possession by the Issuer or its agent of notes and such other goods, money, documents or such other items of property as constitute instruments, money, negotiable documents or chattel paper, in each case, which constitute any of the items described in the foregoing sentence, or proceeds thereof, shall be "possession by the secured party," or possession by a purchaser or a person designated by such secured party, for purposes of perfecting the security interest pursuant to the Relevant UCC of any applicable jurisdiction; and notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be notifications to, or acknowledgments, receipts or confirmations from, financial intermediaries, bailees or agents (as applicable) of any such holder for the purpose of perfecting such security interest under applicable law.

Section 7.02. Security Interest.

(a) The Seller shall, to the extent consistent with this Agreement, take such actions as may be necessary to ensure that, if this Agreement were deemed to create a security interest in (i) any of the Aggregate Receivables, (ii) the amounts reimbursable now or in the future by or with respect to the Securitization Trusts in respect of any of the Aggregate Receivables or (iii) the other property described above, such security interest would be a perfected security interest of first priority under

applicable law and will be maintained as such throughout the term of this Agreement. The Seller shall execute such documents and instruments as the Depositor may reasonably request from time to time in order to effectuate the foregoing and shall return to the Depositor the executed copy of such documents and instruments. Without limiting the generality of the foregoing, the Depositor shall forward for filing, or shall cause to be forwarded for filing, at the expense of the Seller, all filings necessary to maintain the effectiveness of any original filings necessary under the Relevant UCC to perfect the Depositor's security interest described above, including without limitation (x) UCC continuation statements, and (y) such other statements as may be occasioned by (1) any change of name of the Seller or the Depositor (such preparation and filing shall be at the expense of the Depositor, if occasioned by a change in such party's name) or (2) any change of location of the jurisdiction of organization of the Seller.

(b) The Depositor shall, to the extent consistent with this Agreement, take such actions as may be necessary to ensure that, if this Agreement were deemed to create a security interest in (i) any of the Aggregate Receivables, (ii) the amounts reimbursable now or in the future by or with respect to the Securitization Trusts in respect of any of the Aggregate Receivables or (iii) the other property described above, such security interest would be a perfected security interest of first priority under applicable law and will be maintained as such throughout the term of this Agreement. At the Issuer's direction, the Depositor shall execute such documents and instruments as the Issuer may reasonably request from time to time in order to effectuate the foregoing and shall return to the Issuer the executed copy of such documents and instruments. Without limiting the generality of the foregoing, the Issuer shall forward for filing, or shall cause to be forwarded for filing, at the expense of the Depositor, all filings necessary to maintain the effectiveness of any original filings necessary under the Relevant UCC to perfect the Issuer's security interest described above, including without limitation (x) UCC continuation statements and (y) such other statements as may be occasioned by (1) any change of name of the Depositor or the Issuer (such preparation and filing shall be at the expense of the Issuer, if occasioned by a change in such party's name) or (2) any change in the jurisdiction of organization of the Depositor.

ARTICLE VIII.

COVENANTS OF THE SELLER

Section 8.01. Information. The Seller shall furnish to the Depositor, the Issuer, the Indenture Trustee, the Agent and the Secured Parties:

(a) such information (including financial information), documents, records or reports with respect to the Aggregate Receivables, the Securitization Trusts, the Seller, the Servicer as the Issuer, the Depositor, the Indenture Trustee, the Agent, the Initial Purchaser or the Secured Parties may from time to time reasonably request;

(b) prompt notice of any Event of Default under the Indenture, or any event known to the Seller which, with the passage of time or the giving of notice or both, would become an Event of Default under the Indenture;

(c) prompt written notice of a change in name, or address of the jurisdiction of organization of the Seller;

(d) prompt notice of the occurrence of any event of default by the Servicer under any Pooling and Servicing Agreement without regard to whether such event of default has been cured;

(e) the information and reports required pursuant to Section 6.02 of the Indenture;

(f) prompt notice of any "Conversion Event" (as such term or term of substantially similar import is defined in the applicable Pooling and Servicing Agreement); and

(g) a Schedule I Report and Schedule II Report, in the form of Exhibits D and E, respectively, attached hereto, monthly to the Agent.

Section 8.02. Acknowledgment. The Seller shall seek acknowledgment from the Trustee of each Securitization Trust that the Seller intends to enter into an "Advance Facility" (as such term is defined in each Pooling and Servicing Agreement), whereby the Seller will sell and assign the Receivables to the Depositor, following which the Depositor will sell to the Issuer, who will pledge and assign such Receivables to the Indenture Trustee, acting on behalf of the Noteholders, as an "Advance Financing Person" (as such term or term of substantially similar import is defined in each Pooling and Servicing Agreement), and that the Transaction Documents shall constitute such "Advance Facility".

Section 8.03. Access to Information. The Seller shall, at any time and from time to time during regular business hours, or at such other reasonable times upon reasonable notice to the Seller, permit the Depositor, the Issuer, the Indenture Trustee, the Agent, the Initial Purchaser or the Secured Parties, or their agents or representatives, at the Seller's expense (not to exceed $25,000 in any calendar year with regard to any parties for any calendar year); provided, that no such limit shall apply after an Event of Default, but only so long as that does not unreasonably interfere with the Seller's conduct of its business:

(a) to examine all books, records and documents (including computer tapes and disks) in the possession or under the control of the Seller relating to the Aggregate Receivables or the Transaction Documents as may be requested;

(b) to visit the offices and property of the Seller for the purpose of examining such materials described in clause (a) above; and

(c) to conduct verification procedures alongside the Verification Agent, including access to the appropriate servicing personnel of the Seller.

Section 8.04. Ownership and Security Interests; Further Assurances. The Seller will take all action necessary to maintain the Indenture Trustee's security interest

in the Receivables and the other items pledged to the Indenture Trustee pursuant to the Indenture.

The Seller agrees to take any and all acts and to execute any and all further instruments reasonably necessary or requested by the Depositor, the Issuer, the Indenture Trustee, the Agent, the Initial Purchaser or the Secured Parties to more fully effect the purposes of this Agreement.

Section 8.05. Covenants. The Seller shall duly observe and perform each of its covenants set forth in each of the Transaction Documents to which it is a party. The Seller shall duly observe and perform all of the covenants and obligations of the Seller and the Servicer set forth in the Indenture as if the Seller was a party thereto. The Seller in its capacity as Servicer shall duly observe and perform each of its covenants set forth in each Pooling and Servicing Agreement. The Seller shall, promptly upon making its determination that an Advance or Servicing Advance is a Nonrecoverable Advance, seek reimbursement for that advance in accordance with the related Pooling and Servicing Agreement.

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

Section 8.06. Amendments. The Seller shall not make, or permit any Person to make, any amendment, modification or change to, or provide any waiver under any Transaction Document to which the Seller is a party without the prior written consent of the Agent and, except as described in Section 8.01 of the Indenture, Noteholders with an aggregate Note Principal Balance of not less than 66 2/3% of the aggregate Note Principal Balance of the Outstanding Notes (the "Required Noteholders").

Section 8.07. Assignment of Rights. Either (i) while an Event of Default has occurred and is continuing or (ii) in the absence of an Event of Default but only for the limited purpose of effecting buybacks for defective receivables, the Seller and the Issuer hereby constitute and irrevocably appoint the Indenture Trustee, with full power of substitution and revocation, as the Receivable Seller's and the Issuer's true and lawful agent and attorney-in-fact, with the power to the full extent permitted by law, to exercise with respect to the Receivables conveyed under this Receivables Purchase Agreement, all the rights, powers and remedies of an owner. The power of attorney granted pursuant to this Receivables Purchase Agreement and all authority hereby conferred are granted and conferred solely to protect the Secured Parties' respective interests in the Receivables and shall not impose any duty upon the Indenture Trustee to exercise any power. The Seller and the Issuer shall execute any documentation, including, without limitation, any powers of attorney and/or irrevocable proxies, requested by the Indenture Trustee to effectuate such assignment. The foregoing grant and assignment are powers coupled with an interest and are irrevocable.

ARTICLE IX.
ADDITIONAL COVENANTS

Section 9.01. Legal Conditions to Closing. The parties hereto will take all reasonable action necessary to obtain (and will cooperate with one another in taking such action to obtain) 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 Agreement.

Section 9.02. Expenses.

(a) The Seller covenants that, whether or not the Closing takes place, except as otherwise expressly provided herein, all reasonable costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Seller.

(b) Except as otherwise expressly set forth in the Indenture, the Seller covenants to pay as and when billed by the Depositor, the Issuer, the Indenture Trustee or the Agent 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 Transaction Documents, including, without limitation, all reasonable fees, disbursements and expenses of counsel to the Depositor, the Issuer, the Agent, the Indenture Trustee and the Secured Parties.

Section 9.03. Mutual Obligations. On and after the Closing, each party hereto will do, execute and perform all such other acts, deeds and documents as one or more other parties may from time to time reasonably require in order to carry out the intent of this Agreement.

Section 9.04. Reserved.

Section 9.05. Servicing Standards. At all times, the Servicer shall, as determined by the Agent:

(i) continue to make Advances and Servicing Advances and seek reimbursement, including reimbursement of Advances and Servicing Advances deemed Nonrecoverable Advances by the Servicer, in accordance with the related Pooling and Servicing Agreement;

(ii) apply the Advance Reimbursement Amount on a First In First Out ("FIFO") basis;

(iii) identify on its systems the owner of each Advance and Servicing Advance;

(iv) maintain systems and operating procedures necessary to comply with all the terms of the Transaction Documents;

(v) cooperate with the Verification Agent in its duties set forth in the Transaction Documents;

(vi) make all Advances within the period required under the related Pooling and Servicing Agreement, unless the same is the result of inadvertence and is corrected on or prior to the related Distribution Date for the applicable Securitization Trust;

(vii) for all Servicing Advances and Pool-Level Advances, agree to deposit the Advance Reimbursement Amount into the Reimbursement Account on a daily basis not later than the second Business Day following receipt thereof and not retain Advance Reimbursement Amount in the Servicer's own accounts; and

(viii) for all Loan-Level Advances, agree to deposit the Advance Reimbursement Amount into the Collection Account of the related Securitization Trust and not withdraw any Advance Reimbursement Amount from such Collection Account except for immediate deposit into the Reimbursement Account.

Section 9.06. Transfer of Servicing. The Seller covenants that it shall not transfer its rights as Servicer under the Pooling and Servicing Agreement for any Securitization Trust or cause its rights as Servicer under any such Pooling and Servicing Agreement to be terminated; provided, however, that the Seller may transfer its rights as Servicer under the Pooling and Servicing Agreement for any Securitization Trust or cause its rights as Servicer under any such Pooling and Servicing Agreement to be terminated in the event that upon the occurence of such transfer or termination the Issuer shall redeem the Notes in accordance with Section 2.16 of the Indenture or the successor servicer under such Pooling and Servicing Agreement shall cause all Receivables under such Pooling and Servicing Agreement to be paid in full on or before the applicable date of transfer. In the event the Seller shall cause its rights as Servicer under any such Pooling and Servicing Agreement to be transferred or terminated, (x) the Issuer shall have the option to redeem the Notes, without penalty or premium, in accordance with Section 2.16 of the Indenture, and (y) with respect to the covenant set forth above, the Seller shall be fully liable for obligations of the Issuer under the Notes. To evidence its obligations under this Section 9.06, the Seller shall provide a full recourse guaranty to the Noteholders, secured by a pledge of all of the Seller's rights (but none of its obligations) as Servicer under each of the Pooling and Servicing Agreements; provided, however, that such pledge shall be given only to the extent that such servicing rights can be so pledged pursuant to the applicable Pooling and Servicing Agreements without causing the Seller to be in default thereunder. If the Issuer shall redeem the Notes pursuant to this Section 9.06, the Seller shall, on the fourth Business Day prior to the applicable Redemption Date, deposit the Note Redemption Amount into the Note Payment Account.

Section 9.07. Bankruptcy. The Seller shall not take any action in any capacity to file any bankruptcy, reorganization or insolvency proceedings against the Depositor or the Issuer, or cause the Depositor or the Issuer to commence any reorganization, bankruptcy or insolvency proceedings under any applicable state or federal law, including without limitation any readjustment of debt, or marshaling of

assets or liabilities or similar proceedings. The Depositor shall not take any action in any capacity to file any bankruptcy, reorganization or insolvency proceedings against the Issuer, or cause the Issuer to commence any reorganization, bankruptcy or insolvency proceedings under any applicable state or federal law, including without limitation any readjustment of debt, or marshaling of assets or liabilities or similar proceedings. The Seller and the Depositor are not transferring and will not transfer any of the Receivables with intent to hinder, delay or defraud any Person.

Section 9.08. Legal Existence. The Seller and the Depositor shall do or cause to be done all things necessary on their part to preserve and keep in full force and effect their existence as corporations, and to maintain each of their licenses, approvals, registrations or qualifications in all jurisdictions in which their ownership or lease of property or the conduct of their business requires such licenses, approvals, registrations or qualifications; except for failures to maintain any such licenses, approvals, registrations or qualifications which, individually or in the aggregate, would not have a Material Adverse Effect.

Section 9.09. Compliance With Laws. The Seller and the Depositor shall comply with all laws, rules and regulations and orders of any governmental authority applicable to the Seller and the Depositor, except where the failure to comply would not have a Material Adverse Effect.

Section 9.10. Taxes. The Seller and the Depositor shall pay and discharge all taxes, assessments and governmental charges or levies imposed upon the Seller and the Depositor, as applicable, or upon such party's income and profits, or upon any of such party's property or any part thereof, before the same shall become in default; provided, that the Seller and the Depositor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and the Seller and the Depositor shall have set aside on its books adequate reserves with respect to any such tax, assessment, charge or levy so contested, or so long as the failure to pay any such tax, assessment, charge or levy would not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.11. No Liens, Etc. Against Receivables and Trust Property. Each of the Seller and the Depositor hereby covenants and agrees not to create or suffer to exist (by operation of law or otherwise) any Lien upon or with respect to any of the Aggregate Receivables or any of its interest therein, if any, or upon or with respect to any of its interest in any Account, or assign any right to receive income in respect thereof, except for the Lien created by the Indenture. Each of the Seller and the Depositor shall immediately notify the Indenture Trustee of the existence of any Lien on any of the Aggregate Receivables and shall defend the right, title and interest of each of the Depositor, the Issuer and the Indenture Trustee in, to and under the Aggregate Receivables, against all claims of third parties.

Section 9.12. Amendments to Pooling and Servicing Agreements. The Seller, in its capacity as Servicer under the Pooling and Servicing Agreements with

respect to the Securitization Trusts, hereby covenants and agrees not to amend or agree to the amendment of any of the Pooling and Servicing Agreements without the prior written consent of the Agent and the Required Noteholders.

Section 9.13. No Netting or Offsetting. The Seller, in its capacity as Servicer, shall collect and deposit gross collections with respect to the Securitization Trusts into the related Collection Accounts in accordance with the related Pooling and Servicing Agreements, without netting, off-set or deduction from such collections or deposits for any purpose, with the exception of Servicing Compensation due and payable to the Servicer. The Seller shall make all Advances and Servicing Advances out of its own funds without the utilization of any netting or offsetting of amounts in any account of the Securitization Trust, except as permitted under the Pooling and Servicing Agreements with respect to amounts paid ahead by Obligors (or such substantially similar term as is used in each such Pooling and Servicing Agreement).

Section 9.14. Books and Records. The Seller shall maintain accounts and records as to each Receivable accurately and in sufficient detail to permit the reader thereof to know at any time the status of such Receivable, including payments and recoveries made and payments owing (and the nature of each, if applicable). The Seller shall maintain its computer records so that, from and after the time of the granting of the security interest under the Indenture on the Receivables to the Indenture Trustee, the Seller's master computer records (including any back-up archives) that refer to any Receivables indicate clearly the interest of the Issuer in such Receivables and that the Receivable is owned by the Issuer and pledged to the Indenture Trustee on behalf of the Secured Parties.

The Depositor shall maintain (or cause to be maintained) accounts and records as to each Aggregate Receivable accurately and in sufficient detail to permit the reader thereof to know at any time the interest of the Issuer in such Receivables and that the Receivable is owned by the Issuer and pledged to the Indenture Trustee on behalf of the Secured Parties.

Section 9.15. Verification Agent. Each of the Seller and the Depositor shall cooperate with the Verification Agent and shall allow the Verification Agent access to its books, records, computer system and employees during ordinary business hours upon reasonable notice and, subject to the terms of the Verification Agent Letter, shall allow the Verification Agent to review all collections and to make copies of any books, records and documents requested by the Verification Agent, but solely to the extent such items and review relate to the Aggregate Receivables and the obligations of the Seller, the Servicer and the Depositor under the Transaction Documents and the Pooling and Servicing Agreements for the Securitization Trusts.

Section 9.16. Exclusive. The Initial Receivables to be sold and/or contributed to the Depositor and from the Depositor to the Issuer on the Initial Funding Date shall consist of the right to reimbursement for all of the Advances and Servicing Advances outstanding with respect to the Securitization Trusts as of the Initial Funding Date. During the Funding Period, the Seller shall not sell, assign, transfer, pledge or convey any Receivable with respect to the Securitization Trusts to any Person other than

the Depositor. The Additional Receivables sold and/or contributed on each Funding Date shall consist of the right to reimbursement for all of the Advances and Servicing Advances with respect to the Securitization Trusts not previously sold and contributed to the Depositor hereunder (other than Receivables repurchased by the Seller pursuant to Section 6.02).

Section 9.17. Recovery. The Seller shall diligently endeavor to collect reimbursement of Aggregate Receivables and shall not waive or forgive the obligation of a mortgagor to pay such amounts.

Section 9.18. Merger. Without the prior written consent of the Agent and the Required Noteholders, the Seller and the Depositor shall not enter into any transaction of merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation, wind up or dissolution).

Section 9.19. Use of Proceeds. The Seller shall utilize the proceeds of each purchase of Initial Receivables and Additional Receivables for general corporate purposes.

ARTICLE X.
INDEMNIFICATION

Section 10.01. Indemnification.

(a) Without limiting any other rights that an Indemnified Party may have hereunder or under applicable law, the Seller hereby agrees to indemnify each Indemnified Party (as defined below) from and against any and all Indemnified Amounts (as defined below) which may be imposed on, incurred by or asserted against an Indemnified Party in any way arising out of or relating to any breach of the Seller's or the Servicer's obligations under this Agreement or any other Transaction Document, or the ownership of the Aggregate Receivables or in respect of any Aggregate Receivables, excluding, however, Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party.

Without limiting or being limited by the foregoing, the Seller shall pay on demand to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts relating to or resulting from:

(i) a breach of any representation or warranty made by the Seller under or in connection with this Agreement;

(ii) the failure by the Seller or the Servicer to comply with any term, provision or covenant contained in this Agreement, or any agreement executed by it in connection with this Agreement or with any applicable law, rule or regulation with respect to any Aggregate Receivable, or the

nonconformity of any Aggregate Receivable with any such applicable law, rule or regulation; or

(iii) the failure to vest and maintain vested in the Issuer, or to transfer, to the Issuer, ownership of the Aggregate Receivables, together with all collections in respect thereof, free and clear of any adverse claim (except as permitted hereunder), whether existing at the time of the transfer of such Aggregate Receivable or at any time thereafter.

(b) Any Indemnified Amounts subject to the indemnification provisions of this Section 10.01 shall be paid to the Indemnified Party within twenty (20) Business Days following demand therefor. "Indemnified Party" means any of the Depositor, the Issuer, the Indenture Trustee, the Owner Trustee, the Agent, the Initial Purchaser and the Secured Parties and their officers, employees, directors and successors or assigns. "Indemnified Amounts" means any and all claims, losses, liabilities, obligations, damages, penalties, actions, judgments, suits, and related reasonable costs and reasonable expenses of any nature whatsoever, including reasonable attorneys' fees and disbursements (subject to the following paragraph), incurred by an Indemnified Party.

(c) Promptly after an Indemnified Party shall have been served with the summons or other first legal process or shall have received written notice of the threat of a claim in respect of which an indemnity may be claimed against the Seller under this Section 10.01, the Indemnified Party shall notify the Seller in writing of the service of such summons, other legal process or written notice, giving information therein as to the nature and basis of the claim, and providing a copy thereof; provided, however, that failure so to notify the Seller shall not relieve the Seller from any liability which it may have hereunder or otherwise except to the extent that the Seller is prejudiced by such failure so to notify the Seller. The Seller will be entitled, at its own expense, to participate in the defense of any such claim or action and to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Party, unless the defendants in any such action include both the Indemnified Party and the Seller, and the Indemnified Party (upon the advice of counsel) shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Seller, or one or more Indemnified Parties, and which in the reasonable opinion of such counsel are sufficient to create a conflict of interest for the same counsel to represent both the Seller and such Indemnified Party; provided, however, that the Seller shall not be responsible for the fees and expenses of more than one firm of attorneys for all Indemnified Parties related to the Depositor, one firm of attorneys for all Indemnified Parties related to the Issuer, one firm of attorneys for all Indemnified Parties related to the Agent, one firm of attorneys for all Indemnified Parties related to the Noteholders and one firm of attorneys for all Indemnified Parties related to the Indenture Trustee. Each Indemnified Party shall cooperate with the Seller in the defense of any such action or claim. The Seller shall not, 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 or threatened proceeding.

ARTICLE XI.

MISCELLANEOUS

Section 11.01. Amendments. No amendment or waiver of any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by all of the parties hereto and consented to in writing by the Agent and the Required Noteholders, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 11.02. Notices. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including telecopies) and mailed or e-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 11.03. 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 11.04. Binding Effect; Assignability.

(a) This Agreement shall be binding upon and inure to the benefit of the Seller, the Depositor and the Issuer and their respective permitted successors and assigns; provided, however, that the Seller shall not have any right to assign its respective rights hereunder or interest herein (by operation of law or otherwise) without the prior written consent of the Agent and the Required Noteholders and the Depositor shall not have any right to assign its respective rights hereunder or interest herein (by operation of law or otherwise) without the prior written consent of the Agent and the Required Noteholders.

(b) This 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 the Indenture has terminated.

Section 11.05. GOVERNING LAW; JURISDICTION. THIS 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 NEW YORK GENERAL OBLIGATIONS LAW). EACH OF THE PARTIES TO THIS 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 11.06. Execution in Counterparts. This 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 11.07. Survival. All representations, warranties, covenants, guaranties and indemnifications contained in this Agreement and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the sale, transfer or repayment of the Aggregate Receivables.

Section 11.08. Third Party Beneficiary. The Seller and the Depositor acknowledge and agree that the Indenture Trustee, the Agent and the other Secured Parties are intended third party beneficiaries of this Agreement.

Section 11.09. General.

(a) No course of dealing and no delay or failure of the Issuer (or the Indenture Trustee as its assignee) in exercising any right, power or privilege under this Agreement shall affect any other or future exercise thereof or the exercise of any other right, power or privilege; nor shall any single or partial exercise of any such right, power or privilege or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Issuer (and the Indenture Trustee as its assignee) under this Agreement are cumulative and not exclusive of any rights or remedies which the Issuer would otherwise have.

(b) The obligations of the Seller and the Depositor under this Agreement shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by (a) any exercise or nonexercise of any right, remedy, power or privilege under or in respect of this Agreement or applicable law, including, without limitation, any failure to set-off or release in whole or in part by the Issuer of any balance of any deposit account or credit on its books in favor of the Issuer or any waiver, consent, extension, indulgence or other action or inaction in respect of any thereof, or (b) any other act or thing or omission or

delay to do any other act or thing which would operate as a discharge of the Issuer as a matter of law.

(c) This Agreement sets forth the entire understanding of the parties relating to the subject matter hereof and thereof, and supersedes all prior understandings and agreements, whether written or oral with respect to the subject matter hereof and thereof.

(d) The Seller shall pay the Depositor's and the Issuer's costs and expenses reasonably incurred in connection with the enforcement of any of the Seller's obligations hereunder.

(e) Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 11.10. LIMITATION OF DAMAGES.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THE PARTIES AGREE THAT NO PARTY SHALL BE LIABLE TO ANY OTHER FOR ANY SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES WHATSOEVER, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY) OR ANY OTHER LEGAL OR EQUITABLE PRINCIPLES; PROVIDED THAT, THE FOREGOING PROVISION SHALL NOT LIMIT OR RELIEVE ANY PARTY OF ANY OBLIGATION UNDER THIS AGREEMENT TO INDEMNIFY ANY OTHER PARTY AGAINST ANY DAMAGES IMPOSED (INCLUDING SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES) UPON SUCH PARTY BY A FINAL ORDER OF ANY COURT OF COMPETENT JURISDICTION IN CONNECTION WITH ANY LEGAL ACTION BROUGHT AGAINST SUCH PARTY BY ANY THIRD PARTY.

Section 11.11. WAIVER OF JURY TRIAL.

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, THE PURCHASES OR THE ACTIONS OF ANY PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT HEREOF OR THEREOF.

Section 11.12. No Recourse. It is expressly understood and agreed by the parties hereto that (a) this Receivables Purchase Agreement is executed and delivered by Wilmington Trust Company, not individually or personally but solely as trustee of the Issuer, 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 of 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 Receivables Purchase Agreement or any other related documents.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers hereunto duly authorized, as of the date first above written.

OPTION ONE ADVANCE TRUST, 2007-ADV2

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee

By: /s/ Erwin M. Soriano
Name: Erwin M. Soriano
Title: Assistant Vice President

OPTION ONE ADVANCE CORPORATION

By: /s/ William L. O'Neill
Name: William L. O'Neill
Title: Secretary

OPTION ONE MORTGAGE CORPORATION

By: /s/ William L. O'Neill
Name: William L. O' Neill
Title: Senior Vice President

SCHEDULE I

INFORMATION FOR NOTICES

1. if to the Issuer:

OPTION ONE ADVANCE TRUST 2007-ADV2
3 Ada
Irvine, California 92618
Attention: Rod Smith
Facsimile: (949) 790-7514
Telephone: (949) 790-8100

(with a copy to the Seller)

2. if to the Depositor:

OPTION ONE ADVANCE CORPORATION
3 Ada
Irvine, California 92618
Attention: Rod Smith, Mail Stop DC-IR
Facsimile: (949) 790-7514
Telephone: (949) 790-8100

3. if to the Seller:

OPTION ONE MORTGAGE CORPORATION
3 Ada
Irvine, California 92618
Facsimile: (949) 790-7514
Telephone: (949) 790-8100

4. if to the Indenture Trustee:

Use Notice Address provided in the Indenture.

5. if to the Agent:

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
600 Steamboat Road
Greenwich, Connecticut 06830
Attention: Robert Provety
Facsimilie: (203) 618-2148
Telephone: (203) 618-6884

With a copy to:

Dominic Obaditch
GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
600 Steamboat Road
Greenwich, Connecticut 06830
Facsimile: (203) 422-4565
Telephone: (203) 618-2565

6. if to the Secured Parties:

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
600 Steamboat Road
Greenwich, Connecticut 06830
Attention: Robert Provety
Facsimilie: (203) 618-2148
Telephone: (203) 618-6884

With a copy to:

Dominic Obaditch
GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
600 Steamboat Road
Greenwich, Connecticut 06830
Facsimile: (203) 422-4565
Telephone: (203) 618-2565

7. if to the Initial Purchasers:

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
600 Steamboat Road
Greenwich, Connecticut 06830
Attention: Robert Provety
Facsimilie: (203) 618-2148
Telephone: (203) 618-6884

SCHEDULE II

AMENDMENTS TO POOLING AND SERVICING AGREEMENTS

EXHIBIT A

COPY OF INITIAL FUNDING DATE REPORT
FOR
INITIAL RECEIVABLES

EXHIBIT B

FUNDING NOTICE

[insert date]

Option One Advance Trust 2007-ADV2
3 Ada
Irvine, California 92618
Attention: [___]
Facsimile: [___]
Telephone: [___]

Wells Fargo Bank, National Association
9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: Client Manager — Option One Advance Trust 2007-ADV2
Facsimile: 410-715-2380
Telephone: 410-884-2000

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
600 Steamboat Road
Greenwich, Connecticut 06830
Attention: Robert Provety
Facsimilie: 203-618-2148
Telephone: 203-618-6884

BearingPoint, Inc.
1676 International Drive
McLean, Virginia 22102
Attention: [___]
Facsimile: [___]
Telephone: [___]

Re: Receivables Purchase Agreement, dated as of October 1, 2007; Funding Notice

Pursuant to Section 2.01 of the Receivables Purchase Agreement, dated as of October 1, 2007 (the "Receivables Purchase Agreement"), between Option One Advance Trust 2007-ADV2 (the "Issuer"), Option One Advance Corporation (the "Depositor") and Option One Mortgage Corporation (the "Seller"), the undersigned hereby notifies you that the Receivables listed on Exhibit A hereto, in the amount of $[_____], are being sold by the Seller to the Depositor and by the Depositor to the Issuer on the Funding Date occurring on *[insert date]*.

The Seller also hereby certifies that (i) the Funding Conditions contained in Sections 7.02(ii), (iv), (v), (vi), (vii), (viii), (xii), (xiii) (with respect to Sections 3.01(a)(ii), (iii) and (iv) of the Note Purchase Agreement, dated as of October 1, 2007, between the Issuer and Greenwich Capital Financial Products, Inc.) and (xiv) of the Indenture, dated as of October 1, 2007, between the Issuer and Wells Fargo Bank, National Association, have been met and (ii) the representations and warranties contained in Section 6 of the Receivables Purchase Agreement are true and correct as of the date hereof.

The Depositor also hereby certifies that the representations and warranties contained in Section 5 of the Receivables Purchase Agreement are true and correct as of the date hereof.

Very truly yours,

OPTION ONE MORTGAGE CORPORATION

By: _____
Name: _____
Title: _____

OPTION ONE ADVANCE CORPORATION

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED:

BEARINGPOINT, INC.

By: _____
Name: _____
Title: _____

Exhibit C

FORM OF BILL OF SALE

Option One Mortgage Corporation (the "Seller") hereby absolutely sells and contributes to Option One Advance Corporation, and Option One Advance Corporation (the "Depositor") hereby absolutely sells and contributes to Option One Advance Trust 2007-ADV2, a statutory trust organized under the laws of the State of Delaware (the "Purchaser"), without recourse, except as set forth in the Amended and Restated Receivables Purchase Agreement:

(a) All right, title and interest in and to the Receivables identified in the Schedule attached hereto as Exhibit A; and

(b) All principal, interest and other proceeds of any kind received with respect to such Receivables, including but not limited to proceeds derived from the conversion, voluntary or involuntary, of any of such assets into cash or other liquidated property.

The ownership of the Receivables is vested in Purchaser and the ownership of all records and documents with respect to the related Receivables prepared by or which come into the possession of the Seller or the Depositor shall immediately vest in Purchaser and shall be retained and maintained, in trust, by the Seller or the Depositor, as applicable at the will of Purchaser in such custodial capacity only. The sale of the Receivables shall be reflected as a sale on the Seller's and the Depositor's business records, tax returns and financial statements.

This Bill of Sale is made pursuant to, and is subject to the terms and conditions of, that certain Receivables Purchase Agreement dated as of October 1, 2007, between Option One Mortgage Corporation, as seller, Option One Advance Corporation, as depositor and Option One Advance Trust 2007-ADV2, as issuer (the "Agreement"). The Seller confirms to Purchaser that the representations and warranties set forth in Article 6 of the Agreement are true and correct as if made on the date hereof (except to the extent that they expressly relate to an earlier or later date). The Depositor confirms to Purchaser that the representations and warranties set forth in Article 5 of the Agreement are true and correct as if made on the date hereof (except to the extent that they expressly relate to an earlier or later date).

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement.

DATED: _____

OPTION ONE MORTGAGE CORPORATION

By: _____
Name: _____
Title: _____

OPTION ONE ADVANCE CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT D

SCHEDULE I REPORT

EXHIBIT E

SCHEDULE II REPORT

Exhibit 10.7

EXECUTION COPY

OPTION ONE ADVANCE TRUST 2007-ADV2

as Issuer

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Indenture Trustee

INDENTURE

Dated as of October 1, 2007

Option One Advance Trust 2007-ADV2
Advance Receivables Backed Notes, Series 2007-ADV2

TABLE OF CONTENTS

EXECUTION COPY

INDENTURE, dated as of October 1, 2007, between OPTION ONE ADVANCE TRUST 2007-ADV2, a Delaware statutory trust, as issuer (the "Issuer"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, but solely as Indenture Trustee (the "Indenture Trustee") under this Indenture.

PRELIMINARY STATEMENT

The Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance of its Option One Advance Receivables Backed Notes, Series 2007-ADV2 (the "Notes").

All things necessary to make the Notes, when the Notes are executed by the Issuer and authenticated and delivered by the Indenture Trustee hereunder and duly issued by the Issuer, the valid and legally binding obligations of the Issuer enforceable in accordance with their terms, and to make this Indenture a valid and legally binding agreement of the Issuer enforceable in accordance with its terms, have been done.

GRANTING CLAUSE

The Issuer hereby Grants to the Indenture Trustee effective as of the Initial Funding Date, as Indenture Trustee for the benefit of the Secured Parties, all of the Issuer's right, title and interest in and to (i) the Initial Receivables and any Additional Receivables and all monies due thereon or paid thereunder or in respect thereof (including, without limitation, any Repurchase Prices and proceeds of any sales) on and after the Initial Funding Date; (ii) all rights of the Issuer as Purchaser under the Receivables Purchase Agreement, including, without limitation, to enforce the obligations of the Seller thereunder with respect to the Aggregate Receivables; (iii) the Reimbursement Account, the Note Payment Account and the Reserve Account, and all monies, "securities," "instruments," "accounts," "general intangibles," "chattel paper," "financial assets," "investment property" (the terms in quotations are defined in the UCC) and other property on deposit or credited to the Reimbursement Account, the Note Payment Account and the Reserve Account from time to time (whether or not such property constitutes or is derived from payments, collections or recoveries received, made or realized in respect of the Aggregate Receivables or otherwise); (iv) all right, title and interest of the Issuer as assignee of the Seller to the contractual rights to payment on the Aggregate Receivables under each Pooling and Servicing Agreement and all related documents, instruments and agreements pursuant to which the Seller acquired, or acquired an interest in, any of the Aggregate Receivables; (v) true and correct copies of all books, records and documents relating to the Aggregate Receivables in any medium, including without limitation paper, tapes, disks and other electronic media; (vi) all other monies, securities, reserves and other property now or at any time in the possession of the Indenture Trustee or its bailee, agent or custodian and relating to any of the foregoing, including without limitation, any of the Issuer's funds on deposit in the Funding Account from time to time; and (vii) all proceeds of the foregoing of every kind and nature whatsoever, including, without limitation, all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property that at any time constitute all or part

of or are included in the proceeds of the foregoing ((i) through (vii), collectively, the "Trust Estate").

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 acknowledges such Grant, accepts the trusts hereunder in accordance with the provisions hereof, and agrees to perform the duties herein to the best of its ability such that the interests of the Secured Parties may be adequately and effectively protected.

GENERAL COVENANT

AND IT IS HEREBY COVENANTED AND DECLARED that the Notes are to be authenticated and delivered by the Indenture Trustee, that the Trust Estate is to be held by or on behalf of the Indenture Trustee and that monies in the Trust Estate are to be applied by the Indenture Trustee for the benefit of the Secured Parties, subject to the further covenants, conditions and trusts hereinafter set forth, and the Issuer does hereby represent and warrant, and covenant and agree, to and with the Indenture Trustee, for the equal and proportionate benefit and security of each Secured Party, as follows:

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

Section 1.01. Definitions

Whenever used in this Indenture, including in the Preliminary Statement, the Granting Clause and the General Covenant hereinabove set forth, the following words and phrases, unless the context otherwise requires, shall have the meanings specified in this Section 1.01 or, if not specified in this Section 1.01, then in the applicable Pooling and Servicing Agreement.

"1933 Act": The Securities Act of 1933, as amended, and the rules, regulations and published interpretations of the Securities and Exchange Commission promulgated thereunder from time to time.

"1934 Act": The Securities Exchange Act of 1934, as amended, and the rules, regulations and published interpretations of the Securities and Exchange Commission promulgated thereunder from time to time.

"1939 Act": The Trust Indenture Act of 1939, as amended, and the rules, regulations and published interpretations of the Securities and Exchange Commission promulgated thereunder from time to time.

"1940 Act": The Investment Company Act of 1940, as amended, and the rules, regulations and published interpretations of the Securities and Exchange Commission promulgated thereunder from time to time.

“Accounts”: The Reimbursement Account, the Note Payment Account, the Reserve Account and the Funding Account.

“Act”: As defined in Section 11.04 hereof.

“Accrual Period”: With respect to the Notes and any Payment Date, the period commencing on and including the Payment Date preceding such Payment Date (or, in the case of the initial Accrual Period, the Initial Funding Date) and ending on and including the day preceding such Payment Date.

“Additional Note Balance”: With respect to each Funding Date after the Initial Funding Date, the amount of additional principal of the Notes advanced by the Note Purchasers on such Funding Date in accordance with the Note Purchase Agreement.

“Additional Receivables”: With respect to each Funding Date after the Initial Funding Date, the Receivables sold and contributed by the Seller to the Issuer on such Funding Date and Granted by the Issuer to the Indenture Trustee to comprise part of the Trust Estate.

“Administration Agreement”: The Administration Agreement, dated as of October 1, 2007, between the Issuer and Option One as administrator, as amended or restated from time to time.

“Administrator”: Option One, and its successors and assigns in such capacity.

“Advance”: As defined in the Pooling and Servicing Agreements.

“Advance Category”: With respect to any Receivable, the applicable category set forth on the Schedule of Initial Receivables or the Schedule of Additional Receivables, as applicable.

“Advance Reimbursement Amounts”: Amounts paid to or retained by the Servicer in its capacity as agent for the Securitization Trust, including amounts withdrawn from the related Collection Account, as reimbursement of any Advance pursuant to the applicable Pooling and Servicing Agreement.

“Affiliate”: With respect to any specified Person, for purposes of this Indenture only, any other Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified. 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 or other beneficial interest, by contract or otherwise; and the terms “controlling” and “controlled” have the meanings correlative to the foregoing.

“Agent”: Greenwich Capital Financial Products, Inc. as agent under the Transaction Documents and its successors and assigns in such capacity.

“Aggregate Collateral Value”: With respect to the Collateral as of any date, the sum of the Collateral Value on such date and the Excess Amount on deposit in the Accounts (including the par amount of all Permitted Investments in such Account).

“Aggregate Receivables”: All Initial Receivables and all Additional Receivables.

“Authenticating Agent”: As defined in Section 2.02(b).

“Authorized Officer”: With respect to the Owner Trustee, 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 with respect to the Issuer, any Authorized Officer of the Owner Trustee or of the Administrator.

“Available Funds”: With respect to any Payment Date, the sum of (i) Advance Reimbursement Amounts collected by the Serivcer as of the close of business on the last day of the Collection Period then most recently concluded (including amounts earned on Permitted Investments, which are paid into the Note Payment Account) plus without duplication (ii) all funds to be deposited to the Note Payment Account from the Reserve Account or the Funding Account on or before such Payment Date.

“Bill of Sale”: With respect to any Funding Date, a bill of sale, substantially in the form found in 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.

“Business Day”: Any day other than a Saturday, a Sunday or a day on which banking institutions are authorized or obligated by law or executive order to remain closed in New York, New York, Irvine, California, Charlotte, North Carolina, Minneapolis, Minnesota or in any other city in which the Corporate Trust Office of the Indenture Trustee is located.

“Cash”: Coin or currency of the United States or immediately available federal funds, including such funds delivered by wire transfer.

“Cash Purchase Price”: As defined in Section 1.01 of the Receivables Purchase Agreement.

“Certificateholder”: As defined in the Trust Agreement.

“Change of Control”: 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 Option One 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.

“Class Exemption”: A class exemption granted by the DOL, which provides relief from some or all of the prohibited transaction provisions of ERISA and the related excise tax provisions of the Code.

“Closing Date”: October 1, 2007.

“Code”: The Internal Revenue Code of 1986 and regulations promulgated thereunder, including proposed regulations to the extent that, by reason of their proposed effective date, could, as of the date of any determination or opinion as to the tax consequences of any action or proposed action or transaction, be applied to the Notes.

“Collateral”: Individually and collectively, the assets constituting the Trust Estate from time to time.

“Collateral Coverage Requirement”: With respect to any date, the requirement that the Aggregate Collateral Value of the Collateral shall be greater than or equal to the Note Principal Balance as of such date (after giving effect to any purchase of Additional Note Balance or Additional Receivables on such date).

“Collateral Value”: With respect to the Collateral as of any date, the sum of (a) the product of (i) the outstanding Receivable Balances of the Eligible Receivables relating to Pool-Level Advances and (ii) the applicable Discount Factor, (b) the product of (i) the outstanding Receivable Balances of the Eligible Receivables relating to Loan-Level Advances and (ii) the applicable Discount Factor and (c) the product of (i) the outstanding Receivables Balances of the Eligible Receivables relating to Servicing Advances and (ii) the applicable Discount Factor. For purposes of determining Collateral Value, a Receivable shall be deemed unreimbursed until the cash reimbursement thereof is deposited into the Reimbursement Account.

“Collection Account”: As defined in the Pooling and Servicing Agreements.

“Collection Period”: With respect to any Payment Date, the calendar month immediately preceding the month of such Payment Date.

“Commitment”: As defined in the Note Purchase Agreement.

“Control Person”: With respect to any Person, any other Person that constitutes a “controlling person” within the meaning of Section 15 of the 1933 Act.

“Conversion Event”: As such term (or term of substantially similar import) is defined in the Pooling and Servicing Agreements.

“Corporate Trust Office”: The principal corporate trust offices of the Indenture Trustee at which at any particular time its corporate trust business with respect to the Issuer shall be administered, which offices at the Closing Date are located at (i) for Note transfer purposes, Wells Fargo Center, Sixth and Marquette Avenue, Minneapolis, Minnesota 55479-0113, Attention: Corporate Trust Services - Option One Advance Trust 2007-ADV2 and (ii) for all other purposes, at 9062 Old Annapolis Road, Columbia, Maryland 21045-1951, Attention: Corporate Trust Services - Option One Advance Trust 2007-ADV2.

“Current-Paying Mortgage Loan”: As of any date of determination, a Mortgage Loan with respect to which no payment is more than 30 days delinquent.

“Daily Interest Amount”: With respect to each day and the related Accrual Period, an amount equal to (x) the Floating Rate or, during the continuance of an Event of Default, the

Default Rate times (y) 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 times (z) a fraction, the numerator of which is one and the denominator of which is 360.

"Default Rate": As defined in the Pricing Side Letter.

"Delinquency Ratio": With respect to any Securitization Trust and any date, a ratio, expressed as a percentage, the numerator of which is the unpaid Principal Balance of Mortgage Loans 30 days or more Delinquent, and the denominator of which is the unpaid Principal Balance of all Mortgage Loans.

"Delinquent": A Mortgage 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 Mortgage 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.

"Depositor": Option One Advance Corporation.

"Discount Factor": As defined in the Pricing Side Letter.

"DOL": The United States Department of Labor.

"DOL Regulations": The regulations promulgated by the DOL at 29 C.F.R. § 2510.3-101.

"Eligible Account": Any of (i) an account maintained with a federal or state chartered depository institution or trust company, the long-term deposit or long-term unsecured debt obligations of which (or of such institution's parent holding company) are rated "A" or better by Fitch, A2 or better by Moody's and "AA-"or better by S&P if the deposits are to be held in the account for more than 30 days, or the short-term deposit or short-term unsecured debt obligations of which (or of such institution's parent holding company) are rated "F1" or better by Fitch, "P-1" or better by Moody's and "A-1+" or better by S&P if the deposits are to be held in the account for 30 days or less, in any event at any time funds are on deposit therein, or (ii) a segregated trust account maintained with a federal or state chartered depository institution or trust company acting in its fiduciary capacity, which, in the case of a state chartered depository institution or trust company is subject to regulations regarding fiduciary funds on deposit therein substantially similar to 12 CFR § 9.10(b), and which, in either case, has a combined capital and surplus of at least $50,000,000 and is subject to supervision or examination by federal or state authority, or (iii) an account maintained with H&R Block Bank, or (iv) any other account that is acceptable to the Majority Noteholders. Eligible Accounts may bear interest.

"Eligible Receivable": A Receivable that satisfies the applicable representations and warranties set forth in the Receivables Purchase Agreement.

"Entitlement Order": As defined in Section 8-102(a)(8) of the UCC.

"ERISA": The Employee Retirement Income Security Act of 1974, as amended.

"Event of Default": As defined in Section 4.01 hereof.

"Excess Amount": As of any date, the lesser of (i) for each Receivable, the sum of the product of (A) each Advance Reimbursement Amount on deposit in the Reimbursement Account as of the close of business on the prior day and (B) the applicable Discount Factor and (ii) all amounts on deposit in the Reimbursement Account as of the close of business on the prior day minus the Expense Reserve as of such date.

"Expense Reserve": As of any date, the amount required to make all of the payments specified in Section 2.10(c)(i) through (vii) on the immediately succeeding Payment Date to the extent known on such date.

"Facility Fee": As defined in the Pricing Side Letter.

"FDIC": Federal Deposit Insurance Corporation or any successor.

"Final Payment Date": The Payment Date on which the final payment on the Issuer Obligations is made hereunder by reason of all principal, interest and other amounts due and payable on such Issuer Obligations having been paid or the Collateral having been exhausted.

"Financial Asset": As defined in Section 8-102(a)(9) of the UCC.

"Fitch": Fitch, Inc., a nationally recognized statistical rating organization under the federal securities laws.

"Floating Rate": As defined in the Pricing Side Letter.

"Funding Account": The segregated account, or accounts, each of which shall be an Eligible Account, established and maintained pursuant to Section 2.09 and entitled "Wells Fargo Bank, National Association, as Indenture Trustee in trust for the Noteholders of the Option One Trust 2007-ADV2 Advance Receivables Backed Notes, Series 2007-ADV2, Funding Account." The Funding Account may be a sub-account of the Reimbursement Account.

"Funding Conditions": As defined in Section 7.02.

"Funding Date": During the Funding Period, (i) the Initial Funding Date, (ii) the first Business Day of each week, (iii) the 24th day of any calendar month, or if such day is not a Business Day, the Business Day immediately following such 24th day, and (iv) any other date agreed to by the Agent, the Issuer and the Indenture Trustee.

"Funding Date Report": As defined in Section 6.02(c).

"Funding Interruption Event": Any condition or event that with notice or the passage of time, or both, would constitute an Event of Default.

"Funding Notice": As defined in Section 2.01(c) of the Receivables Purchase Agreement.

"Funding Period": The period beginning on the Initial Funding Date and ending upon the earlier to occur of (i) the Scheduled Termination Date and (ii) the occurrence of a Funding Termination Event.

"Funding Termination Event": Immediately upon the sending of notice by the Agent to the Indenture Trustee and the Servicer of the occurrence of any of the following conditions or events:

(a) the occurrence of any Event of Default under this Indenture;

(b) voluntary election by Servicer to change reimbursement mechanics of Advances on any Securitization Trust from Pool-Level Advances to Loan-Level Advances or Loan-Level to Pool-Level Advances without consent of the Agent;

(c) Option One utilizes funds on deposit in the related Collection Account to make a Pool-Level Advance at a time when any previous Pool-Level Advance to the related Securitization Trust has not been fully reimbursed, unless such utilization is the result of inadvertence and is corrected within two Business Days after Option One is notified of, or otherwise becomes aware of, such occurrences;

(d) the Rolling Three Month Reimbursement Percentage measured monthly is less than 22%; provided, however, that the Rolling Three Month Reimbursement Percentage shall first be measured following the Collection Period ending November 30, 2008;

(e) a failure to comply with any of the Servicing Standards, which is not cured within two (2) Business Days after Option One is notified of, or otherwise becomes aware of, such occurrence;

(f) the Verification Agent is terminated or resigns prior to the assumption of the Verification Agent's duties by a successor verification agent;

(g) the Seller sells Receivables to the Depositor and/or the Depositor sells Receivables to the Issuer that are in breach of any representation or warranty set forth in the Receivables Purchase Agreement (a) on more than two occasions in any twelve-month period and (b) involving Receivables with an aggregate Receivables Balance in excess of $150,000;

(h) the Seller fails to sell all Additional Receivables relating to Securitization Trusts on at least a monthly basis during the Funding Period except to the extent that the outstanding principal amount of the Notes would thereby be caused to exceed the Maximum Note Balance;

(i) the sale by the Servicer of Advances of any Securitization Trust to a third party where the Issuer has purchased the Servicing Advances relating to such Securitization Trust; or

(j) Option One's servicer quality rating as primary servicer of sub-prime loans is either withdrawn by any two (2) of S&P, Moody's or Fitch or by any two (2) of S&P, Moody's

or Fitch rated below any of the following categories: “Average” by S&P, “SQ3” by Moody’s or “RPS3” by Fitch.

“GAAP”: Such accounting principles as are generally accepted in the United States.

“Governmental Authority”: As defined in the Receivables Purchase Agreement.

“Grant”: To mortgage, pledge, bargain, sell, warrant, alienate, demise, convey, assign, transfer, create and grant a security interest in and right of setoff against, deposit, set over and confirm. A Grant of Collateral shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including without limitation 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 monies and proceeds 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 which the granting party is or may be entitled to do or receive thereunder or with respect thereto.

“Guarantor”: As defined in the Pooling and Servicing Agreements.

“Highest Note Balance”: An amount equal to the highest Note Principal Balance of Notes Outstanding as of any date since the Initial Funding Date.

“Indemnified Parties”: As defined in Section 9.11(b).

“Indenture”: This instrument as originally executed or as it may be supplemented or amended from time to time by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

“Indenture Trustee”: Wells Fargo Bank, National Association, a national banking association, in its capacity as indenture trustee under this Indenture, or its successor in interest, or any successor indenture trustee appointed as provided in this Indenture.

“Indenture Trustee Fee”: The fee payable to the Indenture Trustee on each Payment Date for services rendered under this Indenture, which shall be equal to $2,500 per month.

“Independent”: When used with respect to any specified Person, any such Person who (i) is in fact independent of the Indenture Trustee, the Issuer, the Seller and any and all Affiliates thereof, (ii) does not have any direct financial interest in or any material indirect financial interest in any of the Indenture Trustee, the Issuer, the Seller or any Affiliate thereof, and (iii) is not connected with the Indenture Trustee, the Issuer, the Seller or any Affiliate thereof 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 Indenture Trustee, the Issuer, the Seller or any Affiliate thereof merely because such Person is the beneficial owner of 1% or less of any class of securities issued by the Indenture Trustee, the Issuer, the Seller or any Affiliate thereof, as the case may be. The Indenture Trustee may rely, in

the performance of any duty hereunder, upon the statement of any Person contained in any certificate or opinion that such Person is Independent according to this definition.

“Initial Funding Date”: October 2, 2007.

“Initial Note Balance”: The Cash Purchase Price of the Initial Receivables granted on the Initial Funding Date hereunder. The Initial Note Balance will be determined on the Initial Funding Date.

“Initial Payment Date”: October 10, 2007.

“Initial Receivables”: The Receivables sold and contributed by the Seller to the Depositor and by the Depositor to the Issuer on the Initial Funding Date pursuant to the Receivables Purchase Agreement and Granted by the Issuer to the Indenture Trustee to comprise part of the Trust Estate.

“Initial Reserve Account Deposit”: 2% of the Note Principal Balance.

“Interest Carryover Shortfall”: With respect to any Payment Date, the excess of (i) the sum of (a) the Interest Distributable Amount for the Notes for such Payment Date and (b) without duplication, any unpaid Interest Carryover Shortfall for any preceding Payment Date plus interest thereon accrued from the preceding Payment Date to the current Payment Date at the Default Rate over (ii) the amount of interest, if any, actually paid to Noteholders on such Payment Date.

“Interest Distributable Amount”: With respect to any Payment Date and the related Accrual Period, an amount equal to the sum of the Daily Interest Amounts for all days in the related Accrual Period.

“Interest Rate Adjustment Date”: The first day of each Accrual Period.

“Interested Person”: As of any date of determination, Option One or any of its Affiliates.

“IRS”: The United States Internal Revenue Service.

“Issuer”: Option One Advance Trust 2007-ADV2, a Delaware statutory trust, or its successor in interest.

“Issuer Obligations”: means all of Issuer’s obligations to pay all interest and principal of the Notes and all other obligations and liabilities of Issuer arising under, or in connection with, the Transaction Documents, whether now existing or hereafter arising.

“Issuer Request” or “Issuer Order”: A written request or order signed in the name of the Issuer by an Authorized Officer of the Issuer.

“Lien”: means any mortgage, deed of trust, pledge, lien (statutory or otherwise), security interest, lease, easement, title defect, restriction, levy, execution, seizure, attachment, charge or other encumbrance or security or preferential arrangement of any nature, including, without

limitation, any conditional sale or title retention arrangement, any capitalized lease and any assignment, deposit arrangement or financing lease intended as, or having the effect of, security.

"Loan-Level Advance": Any Advance with respect to the Loan-Level Securitization Trusts.

"Loan-Level Securitization Trusts": The Securitization Trusts listed on Schedule I hereto.

"Majority Noteholders": As defined in Section 4.11.

"Maturity Date": With respect to the Notes, the date as of which the principal of and interest on the Notes has become due and payable as herein provided, whether at Stated Maturity, by acceleration or otherwise.

"Maximum Note Balance": $400,000,000.00.

"Monthly Payment": As defined in the Pooling and Servicing Agreements.

"Monthly Servicer Report": As defined in Section 6.02(a).

"Moody's": Moody's Investors Service, Inc., a nationally recognized statistical rating organization under the federal securities laws.

"Mortgage Loans": As defined in the Pooling and Servicing Agreements.

"Mortgagor": As defined in the Pooling and Servicing Agreements.

"Nonrecoverable Advance": As defined in the relevant Pooling and Servicing Agreement.

"Note": Any of the Issuer's Advance Receivables Backed Notes, Series 2007-ADV2, executed, authenticated and delivered hereunder.

"Note Payment Account": The trust account or accounts created and maintained by the Indenture Trustee pursuant to Section 2.09 which shall be entitled "Note Payment Account, Wells Fargo Bank, National Association, as Indenture Trustee, in trust for the registered Noteholders of Option One Advance Trust 2007-ADV2, Advance Receivables Backed Notes Series 2007-ADV2" and which must be an Eligible Account.

"Note Principal Balance": With respect to the Notes, as of any date of determination (a) the sum of the Initial Note Balance and all Additional Note 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 date.

"Note Purchase Agreement": The Note Purchase Agreement, dated as of October 1, 2007, among the Issuer, the Note Purchasers and the Agent, as amended or restated from time to time.

"Note Purchasers": Greenwich Capital Financial Products, Inc., and its successors and assigns.

"Note Redemption Amount": An amount without duplication equal to the sum of (i) the then outstanding Note Principal Balance of the Notes, plus the Interest Distributable Amount for the related Payment Date and any Interest Carryover Shortfall and (ii) any fees and expenses due and unpaid, including, but not limited to, any Facility Fee and Unused Line Fee, on the related Payment Date.

"Note Register": As defined in Section 2.05(a) hereof.

"Note Registrar": As defined in Section 2.05(a) hereof.

"Noteholder" or "Holder": With respect to any Note, the Person in whose name such Note is registered on the Note Register maintained pursuant to Section 2.05 hereof.

"Officer's Certificate": A certificate signed by any Authorized Officer of the Issuer or a Responsible Officer of the Indenture Trustee, as the case may be, or, with respect to Sections 9.08 and 11.02, a Responsible Officer of the Administrator.

"Opinion of Counsel": A written opinion of counsel, who shall be selected by the Person required to provide such Opinion of Counsel (and reasonably acceptable to the Indenture Trustee). The cost of obtaining such opinion shall be borne by the Person required to provide such Opinion of Counsel.

"Option One": Option One Mortgage Corporation.

"OTS": Office of Thrift Supervision or any successor thereto.

"Outstanding": When used with respect to Notes, means, 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 (other than any Note as to which any amount that has become due and payable in respect thereof has not been paid in full); and

(ii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Note Registrar proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Issuer;

provided, however, that in determining whether the Holders of the requisite aggregate Note Principal Balance of Outstanding Notes have given any request, demand, authorization, vote, direction, notice, consent or waiver hereunder, Notes owned by an Interested Person shall be disregarded and deemed not to be Outstanding (unless any such Person or Persons owns all the Notes), 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

which the Note Registrar knows to be so owned shall be so disregarded. Notes owned by an Interested Person which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Note Registrar in its sole discretion the pledgee's right to act with respect to such Notes and that the pledgee is not an Interested Person.

"Ownership Interest": As to any Note, any ownership or security interest in such Note as held by the Holder thereof and any other interest therein, whether direct or indirect, legal or beneficial, as owner or as pledgee.

"Owner Trustee": Wilmington Trust Company and its successors and assigns as owner trustee under the Trust Agreement.

"Payment Date": The 10th day of each calendar month, or, if such 10th day is not a Business Day, the next succeeding Business Day, commencing in October, 2007 and any other date agreed to by the Agent, the Issuer and the Indenture Trustee, from time to time.

"Payment Date Report": As defined in Section 6.02(b).

"Percentage Interest": 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.

"Permitted Investments": Any one or more of the following obligations or securities:

(i) direct obligations of, or obligations fully guaranteed as to timely payment of principal and interest by, the United States or any agency or instrumentality thereof, provided that such obligations are backed by the full faith and credit of the United States and have a predetermined, fixed amount of principal due at maturity (that cannot vary or change) and that each such obligation has a fixed interest rate or has its interest rate tied to a single interest rate index plus a single fixed spread;

(ii) repurchase agreements on obligations specified in clause (i) maturing not more than one month from the date of acquisition thereof, provided that the unsecured obligations of the party agreeing to repurchase such obligations are at the time rated by each Rating Agency in its highest short-term rating category available;

(iii) federal funds, unsecured certificates of deposit, time deposits, bankers' acceptances and repurchase agreements having maturities of not more than 365 days, of any bank or trust company organized under the laws of the United States or any state thereof, provided that such items are rated the highest short-term debt rating categories of each Rating Agency, do not have an "r" highlight affixed to its rating and have a predetermined, fixed amount of principal due at maturity (that cannot vary or change) and that each such obligation has a fixed interest rate or has its interest rate tied to a single interest rate index plus a single fixed spread;

(iv) commercial paper (having original maturities of not more than 365 days) of any corporation incorporated under the laws of the United States or any state thereof

(or of any corporation not so incorporated, provided that the commercial paper is United States Dollar denominated and amounts payable thereunder are not subject to any withholding imposed by any non-United States jurisdiction) which is rated in the highest short-term debt rating category of each Rating Agency, does not have an "r" highlight affixed to its rating, has a predetermined fixed amount of principal due at maturity (that cannot vary or change) and has a fixed interest rate or has its interest rate tied to a single interest rate index plus a single fixed spread;

(v) units of money market funds which have as one of their objectives the maintenance of a constant net asset value and which are rated the highest applicable rating category of Moody's and S&P (including any funds for which the Indenture Trustee or any affiliate of the Indenture Trustee serves as an adviser or manager); or

(vi) any other obligation or security acceptable to the Majority Noteholders; provided that without the consent of the Majority Noteholders (1) no investment described hereunder shall evidence either the right to receive (x) only interest with respect to such investment or (y) a yield to maturity greater than 120% of the yield to maturity at par of the underlying obligations, (2) no investment described hereunder may be purchased at a price greater than par if such investment may be prepaid or called at a price less than its purchase price prior to stated maturity (that cannot vary or change) and (3) investments shall be denominated in U.S. dollars.

"Person": Any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association, or any federal, state, county or municipal government or any political subdivision thereof.

"Plan": As defined in Section 2.05(c) hereof.

"Pooling and Servicing Agreement": Each pooling and servicing agreement pursuant to which the related Securitization Trust is formed, each as amended, modified or supplemented from time to time and collectively referred to herein as the "Pooling and Servicing Agreement".

"Pool-Level Advance": Any Advance with respect to the Securitization Trusts listed on Schedule II hereto; provided, that, any such Pool-Level Advance shall become a Loan-Level Advance upon the effectiveness of a Conversion Event with respect to the related Securitization Trust.

"Pool-Level Securitization Trust": The Securitization Trusts listed on Schedule II hereto.

"Prepayment": As defined in the Pooling and Servicing Agreements.

"Pricing Side Letter": That certain letter, identified as such, of even date herewith entered into by the Issuer and the Indenture Trustee.

"Principal Balance": As defined in the Pooling and Servicing Agreements.

"Proceeding": Any suit in equity, action at law or other judicial or administrative proceeding.

"Put Notice": As defined in Section 2.16(b) hereof.

"Put Option": The right of the Agent to require the Issuer to repurchase all or a portion of the Notes in accordance with Section 2.16(b) hereof.

"QIB": A "qualified institutional buyer" as defined in Rule 144A under the 1933 Act.

"Rating Agency": Fitch, Moody's, S&P or their respective successors in interest. If none of such rating agencies or any related successor remains in existence, "Rating Agency" shall be deemed to refer to such other nationally recognized statistical rating organization or other comparable Person designated by the Issuer, and specific ratings of Fitch, Moody's or S&P referenced herein shall be deemed to refer to the equivalent ratings of the party so designated. References herein to "applicable rating category" (other than any such references to "highest applicable rating category") shall, in the case of Fitch, Moody's and S&P, be deemed to refer to such applicable rating category of Fitch, Moody's and S&P, respectively, without regard to any plus or minus or other comparable rating qualification.

"Receivable": The right to reimbursement from a Securitization Trust for an Advance or Servicing Advance not theretofore reimbursed and all rights of the Servicer, as applicable, to enforce payment of such obligation under the related Pooling and Servicing Agreement.

"Receivable Balance": As of any date of determination and with respect to a Receivable, the outstanding unreimbursed amount of such Receivable. For purposes of determining Collateral Value, a Receivable shall be deemed unreimbursed until the cash reimbursement thereof is deposited into the Reimbursement Account.

"Receivable File": With respect to each Receivable, collectively, the following documents:

(i) a copy of the related Pooling and Servicing Agreement and each amendment and modification thereto (unless previously provided in another Receivable File);

(ii) a copy of the electronic file setting forth the Monthly Servicer Reports listing the current Receivables Balance Granted to the Indenture Trustee to comprise part of the Trust Estate; and

(iii) a copy of the electronic file containing the related Funding Date Report.

"Receivables Purchase Agreement": The Receivables Purchase Agreement, dated as of October 1, 2007, among the Seller, the Depositor and the Issuer.

"Receivables Seller": Option One.

"Record Date": With respect to any Payment Date and the Notes, the last Business Day of the month immediately preceding the month in which such Payment Date occurs (or, in the case of the Initial Payment Date, the Initial Funding Date).

“Redemption Date”: The Payment Date as of which all of the outstanding Note Principal Amount is redeemed in accordance with Section 2.16 of the Indenture.

“Redemption Option”: The right of the Issuer to redeem all of the Notes in accordance with Section 2.16 of the Indenture.

“Reference Rate”: As defined in the Note Purchase Agreement.

“Reimbursement Account”: The account or accounts created and maintained pursuant to Section 2.09, which shall be entitled “Wells Fargo Bank, National Association, as Indenture Trustee, in trust for registered Holders of Option One Advance Trust 2007-ADV2, Advance Receivables Backed Notes, Series 2007-ADV2, Reimbursement Account,” which must be an Eligible Account.

“Repurchase Price”: As defined in Section 6.02 of the Receivables Purchase Agreement.

“Required Reserve Amount”: With respect to any Payment Date, an amount equal to 2% of the Note Principal Balance (after giving effect to all payments of principal in respect of the Notes on such Payment Date); provided however that, at any time when Option One’s servicer quality rating as primary servicer of sub-prime loans is either withdrawn by any two (2) of S&P, Moody’s or Fitch or by any two (2) of S&P, Moody’s or Fitch rated below any of the following categories: “Average” by S&P, SQ3 by Moody’s or RPS3 by Fitch, the Required Reserve Amount shall be 20%.

“Reserve Account”: The segregated account or accounts, each of which shall be an Eligible Account, established and maintained pursuant to Section 2.09 and entitled, “Wells Fargo Bank, National Association, as Indenture Trustee in trust for the Noteholders of the Option One Advance Trust 2007-ADV2, Advance Receivables Backed Notes, Series 2007-ADV2, Reserve Account.”

“Reserve Fund Reimbursement Amount”: With respect to any Payment Date, the excess of the Required Reserve Amount over the amount then on deposit in the Reserve Account.

“Responsible Officer”: With respect to the Indenture Trustee, any officer of the Indenture Trustee assigned to its Corporate Trust Services, customarily performing functions with respect to corporate trust matters and having direct responsibility for the administration of this Indenture and, with respect to a particular corporate trust matter under this Indenture, any other officer to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

“Rolling Three Month Reimbursement Percentage”: The percentage equivalent of a fraction, the numerator of which is the aggregate Advance Reimbursement Amounts with respect to the applicable Servicing Advances and applicable Loan Level Advances deposited to the Reimbursement Account during the prior three related Collection Periods and the denominator of which is the aggregate Receivables Balance with respect to Servicing Advances and Loan Level Advances outstanding as of the beginning of the first related Collection Period.

"Rule 144A": Rule 144A under the 1933 Act.

"S&P": Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies, Inc.

"Schedule of Additional Receivables": An electronic file listing by loan number and indicating the amount of advance, applicable Securitization Trust and Advance Category, all the Additional Receivables sold to the Issuer under the Receivables Purchase Agreement and Granted to the Indenture Trustee since the most recent previously delivered such schedule.

"Schedule of Initial Receivables": An electronic file listing by loan number, amount of advance, applicable Securitization Trust and Advance Category, all the Initial Receivables sold to the Issuer under the Receivables Purchase Agreement and Granted to the Indenture Trustee on the Initial Funding Date.

"Scheduled Termination Date": September 29, 2008.

"Secured Parties": The Noteholders, the Agent, the Indemnified Parties and the Indenture Trustee.

"Securities Intermediary": As defined in Section 2.17(a) herein.

"Securitization Termination Event": With respect to any Securitization Trust, any of the following conditions or events:

(a) the (i) giving or receiving of notice of termination or resignation as Servicer by Option One, (ii) giving of notice of an event of default by the Servicer under any Pooling and Servicing Agreement that is not cured or waived within the time periods specified in the related Pooling and Servicing Agreement, (iii) threatened termination of the Servicer by the related Securitization Trustee in writing related to any default existing for 30 or more days by the Servicer under the related Pooling and Servicing Agreement;

(b) the unpaid Principal Balance of the related Mortgage Loans is less than $25,000,000;

(c) the Delinquency Ratio with respect to such Securitization Trust exceeds 45%;

(d) the aggregate Receivables Balance of the Aggregate Receivables relating to such Securitization Trust, expressed as a percentage of (A) the aggregate of outstanding principal amount of Advance Receivables to (B) the aggregate outstanding principal balance of Current-Paying Mortgage Loans, exceeds 25%; or

(e) Option One fails to amend, in a form acceptable to the Agent and within sixty (60) days following the Closing Date, the related Pooling and Servicing Agreement to provide for: (i) the Servicer entering into an advance facility; and (ii) Advance Reimbursement Amounts being paid on a First In First Out ("FIFO") basis.

“Securitization Trust”: Each real estate mortgage investment conduit within the meaning of Section 860A-860G of the Code or other mortgage-backed securities issuance described on Schedule I and II hereto, as such schedules may be amended from time to time, and collectively referred to herein as the “Securitization Trusts.”

“Securitization Trustee”: Each trustee appointed under a Pooling and Servicing Agreement in connection with a Securitization Trust.

“Security Entitlement”: As defined in Section 8-102(a)(17) of the UCC.

“Seller”: Option One.

“Servicer”: Option One, a California corporation, in its capacity as servicer of the Securitization Trusts under the Pooling and Servicing Agreements and any successor servicer appointed thereunder.

“Servicing Advances”: As defined in the Pooling and Servicing Agreements.

“Servicing Compensation”: Servicing Fees, late payment charges, assumption fees, insufficient funds charges and ancillary income (other than Prepayment charges) related to the Mortgage Loans.

“Servicing Fee”: As defined in the Pooling and Servicing Agreements.

“Servicing Standards”: As defined in Section 9.05 of the Receivables Purchase Agreement.

“Stated Maturity”: With respect to the Notes, the fixed date on which the final payment of principal of and interest on the Notes becomes finally due and payable, which will be the Payment Date that is 24 months following the month in which the Funding Period is terminated.

“Successor Person”: As defined in Section 9.09(a)(i) herein.

“Tax Opinion”: An opinion of Independent counsel to the effect that the Issuer will not be classified as (i) an association taxable as a corporation, (ii) a publicly traded partnership taxable as a corporation or (iii) a taxable mortgage pool for federal income tax purposes.

“Transaction Documents”: This Indenture, the Receivables Purchase Agreement, the Note Purchase Agreement, the Trust Agreement, the Verification Agent Letter, the Notes, the Administration Agreement and any other instrument, certificate or agreement relating to the transactions contemplated hereunder or thereunder, but not including the Pooling and Servicing Agreements.

“Treasury Regulations”: Temporary, final or proposed regulations (to the extent that by reason of their proposed effective date such proposed regulations would apply to the Issuer) of the United States Department of the Treasury.

"Trust Agreement": The Trust Agreement, dated October 1, 2007, between the Depositor and the Owner Trustee, as the same may be amended, modified or supplemented from time to time.

"Trust Certificate": As defined in the Trust Agreement.

"Trust Estate": As defined in the Granting Clause.

"Trustee Report": As defined in Section 6.01(a) herein.

"UCC": The Uniform Commercial Code as in effect in any applicable jurisdiction.

"UCC Financing Statement": A financing statement executed and in form sufficient for filing pursuant to the UCC, as in effect in the relevant jurisdiction.

"Unused Line Fee": As defined in the Pricing Side Letter.

"Verification Agent": BearingPoint, Inc. or its successor as verification agent in respect of the Aggregate Receivables under the Verification Agent Letter.

"Verification Agent Fee": The amount payable to the Verification Agent for its services under the Verification Agent Letter.

"Verification Agent Letter": The letter agreement, dated as of May 30, 2003 and as amended on November 24, 2003, on October 11, 2005, and on October 1, 2007 among the Seller, the Agent and the Verification Agent, regarding the scope of services, as the same relate to the services to be provided pursuant to Exhibit A-2 thereto, to be provided by the Verification Agent in respect of the Aggregate Receivables, and any other agreement with the Verification Agent approved by the Seller, the Issuer and the Noteholders.

"Warehouse Facility": The warehouse facility governed by the Sale and Servicing Agreement, dated as of April 1, 2001, among Option One Owner Trust 2001-1A, a Delaware statutory trust, as the issuer, Option One Loan Warehouse Corporation ("OOLWC"), a Delaware corporation, as depositor, Option One, a California corporation, as originator and servicer and the Indenture Trustee as indenture trustee, as the same has been and may be amended, supplemented and modified from time to time, and the related Transaction Documents (as defined in such Sale and Servicing Agreement).

"Warehouse Purchaser": Greenwich Capital Financial Products, Inc.

Section 1.02. Rules of Construction.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, and, except as otherwise herein expressly provided, the term “generally accepted accounting principles” with respect to any computation required or permitted hereunder means such accounting principles as are generally accepted in the United States;

(3) the word “including” shall be construed to be followed by the words “without limitation”;

(4) article and section headings are for the convenience of the reader and shall not be considered in interpreting this Indenture or the intent of the parties hereto;

(5) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular article, section or other subdivision; and

(6) the pronouns used herein are used in the masculine and neuter genders but shall be construed as feminine, masculine or neuter, as the context requires.

ARTICLE II

THE NOTES

Section 2.01. Forms; Denominations.

The Notes shall be substantially in the form attached hereto as Exhibit A provided that any of the Notes may be issued with appropriate insertions, omissions, substitutions and variations, and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with rules or regulations pursuant thereto, or with the rules of any securities market in which the Notes are admitted to trading, or to conform to general usage. The Notes will be issued only in registered and certificated form. The Notes will be issuable only in denominations of not less than $100,000 and in integral multiples of $0.01 in excess thereof.

Section 2.02. Execution, Authentication, Delivery and Dating.

(a) The Notes shall be executed by manual or facsimile signature on behalf of the Issuer by any Authorized Officer of the Issuer. Notes bearing the manual or facsimile signatures of individuals who were at any time the authorized officers of the Issuer shall be entitled to all benefits under this Indenture, subject to the following sentence, 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. No Note shall be entitled to any benefit under this Indenture, or be valid for any purpose, however, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Indenture Trustee by manual signature, and such certificate of authentication upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder. All Notes shall be dated the date of their authentication.

(b) Upon the written request of the Issuer, the Indenture Trustee shall and, at the election of the Indenture Trustee, the Indenture Trustee may appoint one or more agents (each an "Authenticating Agent") with power to act on its behalf and subject to its direction in the authentication of Notes in connection with transfers and exchanges under Sections 2.05 and 2.06, as fully to all intents and purposes as though each such Authenticating Agent had been expressly authorized by those Sections to authenticate the Notes. For all purposes of this Indenture, the authentication of Notes by an Authenticating Agent shall be deemed to be the authentication of Notes "by the Indenture Trustee." The Indenture Trustee shall be the initial Authenticating Agent.

Any corporation, bank, trust company or association into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation, bank, trust company or association resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation, bank, trust company or association succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation, bank, trust company or association.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Indenture Trustee and the Issuer. The Indenture Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Issuer. Upon receiving such notice of resignation or upon such a termination, the Indenture Trustee may, or at the direction of the Issuer shall, promptly appoint a successor Authenticating Agent, give written notice of such appointment to the Issuer and give notice of such appointment to the Noteholders. Upon the resignation or termination of the Authenticating Agent and prior to the appointment of a successor, the Indenture Trustee shall act as Authenticating Agent.

Each Authenticating Agent shall be entitled to all limitations on liability, rights of reimbursement and indemnities that the Indenture Trustee is entitled to hereunder as if it were the Indenture Trustee.

Section 2.03. Acknowledgment of Receipt of the Receivables.

(a) The Indenture Trustee, by its execution and delivery of this Indenture, acknowledges receipt by it of the Receivable Files with respect to the Initial Receivables, and all other assets delivered to it and included in the Trust Estate as of the Initial Funding Date. Such receipt shall be in good faith and without notice of any adverse claim. The Indenture Trustee declares that it holds and will hold such documents and the other documents received by it that constitute portions of the Receivables Files received after the Initial Funding Date, and that it holds and will hold all assets included in the Trust Estate, on behalf of all present and future Secured Parties.

(b) The Indenture Trustee shall not be under any duty or obligation to inspect, review or examine any of the documents, instruments, certificates or other papers relating to the Receivables delivered to it to determine that the same are valid, legal, effective, genuine,

enforceable, in recordable form if recordation is required, sufficient or appropriate for the represented purpose or that they are other than what they purport to be on their face.

The Indenture Trustee shall not assign, sell, dispose of or transfer any interest in the Receivables or any other asset constituting the Trust Estate (except as expressly provided herein) or knowingly permit the Receivables or any other asset constituting the Trust Estate to be subjected to any lien, claim or encumbrance arising by, through or under the Indenture Trustee or any Person claiming by, through or under the Indenture Trustee.

Section 2.04. The Notes Generally.

(a) The aggregate Note Principal Balance of the Notes that may be authenticated and delivered under this Indenture is limited to the Maximum Note Balance, except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Sections 2.05 and 2.06 below.

(b) Each Note shall rank pari passu with each other Note and be equally and ratably secured by the Trust Estate. All Notes shall be substantially identical except as to denominations and as expressly permitted in this Indenture.

(c) This Indenture shall evidence a continuing lien on and security interest in the Trust Estate to secure the full payment of the principal, interest and other amounts on all the Notes, which (except as otherwise expressly provided herein) shall in all respects be equally and ratably secured hereby without preference, priority or distinction on account of the actual time or times of the authentication and delivery of such Notes.

Section 2.05. Registration of Transfer and Exchange of Notes.

(a) At all times during the term of this Indenture, there shall be maintained at the office of a registrar appointed by the Issuer (the “Note Registrar”) a register (the “Note Register”) in which, subject to such reasonable regulations as the Note Registrar may prescribe, the Note Registrar shall provide for the registration of Notes and of transfers and exchanges of Notes as herein provided. The Indenture Trustee is hereby initially appointed (and hereby agrees to act in accordance with the terms hereof) as Note Registrar for the purpose of registering Notes and transfers and exchanges of Notes as herein provided. The Indenture Trustee may appoint, by a written instrument delivered to the Issuer, any other bank or trust company to act as Note Registrar under such conditions as the Indenture Trustee may prescribe, provided that the Indenture Trustee shall not be relieved of any of its duties or responsibilities hereunder as Note Registrar by reason of such appointment. If the Indenture Trustee resigns or is removed in accordance with the terms hereof, the successor indenture trustee shall immediately succeed to its predecessor’s duties as Note Registrar. The Issuer and the Noteholders shall have the right to inspect the Note Register or to obtain a copy thereof at all reasonable times upon reasonable prior notice, and to rely conclusively upon a certificate of the Note Registrar as to the information set forth in the Note Register.

(b) No transfer, sale, pledge or other disposition of any Note or interest therein shall be made unless that transfer, sale, pledge or other disposition is exempt from the registration

and/or qualification requirements of the 1933 Act and any applicable state securities laws, or is otherwise made in accordance with the 1933 Act and such state securities laws. If a transfer of any Note is to be made without registration under the 1933 Act (other than in connection with the initial issuance thereof), then the Note Registrar shall refuse to register such transfer unless it receives (and upon receipt, may conclusively rely upon) either (i) a certificate from the prospective transferee substantially in the form attached either as Exhibit B hereto; or (ii) an Opinion of Counsel reasonably satisfactory to the Issuer and the Indenture Trustee to the effect that such transfer may be made without registration under the 1933 Act (which Opinion of Counsel shall not be an expense of the Trust Estate or of the Issuer, the Indenture Trustee or the Note Registrar in their respective capacities as such), together with the written certifications as to the facts surrounding such transfer from the Noteholder desiring to effect such transfer or such Noteholder's prospective transferee on which such Opinion of Counsel is based. None of the Issuer, the Indenture Trustee or the Note Registrar is obligated to register or qualify any Notes under the 1933 Act or any other securities law or to take any action not otherwise required under this Indenture to permit the transfer of any Note or interest therein without registration or qualification. Any Noteholder desiring to effect a transfer of Notes or interests therein shall, and does hereby agree to, indemnify the Issuer, the Seller, the Indenture Trustee, and the Note Registrar against any liability that may result if the transfer is not so exempt or is not made in accordance with such federal and state laws.

(c) No transfer of a Note or any interest therein shall be made to any employee benefit plan or other retirement arrangement, including individual retirement accounts and annuities, Keogh plans and bank collective investment funds, insurance company general separate accounts and other entities in which such plans, accounts or arrangements are invested, that is subject to Part 4 of Title I of ERISA or Section 4975 of the Code (each, a "Plan"), or to any Person who is directly or indirectly purchasing such Note or interest therein on behalf of, as named fiduciary of, as trustee of, or with assets of a Plan, if any such transfer will result in any prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. Accordingly, each purchaser of a Note will be required to certify that either (i) no part of the assets to be used by it to acquire and hold the Note constitutes assets of any Plan or (ii) (I) such Note is rated investment grade or better as of the date of purchase, (II) the transferee of the Note believes that the Note is properly treated as indebtedness without substantial equity features for purposes of the Section 2510.3-101 of the Department of Labor Regulations and agrees to so treat such Note and (III) its acquisition and holding of the Notes will not constitute or otherwise result in a nonexempt prohibited transaction in violation of Section 406 of ERISA or Section 4975 of the Code.

(d) If a Person is acquiring any Note or interest therein as a fiduciary or agent for one or more accounts, such Person shall be required to certify that it has (i) sole investment discretion with respect to each such account and (ii) full power to make the foregoing acknowledgments, representations, warranties, certifications and agreements with respect to each such account as set forth in subsections (b) and (c) of this Section 2.05.

(e) Subject to the preceding provisions of this Section 2.05, upon surrender for registration of transfer of any Note at the offices of the Note Registrar maintained for such purpose, the Issuer shall execute and the Indenture Trustee shall authenticate and deliver, in the

name of the designated transferee or transferees, one or more new Notes of a like aggregate Note Principal Balance.

(f) At the option of any Noteholder, its Notes may be exchanged for other Notes of authorized denominations of a like aggregate Note Principal Balance, upon surrender of the Notes to be exchanged at the offices of the Note Registrar maintained for such purpose. Whenever any Notes are so surrendered for exchange, the Issuer shall execute and the Indenture Trustee shall authenticate and deliver the Notes which the Noteholder making the exchange is entitled to receive.

(g) Every Note presented or surrendered for transfer or exchange shall (if so required by the Note Registrar) be duly endorsed by, or be accompanied by a written instrument of transfer in the form satisfactory to the Note Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing.

(h) No service charge shall be imposed for any transfer or exchange of Notes, but the Issuer, the Indenture Trustee or the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

(i) All Notes surrendered for transfer and exchange shall be physically canceled by the Note Registrar, and the Note Registrar shall dispose of such canceled Notes in accordance with its standard procedures.

(j) The Note Registrar or the Indenture Trustee shall provide to each of the Issuer and any Noteholder, upon reasonable written request and at the expense of the requesting party, an updated copy of the Note Register.

Section 2.06. Mutilated, Destroyed, Lost or Stolen Notes.

If any mutilated Note is surrendered to the Note Registrar, the Issuer shall execute and the Indenture Trustee shall authenticate and deliver, in exchange therefor, a new Note of the same principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Issuer, the Indenture Trustee and the Note Registrar (i) evidence to their satisfaction of the destruction (including mutilation tantamount to destruction), loss or theft of any Note and the ownership thereof, and (ii) such security or indemnity as may be reasonably required by them to hold each of them, and any agent of any of them harmless, then, in the absence of notice to the Issuer or the Note Registrar that such Note has been acquired by a bona fide purchaser, the Issuer shall execute and the Indenture Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Note, a new Note of the same tenor and denomination registered in the same manner, dated the date of its authentication and bearing a number not contemporaneously outstanding.

Upon the issuance of any new Note under this Section 2.06, the Issuer, the Indenture Trustee and the Note Registrar may require the payment by the Noteholder of an amount sufficient to pay or discharge any tax or other governmental charge that may be imposed in

relation thereto and any other reasonable expenses (including the reasonable fees and expenses of the Authenticating Agent and the Indenture Trustee) in connection therewith.

Every new Note issued pursuant to this Section 2.06 in lieu of any destroyed, mutilated, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the destroyed, mutilated, lost or stolen Note shall be at any time enforceable by any Person, and such new Note 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 2.06 are exclusive and shall preclude (to the extent permitted by applicable law) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.07. Noteholder Lists.

The Note Registrar shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Noteholders, which list, upon request, will be made available to the Indenture Trustee insofar as the Indenture Trustee is no longer the Note Registrar. Upon written request of any Noteholder at the Noteholder's expense made for purposes of communicating with other Noteholders with respect to their rights under this Indenture, the Note Registrar shall promptly furnish such Noteholder with a list of the other Noteholders of record identified in the Note Register at the time of the request. Every Noteholder, by receiving such access, agrees with the Note Registrar that the Note Registrar will not be held accountable in any way by reason of the disclosure of any information as to the names and addresses of any Noteholder regardless of the source from which such information was derived.

Section 2.08. Persons Deemed Owners.

The Issuer, the Indenture Trustee, the Note Registrar and any agents of any of them, may treat the Person in whose name a Note is registered as the owner of such Note for the purpose of receiving payments of principal, interest and other amounts in respect of such Note and for all other purposes, whether or not such Note shall be overdue, and none of the Issuer, the Indenture Trustee, the Note Registrar or any agents of any of them, shall be affected by notice to the contrary.

Section 2.09. Accounts.

(a) On or prior to the date hereof, the Indenture Trustee shall establish in its name, as Indenture Trustee, the Reimbursement Account, the Note Payment Account, the Reserve Account and the Funding Account. Except as provided in this Indenture, the Indenture Trustee, in accordance with the terms of this Indenture, shall have exclusive control and sole right of withdrawal with respect to the Accounts. Funds in the Accounts shall not be commingled with any other monies. All monies deposited from time to time in the Accounts (including any securities or instruments in which such monies are invested) shall be held by and under the control of the Indenture Trustee in the Accounts for the benefit of the Secured Parties and the Issuer as herein provided. All amounts received by the Indenture Trustee, including, without

limitation, amounts received from the Servicer in respect of the Aggregate Receivables and amounts received from the Seller as Repurchase Prices, shall be deposited into the Reimbursement Account within one (1) Business Day following receipt by the Indenture Trustee and shall be applied in accordance with the terms of this Indenture. In addition, the Issuer may, from time to time, remit additional funds to the Indenture Trustee for deposit into the Reimbursement Account to be applied for the purposes set forth herein.

(b) All of the funds on deposit in the Accounts may be invested and reinvested by the Indenture Trustee at the written direction of the Agent in one or more Permitted Investments, subject to the following requirements:

(i) such Permitted Investments shall mature not later than one Business Day prior to the next Payment Date or Funding Date whichever is sooner (except that if such Permitted Investment is an obligation of or is managed by the Indenture Trustee or its Affiliate, such Permitted Investment shall not mature later than the next Payment Date or Funding Date whichever is sooner);

(ii) the securities purchased with the monies in the Accounts shall be deemed to be funds deposited in the related Accounts;

(iii) each such Permitted Investment shall be made in the name of the Indenture Trustee (in its capacity as such) or in the name of a nominee of the Indenture Trustee under the Indenture Trustee's complete and exclusive dominion and control (or, if applicable law provides for perfection of pledges of an instrument not evidenced by a certificate or other instrument through registration of such pledge on books maintained by or on behalf of the issuer of such investment, a Permitted Investment may be made in such instrument notwithstanding that such instrument is not under the dominion and control of the Indenture Trustee, provided that such pledge is so registered);

(iv) the Indenture Trustee shall have the sole control over such investment, the income thereon and the proceeds thereof;

(v) other than the investments described in the second parenthetical phrase in clause (iii) above, any certificate or other instrument evidencing such investment shall be delivered directly to the Indenture Trustee or its agent; and

(vi) the proceeds of each investment shall be remitted by the purchaser thereof directly to the Indenture Trustee for deposit in the related Account, subject to withdrawal by the Indenture Trustee as provided herein.

In the absence of written direction from the Agent, funds on deposit in the Accounts shall be invested by the Indenture Trustee in Permitted Investments described in clause (v) of the definition thereof. All amounts earned on Permitted Investments during prior calendar month shall be deposited into the Note Payment Account on each Payment Date and shall be included in the Available Funds for such Payment Date.

(c) The Servicer shall cause all collections in respect of the Mortgage Loans included in each Securitization Trust to be deposited into the related Collection Account pursuant to the related Pooling and Servicing Agreement. No less frequently than once a week, the Servicer shall withdraw all amounts available to reimburse Advances from the related Collection Account or from related proceeds and shall remit such amounts to the Indenture Trustee for deposit into the Reimbursement Account.

(d) Upon the satisfaction and discharge of this Indenture pursuant to Section 3.01 of this Indenture, the Indenture Trustee shall pay to the Issuer all amounts, if any, held by it remaining as part of the Trust Estate.

Section 2.10. Payments on the Notes.

(a) Subject to Section 2.10(b), the Issuer agrees to pay

(i) on each Payment Date prior to the Maturity Date, interest on and principal of the Notes in the amounts and in accordance with the priorities set forth in Section 2.10(c); and

(ii) on the Maturity Date, the entire Note Principal Balance of the Notes, together with all accrued and unpaid interest thereon.

Amounts properly withheld under the Code by any Person from a payment to any holder of a Note of interest, principal or other amounts, or any such payment set aside on the Final Payment Date for such Note as provided in Section 2.10(b), shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture.

(b) With respect to each Payment Date, any interest, principal and other amounts payable on the Notes shall be paid to the Person that is the registered holder thereof at the close of business on the related Record Date; provided, however, that interest, principal and other amounts payable at the Final Payment Date of any Note shall be payable only against surrender thereof at the Corporate Trust Office of the Indenture Trustee. Payments of interest, principal and other amounts on the Notes shall be made on the applicable Payment Date other than the Final Payment Date, subject to applicable laws and regulations, by wire transfer to such account as such Noteholder shall designate by written instruction received by the Indenture Trustee not later than the Record Date related to the applicable Payment Date or otherwise by check mailed on or before the Payment Date to the Person entitled thereto at such Person’s address appearing on the Note Register. The Indenture Trustee shall pay each Note in whole or in part as provided herein on its Final Payment Date in immediately available funds from funds in the Note Payment Account as promptly as possible after presentation to the Indenture Trustee of such Note at its Corporate Trust Office but shall initiate such payment no later than 3:00 p.m., New York City time, on the day of such presentation, provided, that such presentation has been made no later than 1:00 p.m., New York City time. If presentation is made after 1:00 p.m., New York City time, on any day, such presentation shall be deemed to have been made on the immediately succeeding Business Day.

Except as provided in the following sentence, if a Note is issued in exchange for any other Note during the period commencing at the close of business at the office or agency where such exchange occurs on any Record Date and ending before the opening of business at such office or agency on the related Payment Date, no interest, principal or other amounts will be payable on such Payment Date in respect of such new Note, but will be payable on such Payment Date only in respect of the prior Note. Interest, principal and other amounts payable on any Note issued in exchange for any other Note during the period commencing at the close of business at the office or agency where such exchange occurs on the Record Date immediately preceding the Final Payment Date for such Notes and ending on the Final Payment Date for such Notes, shall be payable to the Person that surrenders the new Note as provided in this Section 2.10(b).

All payments of interest, principal and other amounts made with respects to any Note will be allocated *pro rata* among the Outstanding Notes based on the Note Principal Balance thereof.

If any Note on which the final payment was due is not presented for payment on its Final Payment Date, then the Indenture Trustee shall set aside such payment in a segregated account separate from the Note Payment Account but which constitutes an Eligible Account, and the Indenture Trustee and the Issuer shall act in accordance with Section 5.10 in respect of the unclaimed funds.

(c) On each Payment Date, the Indenture Trustee shall deposit all funds from the Reimbursement Account into the Note Payment Account and withdraw from the Note Payment Account and apply the Available Funds for such Payment Date for the following purposes and in the following order of priority, in each case to the extent of remaining funds:

(i) to the Issuer, an amount equal to the sum of its actual expenses (including the fees and expenses of the Owner Trustee) not to exceed $5,000 per calendar year;

(ii) to the Agent, the Facility Fee for such Payment Date;

(iii) to the Agent, all amounts to which the Agent is entitled to for reimbursement in accordance with this Indenture, other than amounts payable pursuant to (ii) above;

(iv) to the Indenture Trustee and the Securities Intermediary, (A) an amount equal to the sum of the Indenture Trustee Fee for such Payment Date, plus all accrued and unpaid Indenture Trustee Fees, if any, for prior Payment Dates and (B) all amounts to which the Indenture Trustee is entitled to reimbursement in accordance with this Indenture, for which notice has been provided to the Issuer and Agent at least three Business Days prior to the Payment Date, with backup documentation reasonably satisfactory to the Servicer, and for which reimbursement is not available under the Transaction Documents from an alternative source (including the Receivables Seller) or for which the Indenture Trustee has been unable to obtain reimbursement after reasonable efforts;

(v) to the Verification Agent, an amount equal to the sum of all accrued and unpaid Verification Agent Fees and expenses (which are invoiced to the Issuer and the

Indenture Trustee at least three Business Days prior to the Payment Date), with backup documentation reasonably satisfactory to the Servicer, in an amount not greater than the amount set forth in the Verification Agent Letter;

(vi) to the Noteholders, (A) an amount equal to the sum of the Interest Distributable Amount for the Notes for such Payment Date, plus any Interest Carryover Shortfall, if any, for prior Payment Dates and (B) the Unused Line Fee for such Payment Date;

(vii) to the Indemnified Parties (other than the Indenture Trustee and the Verification Agent), any amounts then due to such Indemnified Parties under Section 9.11 of this Indenture (which are invoiced to the Issuer and the Indenture Trustee at least three Business Days prior to the Payment Date) and for which reimbursement is not available under the Transaction Documents from an alternative source (including the Receivables Seller) or for which the Indemnified Parties have been unable to obtain reimbursement after reasonable efforts;

(viii) to the Reserve Account, the Reserve Fund Reimbursement Amount for such Payment Date, if applicable;

(ix) during the Funding Period, in the following order of priority:

(A) to the Funding Account, the Cash Purchase Price of any Additional Receivables to be acquired by the Issuer and Granted to the Indenture Trustee on such Payment Date in accordance with Article VII;

(B) to the Noteholders, in respect of principal of the Notes, until the Note Principal Balance is equal to the Collateral Value (after giving effect to any proposed purchases in (A) above);

(C) to the Certificateholders, the remaining Available Funds; provided, however, that any amounts due and owing to the Owner Trustee shall be paid prior to such payment;

(x) following the termination of the Funding Period, in the following order or priority:

(A) to the Noteholders, in respect of principal of the Notes, until the Note Principal Balance is reduced to zero;

(B) to the Persons entitled thereto, any amounts payable by the Issuer pursuant to this Indenture; and

(C) to the Certificateholders, the remaining Available Funds; provided, however, that any amounts due and owing to the Owner Trustee shall be paid prior to such payment.

(d) On each date that is a Funding Date as set forth in subclause (ii) of the definition thereof, the Indenture Trustee shall deposit any Excess Amount from the Reimbursement Account into the Note Payment Account and withdraw from the Note Payment Account and apply such Excess Amount to reduce the Note Principal Balance of the Notes, until such Note Principal Balance is equal to the aggregate Collateral Value as of such date.

Section 2.11. Final Payment Notice.

(a) Notice of final payment under Section 2.10(b) shall be given by the Indenture Trustee not later than the 5th day prior to the Final Payment Date to each Noteholder as of the close of business on the Record Date preceding the Final Payment Date at such Noteholder's address appearing in the Note Register, and also to the Agent and the Issuer.

(b) All notices of final payment in respect of the Notes shall state (i) the Final Payment Date, (ii) the amount of the final payment for such Notes and (iii) the place where such Notes are to be surrendered for payment, which shall be the Corporate Trust Office of the Indenture Trustee.

(c) Notice of final payment of the Notes shall be given by the Indenture Trustee in the name and at the expense of the Issuer. Failure to give notice of final payment, or any defect therein, to any Noteholder shall not impair or affect the validity of the final payment of any other Note.

Section 2.12. Compliance with Withholding Requirements.

Notwithstanding any other provision of this Indenture, the Indenture Trustee shall comply with all federal and state withholding requirements with respect to payments to Noteholders of interest, original issue discount, or other amounts that the Indenture Trustee reasonably believes are applicable under the Code. The consent of Noteholders shall not be required for any such withholding. The Indenture Trustee will withhold on payments of the Unused Line Fee to Non-U.S. Noteholders unless such Noteholder is eligible for benefits under an income tax treaty with the United States that eliminates U.S. federal income taxation on U.S. source Unused Line Fees and such Non-U.S. Noteholder provides a correct, complete and executed U.S. Internal Revenue Service Form W-8BEN.

Section 2.13. Cancellation.

The Issuer may at any time deliver to the Note Registrar 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 be promptly canceled by the Note Registrar.

All Notes delivered to the Indenture Trustee for payment shall be forwarded to the Note Registrar. All such Notes and all Notes surrendered for transfer and exchange in accordance with the terms hereof shall be canceled and disposed of by the Note Registrar in accordance with its customary procedures.

Section 2.14. Additional Note Balance.

(a) In the event of the purchase of any Additional Note Balances by the Note Purchasers as provided in the Note Purchase Agreement, each Note Purchaser shall, and is hereby authorized to, record on the schedule attached to its Note the date and amount of any Additional Note Balance purchased 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 Noteholders rights with respect to its Additional Note Balance and its right to receive interest payments in respect of the Additional Note Balance held by such Noteholder.

(b) 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 2.15. Reserve Account.

On or prior to the Initial Funding Date, the Issuer shall cause the Initial Reserve Account Deposit to be deposited into the Reserve Account.

The Indenture Trustee shall hold in the Reserve Account on each Payment Date the amount distributed in respect of the Reserve Fund Reimbursement Amount pursuant to Section 2.10(c). If, on any Payment Date prior to the Maturity Date, the Available Funds for such Payment Date is insufficient to pay the amounts required to be paid pursuant to clauses (i) through (vi) of Section 2.10(c) or, on any Payment Date following the Maturity Date, the Available Funds is insufficient to pay any of the amounts required to be paid, the Indenture Trustee shall withdraw the amount of such shortfall from the Reserve Account and deposit the same into the Note Payment Account to be applied to the payment of such items.

Upon payment in full of all of the Issuer Obligations, the Indenture Trustee shall release all amounts remaining in the Reserve Account to or at the direction of the Issuer.

Section 2.16. Redemption.

(a) The Notes shall be subject to optional redemption, in whole but not in part, by the Issuer on any Payment Date (which date shall be the Redemption Date with respect to the portion of the Notes subject to such redemption), upon 30 days' prior notice to the Agent. The Issuer shall give written notice (a "Redemption Notice") of its intent to redeem all of the Notes pursuant to this Section 2.16 to the Agent and the Indenture Trustee at least 30 days prior to the Redemption Date. Following issuance of the Redemption Notice by the Issuer, the Issuer shall be required to purchase the entire Outstanding Note Principal Balance of the Notes for the Note Redemption Amount on the Redemption Date. Upon the Issuer's payment of the Redemption Amount, the Commitment of the Initial Purchaser under section 2.01 of the Note Purchase Agreement to purchase Additional Note Balances shall terminate.

(b) On any Payment Date on which both (i) the aggregate Note Principal Balance of the Notes is less than or equal to 10% of the sum of the Initial Note Balance and all Additional Note Balances purchased on or prior to such date pursuant to the Note Purchase Agreement and (ii) as of such Payment Date, the Collateral shall have consisted, in part, of either Loan-Level Advances or Servicing Advances, the Agent may effect a put of the entire Outstanding Note Principal Balance of the Notes to the Issuer by exercise of the Put Option. The Agent shall give written notice (a "Put Notice") of its intent to put the Notes pursuant to this Section 2.16(b) to the Issuer and the Indenture Trustee at least 30 days prior to the related Payment Date. Upon exercise of the Put Option by the Agent, the Issuer shall be required to purchase the entire Outstanding Note Principal Balance of the Notes for the Note Redemption Amount on the Put Date.

(c) Subject to Section 9.06 of the Receivables Purchase Agreement or unless otherwise agreed by the Agent, on the third Business Day prior to the applicable Redemption Date or Put Date, as applicable, the Issuer shall cause there to be deposited the Note Redemption Amount into the Note Payment Account.

Section 2.17. Securities Accounts

(a) The Issuer and the Indenture Trustee hereby appoint Wells Fargo Bank, National Association as securities intermediary (in such capacity, the "Securities Intermediary") with respect to each of the Accounts. The Security Entitlements and all Financial Assets credited to the Accounts, including without limitation all amounts, securities, investments, Financial Assets, investment property and other property from time to time deposited in or credited to such account and all proceeds thereof, held from time to time in the Accounts will continue to be held by the Securities Intermediary for the Indenture Trustee for the benefit of the Secured Parties. Upon the termination of this Indenture, the Indenture Trustee shall inform the Securities Intermediary of such termination. By acceptance of their Notes or interests therein, the Noteholders and all beneficial owners of Notes shall be deemed to have appointed Wells Fargo Bank, National Association as Securities Intermediary. Wells Fargo Bank, National Association hereby accepts such appointment as Securities Intermediary.

(i) With respect to any portion of the Trust Estate that is credited to the Accounts, the Securities Intermediary agrees that:

(A) with respect to any portion of the Trust Estate that is held in deposit accounts, each such deposit account shall be subject to the security interest granted pursuant to this Indenture, and the Securities Intermediary shall comply with instructions originated by the Indenture Trustee directing dispositions of funds in the deposit accounts without further consent of the Issuer and otherwise shall be subject to the exclusive custody and control of the Securities Intermediary, and the Securities Intermediary shall have sole signature authority with respect thereto;

(B) the sole assets permitted in the Accounts shall be those that the Securities Intermediary agrees to treat as Financial Assets;

(C) any portion of the Trust Estate that is, or is treated as, a Financial Asset shall be physically delivered (accompanied by any required endorsements) to, or credited to an account in the name of, the Securities Intermediary or other eligible institution maintaining any Account in accordance with the Securities Intermediary's customary procedures such that the Securities Intermediary or such other institution establishes a Security Entitlement in favor of the Indenture Trustee with respect thereto over which the Securities Intermediary or such other institution has control; and

(D) it will use reasonable efforts to promptly notify the Indenture Trustee and the Issuer if any other Person claims that it has a property interest in a Financial Asset in any Account and that it is a violation of that Person's rights for anyone else to hold, transfer or deal with such Financial Asset.

(ii) The Securities Intermediary hereby confirms that (A) each Account is an account to which Financial Assets are or may be credited, and the Securities Intermediary shall, subject to the terms of this Indenture, treat the Indenture Trustee as entitled to exercise the rights that comprise any Financial Asset credited to any Account, (B) any portion of the Trust Estate in respect of any Account will be promptly credited by the Securities Intermediary to such account, and (C) all securities or other property underlying any Financial Assets credited to any Account shall be registered in the name of the Securities Intermediary, endorsed to the Securities Intermediary or in blank or credited to another securities account maintained in the name of the Securities Intermediary, and in no case will any Financial Asset credited to any Account be registered in the name of the Issuer, the Servicer or the Seller, payable to the order of the Issuer, the Servicer or the Seller or specially endorsed to any of such Persons.

(iii) If at any time the Securities Intermediary shall receive an Entitlement Order from the Indenture Trustee directing transfer or redemption of any Financial Asset relating to any Account, the Securities Intermediary shall comply with such Entitlement Order without further consent by the Issuer, the Servicer, the Seller or any other Person. If at any time the Indenture Trustee notifies the Securities Intermediary in writing that this Indenture has been discharged in accordance herewith, then thereafter if the Securities Intermediary shall receive any order from the Issuer directing transfer or redemption of any Financial Asset relating to any Account, the Securities Intermediary shall comply with such Entitlement Order without further consent by the Indenture Trustee or any other Person.

(iv) In the event that the Securities Intermediary has or subsequently obtains by agreement, operation of law or otherwise a security interest in any Account or any Financial Asset or Security Entitlement credited thereto, the Securities Intermediary hereby agrees that such security interest shall be subordinate to the security interest of the Indenture Trustee. The Financial Assets and Security Entitlements credited to the Accounts will not be subject to deduction, set-off, banker's lien, or any other right in favor of any Person other than the Indenture Trustee in the case of the Accounts.

(v) There are no other agreements entered into between the Securities Intermediary in such capacity, and the Securities Intermediary agrees that it will not enter into any agreement with, the Issuer, the Servicer, the Seller or any other Person with respect to any Account. In the event of any conflict between this Indenture (or any provision of this Indenture) and any other agreement now existing or hereafter entered into, the terms of this Indenture shall prevail.

(vi) The rights and powers granted herein to the Indenture Trustee have been granted in order to perfect its interest in the Accounts and the Security Entitlements to the Financial Assets credited thereto, and are powers coupled with an interest and will neither be affected by the bankruptcy of the Issuer, the Servicer or the Seller nor by the lapse of time. The obligations of the Securities Intermediary hereunder shall continue in effect until the interest of the Indenture Trustee in the Accounts and in such Security Entitlements, has been terminated pursuant to the terms of this Indenture and the Indenture Trustee has notified the Securities Intermediary of such termination in writing.

(b) Capitalized terms used in this Section 2.17 and not defined herein shall have the meanings assigned to such terms in the New York UCC. For purposes of Section 8-110(e) of the New York UCC, the "securities intermediary's jurisdiction" shall be the State of New York.

(c) None of the Securities Intermediary or any director, officer, employee or agent of the Securities Intermediary shall be under any liability to the Indenture Trustee or the Secured Parties for any action taken, or not taken, in good faith pursuant to this Indenture, or for errors in judgment; provided, however, that this provision shall not protect the Securities Intermediary against any liability to the Indenture Trustee or the Secured Parties which would otherwise be imposed by reason of the Securities Intermediary's willful misconduct, bad faith or negligence in the performance of its obligations or duties hereunder. The Securities Intermediary and any director, officer, employee or agent of the Securities Intermediary 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. The Securities Intermediary shall be under no duty to inquire into or investigate the validity, accuracy or content of such document. The Issuer shall indemnify the Securities Intermediary for and hold it harmless against any loss, liability or expense arising out of or in connection with this Indenture and carrying out it duties hereunder, including the costs and expenses of defending itself against any claim of liability, except in those cases where the Securities Intermediary has been guilty of bad faith, negligence or willful misconduct. The foregoing indemnification shall survive any termination of this Indenture or the resignation or removal of the Securities Intermediary.

(d) Prior to the date which is one year and one day, or if longer the applicable preference period then in effect, after the payment in full of all of the Notes, the Securities Intermediary will not institute against, or join any other Person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings under any bankruptcy, insolvency, reorganization or similar law in any jurisdiction.

Section 2.18. Tax Treatment of the Notes.

The Issuer intends that, for U.S. federal, state or local income tax, franchise tax and any other income tax purposes, the Notes be treated as debt. Each prospective purchaser and any subsequent transferee of a Note or any interest therein shall, by virtue of its purchase or other acquisition of such Note or interest therein, be deemed to have agreed to treat such Note in a manner consistent with the preceding sentence for U.S. federal income tax purposes.

ARTICLE III

SATISFACTION AND DISCHARGE

Section 3.01. Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect except as to (i) any surviving rights herein expressly provided for, including any rights of transfer or exchange of Notes herein expressly provided for, (ii) in the case of clause (1)(B) below, the rights of the Noteholders hereunder to receive payment of the Note Principal Balance of and interest on the Notes and any other rights of the Noteholders hereunder, and (iii) the provisions of Section 3.02 herein, when

(1) either (A) all Notes theretofore authenticated and delivered (other than (i) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.06 and (ii) Notes for which payment of money has theretofore been deposited in the Note Payment Account by the Indenture Trustee and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 5.10) have been delivered to the Note Registrar for cancellation; or (B) all such Notes not theretofore delivered to the Note Registrar for cancellation (i) have become due and payable, or (ii) will become due and payable on the next Payment Date, and in the case of clause (B)(i) or (B)(ii) above, cash in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Note Registrar for cancellation or sufficient to pay the Note Principal Balance thereof and any interest thereon accrued to the date of such deposit (in the case of Notes which have become due and payable) or to the end of the Accrual Period for the next Payment Date has been deposited with the Indenture Trustee as trust funds in trust for these purposes;

(2) the Issuer has paid or caused to be paid all other sums payable or reasonably expected to become payable by the Issuer to the Indenture Trustee and each of the Secured Parties; and

(3) the Issuer has delivered to the Indenture Trustee an Officer’s Certificate of the Issuer stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the foregoing, the obligations of the Issuer to the Indenture Trustee under Section 5.04 hereof and the obligations of the Indenture Trustee to the Noteholders under Section 3.02 hereof shall survive satisfaction and discharge of this Indenture.

Section 3.02. Application of Trust Money.

Subject to the provisions of Sections 2.09, 2.10, 2.15, 5.10 and 7.01, all Cash deposited with the Indenture Trustee pursuant to Section 3.01 shall be held in the Note Payment Account and applied by the Indenture Trustee, in accordance with the provisions of the Notes and this Indenture to pay the Persons entitled thereto.

ARTICLE IV

EVENTS OF DEFAULT; REMEDIES

Section 4.01. Events of Default.

"Event of Default," wherever used herein with respect to the Notes, 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) any failure to pay all interest on and principal of any Note when the same shall be due and payable without regard to Available Funds; or

(b) any failure by the Issuer, the Seller or the Servicer to make (or cause to be made) any payment, transfer or deposit, or deliver (or cause to be delivered) to the Indenture Trustee any proceeds or payment required to be so delivered under the terms of this Indenture or any of the other Transaction Documents; or

(c) any failure on the part of the Issuer, the Depositor, the Servicer or the Seller duly to observe or perform any covenants or agreements of it in any of the Transaction Documents in any material respect and such failure continues for a period of five days after the date on which such party receives notice of or otherwise becomes aware of such failure to observe or perform; or

(d) the entry of a decree or order for relief by a court or agency or supervisory authority having jurisdiction in respect of the Issuer, the Depositor, the Servicer or the Seller for the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official in any insolvency, conservatorship, receivership, readjustment of debt, marshalling of assets and liabilities or similar proceedings for the Issuer, the Depositor or the Seller or of any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Issuer, the Depositor or the Seller; or

(e) the Issuer, the Depositor, the Servicer or the Seller shall voluntarily commence liquidation, consent to the appointment of a conservator or receiver or liquidator or similar person in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Issuer, the Depositor or the Seller or of or relating to all or substantially all of its property; or the Issuer, the Depositor or the Seller shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any

applicable insolvency or reorganization statute, make a general assignment for the benefit of its creditors or voluntarily suspend payment of its obligations; or

(f) the Issuer or the Trust Estate shall have become subject to registration as an "investment company" within the meaning of the 1940 Act; or

(g) the Issuer shall fail to own the Trust Estate free and clear of liens other than the liens contemplated hereby or the Indenture Trustee shall fail to have a first priority perfected security interest in the Trust Estate; or

(h) the Depositor sells, transfers, pledges or otherwise disposes of any of the Trust Certificates, whether voluntarily or by operation of law, foreclosure or other enforcement by a Person of its remedies against the Depositor, except to a wholly-owned subsidiary of Option One; or

(i) Option One transfers its servicing rights under any Pooling and Servicing Agreement for a Securitization Trust or its rights as Servicer under any such Pooling and Servicing Agreement are terminated, and the Issuer fails to cause a Redemption of the entire Outstanding Note Principal Amount pursuant to Section 2.16(a) hereof on or before the date such servicing rights are transferred or terminated; or

(j) the Servicer fails to deposit any collections in respect of the Mortgage Loans to the related Collection Account (except with respect to Advance Reimbursement Amounts deposited to the Reimbursement Account or Servicing Compensation in each case permitted under the Pooling and Servicing Agreements), except for nominal amounts as a result of inadvertence, error or oversight, which are corrected within two Business Days after the Servicer receives notice of or otherwise becomes aware of such failure; or

(k) the Servicer issues disbursement instructions to a Securitization Trustee or otherwise withdraws funds from a Collection Account, except as expressly authorized by the provisions of the Pooling and Servicing Agreements and the Transaction Documents, except for directions or withdrawals relating to nominal amounts as a result of inadvertence, error or oversight, which are corrected within two Business Days after the Servicer receives notice of or otherwise becomes aware of such failure; or

(l) the Servicer fails to deliver any Funding Date Report, Monthly Servicer Report or Payment Date Report required to be delivered hereunder and the Servicer has received notice of such failure from the Agent; or

(m) the Collateral Coverage Requirement is not satisfied as of the close of business on any date and such failure is not remedied within one Business Day; or

(n) any representation or warranty made or deemed made by or on behalf of the Issuer, the Depositor, the Seller, the Servicer or any of their respective Affiliates or by any officer of the foregoing under or in connection with any Transaction Document or under or in connection with any report, certificate, or other document delivered to the Agent, the Indenture Trustee or the Noteholders pursuant to any Transaction Document shall have been incorrect or

misleading in any material respect when made or deemed made and the same remains unremedied for a period of five days after such party receives notice of or otherwise becomes aware of such breach; or

(o) (i) any material provision of any Transaction Document shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the Issuer, the Depositor, the Seller, the Servicer or any of their respective Affiliates intended to be a party thereto, (ii) the validity or enforceability of any Transaction Document shall be contested by the Issuer, the Depositor, the Seller, the Servicer or any of their respective Affiliates, (iii) a proceeding shall be commenced by the Issuer, the Depositor, the Seller, the Servicer or any of their respective Affiliates or any Governmental Authority having jurisdiction over the Issuer, the Depositor, the Seller, the Servicer or any of their respective Affiliates, seeking to establish the invalidity or unenforceability of any Transaction Document, or (iv) the Issuer, the Depositor, the Seller, the Servicer or any of their respective Affiliates shall deny in writing that it has any liability or obligation purported to be created under any Transaction Document.

(p) Option One has taken any action to impair the lien or rights of the Indenture Trustee or to cause the Issuer's funding of the Receivables to be characterized as a financing rather than a true sale for purposes of bankruptcy or similar laws.

(q) An "Event of Default" occurs under the Warehouse Facility (as defined in the related Sale and Servicing Agreement), giving effect to any notice or grace period afforded thereunder.

(r) A Change of Control of Option One.

Section 4.02. 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 shall, at the direction of the Agent, on behalf of the Majority Noteholders, declare all of the Notes to be immediately due and payable, by a notice in writing to the Issuer, and upon any such declaration the unpaid Note Principal Balance of such Notes, together with accrued interest thereon through the date of acceleration, shall become immediately due and payable.

At any time after such declaration of acceleration has been made and before a judgment or decree for payment of the money due in respect of the Notes has been obtained by the Indenture Trustee as hereinafter provided in this Section 4, the Agent, on behalf of the Majority Noteholders, by written notice to the Issuer and to the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Indenture Trustee to the Note Payment Account a sum sufficient to pay:

(i) all payments of principal of and interest on the Notes and all other amounts that would then be due hereunder or upon the Notes if the Event of Default giving rise to such acceleration had not occurred; and

(ii) all sums paid or advanced by the Indenture Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and counsel, in each case incurred in connection with such Event of Default; and

(b) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by virtue of such acceleration, have been cured or waived as provided in Section 4.12.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereto.

Section 4.03. Collection of Indebtedness and Suits for Enforcement by Indenture Trustee.

(a) If the Issuer fails to pay all amounts due upon an acceleration of the Notes under Section 4.02 forthwith upon demand and such declaration and its consequences shall not have been rescinded and annulled, the Indenture Trustee, in its capacity as Indenture Trustee and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Issuer or any other obligor upon such Notes and collect the monies adjudged or decreed to be payable in the manner provided by law out of the Trust Estate, wherever situated, or may institute and prosecute such non-judicial proceedings in lieu of judicial proceedings as are then permitted by applicable law.

(b) If an Event of Default occurs and is continuing, the Indenture Trustee may, in its discretion, 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.

(c) In case (x) there shall be pending, relative to the Issuer or any Person having or claiming an ownership interest in the Trust Estate, proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, (y) a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or shall have taken possession of the Issuer or its property or such Person or (z) there shall be pending a comparable judicial proceeding brought by creditors of the Issuer or affecting the property of the Issuer, the Indenture Trustee, irrespective of whether the principal of or interest on 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 4.03, 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 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 and each predecessor Indenture Trustee, and their respective attorneys, and for reimbursement of all reasonable expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of willful misconduct, negligence or bad faith of the Indenture Trustee) 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 monies 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 of the Indenture Trustee on their and its 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 attorneys, 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 willful misconduct, negligence or bad faith of the Indenture Trustee or predecessor Indenture Trustee.

(d) 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 related Noteholder 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.

(e) 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.

(f) In the event that the Indenture Trustee, following an Event of Default hereunder institutes proceedings to foreclose on the Trust Estate, the Indenture Trustee shall promptly give a notice to that effect to each Noteholder.

(g) All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its counsel, be for the ratable benefit of the Noteholders in respect of which such judgment has been recovered, subject to the payment priorities of Section 2.10.

Section 4.04. Remedies.

If an Event of Default has occurred and is continuing, and the Notes have been declared due and payable pursuant to Section 4.02 hereof and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee may do one or more of the following:

(a) institute, or cause to be instituted, Proceedings for the collection of all amounts then payable on or under this Indenture with respect to the Notes, whether by declaration of acceleration or otherwise, enforce any judgment obtained, and collect from the Trust Estate monies adjudged due;

(b) sell, or cause to be sold, the Trust Estate or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by applicable law, provided, however, that the Indenture Trustee shall give the Issuer written notice of any private sale called by or on behalf of the Indenture Trustee pursuant to this Section 4.04(b) at least 10 days prior to the date fixed for such private sale;

(c) institute, or cause to be instituted, Proceedings from time to time for the complete or partial foreclosure with respect to the Trust Estate;

(d) exercise, or cause to be exercised, 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 Holders of the Notes hereunder; and

(e) maintain possession of the Trust Estate and, in its own name or in the name of the Issuer or otherwise, collect and otherwise receive in accordance with this Indenture any money or property at any time payable or receivable on account of or in exchange for any of the Collateral; provided, however, that the Indenture Trustee shall not, unless required by law, sell or otherwise liquidate all or any portion of the Trust Estate following any Event of Default except in accordance with Section 4.15.

Section 4.05. Application of Money Collected.

Any money collected by the Indenture Trustee pursuant to this Article IV shall be deposited in the Note Payment Account and, on each Payment Date, shall be applied in accordance with Section 2.10 hereof and, in case of the distribution of such money on account of the principal of or interest on the Notes, upon presentation and surrender of the Notes if fully paid.

Section 4.06. Limitation on Suits.

Except as provided in Section 4.07, 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:

(1) such Noteholder has previously given written notice to the Indenture Trustee of a continuing Event of Default;

(2) the Majority Noteholders shall have made written request to the Indenture Trustee to institute proceedings in respect of such Event of Default in its own name as Indenture Trustee hereunder;

(3) such Noteholder or Noteholders have offered to the Indenture Trustee adequate indemnity or security satisfactory to the Indenture Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

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

(5) no direction inconsistent with such written request has been given to the Indenture Trustee during such 60-day period by the Majority Noteholders; and

(6) an Event of Default shall have occurred and be continuing; it being understood and intended that no one or more of such Noteholders shall have any right in any manner whatever by virtue of, or by availing itself or themselves of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Noteholders, or to obtain or to seek to obtain priority or preference over any other of such Noteholders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Noteholders. Subject to the foregoing restrictions, the Noteholders may exercise their rights under this Section 4.06 independently.

Section 4.07. Unconditional Right of Noteholders to Receive Principal and Interest.

Notwithstanding any other provision in this Indenture, following the Maturity Date, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payments of interest, principal and other amounts then due on such Note (subject to Section 2.10) and to institute suit for the enforcement of any such payment (subject to Section 4.06), and such rights shall not be impaired without the consent of such Noteholder, unless a non-payment has been cured pursuant to Section 4.02. The Issuer shall, however, be subject to only one consolidated lawsuit by the Noteholders, or by the Indenture Trustee on behalf of the Noteholders, for any one cause of action arising under this Indenture or otherwise.

Section 4.08. 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, waived, rescinded or abandoned for any reason, or has been determined adversely to the Indenture

Trustee or to such Noteholder, then and in every such case, subject to any determination in such proceeding, the Issuer, the Indenture Trustee and the Noteholders shall 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 4.09. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.06, 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 4.10. Delay or Omission Not Waiver.

No delay or omission of the Indenture Trustee, or any Noteholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Indenture 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, to the extent permitted by applicable law, by the Indenture Trustee or the Noteholders, as the case may be.

Section 4.11. Control by Noteholders.

The Noteholders holding more than 50% in aggregate Note Principal Balance of the Outstanding Notes (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, or exercising any trust or power conferred on the Indenture Trustee, provided, that such direction shall not be in conflict with any rule of law or with this Indenture or involve the Indenture Trustee in personal liability and provided, further, that the Indenture Trustee may take any other action deemed proper by the Indenture Trustee which is not inconsistent with such direction. Notwithstanding the foregoing, the Noteholders will not be required to provide, and the Indenture Trustee will not be required to obtain, a Tax Opinion in the case of a direction by the Noteholders to the Indenture Trustee, following an Event of Default, to realize upon the Trust Estate by liquidating the Collateral or otherwise.

Section 4.12. Waiver of Past Defaults.

Prior to the acceleration of the Maturity Date of the Notes, the Majority Noteholders may on behalf of the Noteholders of all the Notes waive any past default hereunder and its consequences, except a default

(1) in the payment of principal of or interest on any Note, which waiver shall require the waiver by Noteholders holding 100% in aggregate Note Principal Balance of the Outstanding Notes affected; or

(2) in respect of a covenant or provision hereof which under Article VIII cannot be modified or amended without the consent of the Holder of each Outstanding Note affected, which waiver shall require the waiver by each Holder of an Outstanding Note affected;

(3) depriving the Indenture Trustee or any Noteholder of a lien or the benefit of a lien, as the case may be, upon any part of the Trust Estate, which waiver shall require the consent of the Indenture Trustee or such Noteholder, as the case may be; or

(4) depriving the Indenture Trustee of any fee, reimbursement for any expense incurred, or any indemnification to which the Indenture Trustee is entitled, which waiver shall require the consent of the Indenture Trustee.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon. Any costs or expenses incurred by the Indenture Trustee in connection with such acceleration and prior to such waiver shall be reimbursable to the Indenture Trustee in accordance with Section 2.10(c).

Section 4.13. Undertaking for Costs.

All parties to this Indenture agree, and each Noteholder by its 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 and expenses based on time expended, 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 shall not apply to any suit instituted by the Issuer, or to any suit instituted by the Indenture Trustee, or to any suit instituted by any Noteholder, or group of Noteholders, holding in the aggregate at least 25% in aggregate Note Principal Balance of Outstanding Notes or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of or interest on any Note on or after the Maturity Date of such Note.

Section 4.14. 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 to take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which 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 such law and covenants that it will not hinder, delay or impede the exercise of any power herein granted to the Indenture

Trustee, but will suffer and permit the exercise of every such power as though no such law had been enacted.

Section 4.15. Sale of Trust Estate.

(a) The power to effect any public or private sale of any portion of the Trust Estate pursuant to Section 4.04 hereof shall not be exhausted by any one or more sales as to any portion of the Trust Estate remaining unsold, but shall continue unimpaired until either the entire Trust Estate shall have been sold or all amounts payable on the Notes and under this Indenture with respect thereto shall have been paid. The Indenture Trustee may from time to time postpone any sale by public announcement made at the time and place of such sale. The Indenture Trustee hereby expressly waives its right to any amount fixed by law as compensation for any such sale but such waiver does not apply to any amounts to which the Indenture Trustee is otherwise entitled under Section 5.04 of this Indenture.

(b) The Indenture Trustee shall not sell the Trust Estate, or any portion thereof, unless:

(i) the Majority Noteholders consent to, or direct the Indenture Trustee to make, such sale; or

(ii) the proceeds of such sale would be not less than the entire amount which would be payable to the Holders of the Notes, in full payment thereof, in accordance with Section 4.05, on the Payment Date next succeeding the date of such sale, together with all other amounts due under this Indenture.

The foregoing provisions of this Section 4.15 shall not preclude or limit the ability of the Indenture Trustee to purchase all or any portion of the Trust Estate at any sale, public or private, and the purchase by the Indenture Trustee of all or any portion of the Trust Estate at any sale shall not be deemed a sale or disposition thereof for purposes of this Section 4.15(b).

(c) Unless the Holders of all Outstanding Notes have otherwise consented or directed the Indenture Trustee, at any sale of all or any portion of the Trust Estate at which a minimum bid equal to or greater than the amount described in paragraph (ii) of subsection (b) of this Section 4.15 has not been established by the Indenture Trustee and no Person bids an amount equal to or greater than such amount, the Indenture Trustee shall in accordance with paragraph (ii) of subsection (d) of this Section 4.15 bid an amount at least $1.00 more than the highest other bid in order to preserve the Trust Estate.

(d) In connection with a sale of all or any portion of the Trust Estate:

(i) any Holder or Holders of Notes may bid for and purchase the property offered for sale, and upon compliance with the terms of sale may hold, retain and possess and dispose of such property, without further accountability, and may, in paying the purchase money therefor, deliver any Outstanding Notes or claims for interest thereon in lieu of cash up to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon, and such Notes, in case the amounts so payable thereon shall be

less than the amount due thereon, shall be returned to the Holders thereof after being appropriately stamped to show such partial payment;

(ii) the Indenture Trustee may bid for and acquire the property offered for sale in connection with any sale thereof, and, in lieu of paying cash therefor, may make settlement for the purchase price by crediting the gross sale price against the sum of (A) the amount which would be distributable to the Holders of the Notes as a result of such sale in accordance with Section 4.05 on the Payment Date next succeeding the date of such sale and (B) the expenses of the sale and of any Proceedings in connection therewith which are reimbursable to it, without being required to produce the Notes in order to complete any such sale or in order for the net sale price to be credited against such Notes, and any property so acquired by the Indenture Trustee shall be held and dealt with by it in accordance with the provisions of this Indenture;

(iii) the Indenture Trustee shall execute and deliver, without recourse, an appropriate instrument of conveyance transferring its interest in any portion of the Trust Estate in connection with a sale thereof;

(iv) the Indenture Trustee is hereby irrevocably appointed the agent and attorney-in-fact of the Issuer to transfer and convey the Issuer's interest in any portion of the Trust Estate in connection with a sale thereof, and to take all action necessary to effect such sale; and

(v) no purchaser or transferee at such a sale 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 monies.

Section 4.16. 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 Trust Estate.

ARTICLE V

THE INDENTURE TRUSTEE

Section 5.01. Certain Duties and Responsibilities.

The Issuer hereby irrevocably constitutes and appoints the Indenture Trustee and any Responsible Officer thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in place and stead of the Issuer and in the name of the Issuer or in its own name or in the name of a nominee, from time to time in the Indenture Trustee's discretion, for the purpose of enforcing the rights, powers and remedies of the Issuer

under the Receivables Purchase Agreement and to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Indenture and the Receivables Purchase Agreement, all as set forth in this Section 5.01.

(a) The rights, duties and liabilities of the Indenture Trustee in respect of this Indenture shall be as follows:

(i) The Indenture Trustee shall have the full power and authority to do all things not inconsistent with the provisions of this Indenture that it may deem advisable in order to enforce the provisions hereof or to take any action with respect to a default or an Event of Default hereunder, or to institute, appear in or defend any suit or other proceeding with respect hereto, or to protect the interests of the Noteholders. The Indenture Trustee shall not be answerable or accountable except for its own bad faith, willful misconduct or negligence. The Issuer shall prepare and file or cause to be filed, at the Issuer's expense, a UCC Financing Statement, describing the Issuer as debtor, the Indenture Trustee as secured party and the Trust Estate as the collateral, in all appropriate locations promptly following the initial issuance of the Notes, and the Issuer shall prepare and file at each such office, continuation statements with respect thereto, in each case within six months prior to each fifth anniversary of the original filing. The Issuer is hereby authorized and obligated to make, at the expense of the Issuer, all required filings and refilings of which the Issuer becomes aware, necessary to preserve the liens created by this Indenture to the extent not done by the Issuer as provided herein. The Indenture Trustee shall not be required to take any action to exercise or enforce the trusts hereby created which, in the opinion of the Indenture Trustee, shall be likely to involve expense or liability to the Indenture Trustee, unless the Indenture Trustee shall have received an agreement satisfactory to it in its sole reasonable discretion to indemnify it against such liability and expense. Except as otherwise expressly provided herein, the Indenture Trustee shall not be required to ascertain or inquire as to the performance or observance of any of the covenants or agreements contained herein, or in the Receivables Purchase Agreement or in any other instruments to be performed or observed by the Issuer or any party to the Receivables Purchase Agreement.

(ii) Subject to the other provisions of this Article V, the Indenture Trustee, upon receipt of all resolutions, certificates, statements, opinions, reports, documents, orders, or other instruments furnished to the Indenture Trustee that are specifically required to be furnished pursuant to any provisions of this Indenture, shall examine them to determine whether they are on their face in the form required by this Indenture to the extent expressly set forth herein. If any such instrument is found on its face not to conform to the requirements of this Indenture in a material manner, the Indenture Trustee shall take such action as it deems appropriate to have the instrument corrected, and if the instrument is not corrected to the Indenture Trustee's reasonable satisfaction, the Indenture Trustee will provide notice thereof to the Noteholders. The Indenture Trustee shall not incur any liability in acting upon any signature, notice, request, consent, certificate, opinion, or other instrument reasonably believed by it to be genuine. In administering the trusts hereunder, the Indenture Trustee may execute any of the trusts or powers hereunder directly or through its agents or attorneys, provided that it shall remain

liable for the acts of all such agents and attorneys. The Indenture Trustee may, subject to Section 5.04, consult with counsel, accountants and other professionals to be selected and employed by it, and the Indenture Trustee shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice of any such Person nor for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Indenture Trustee was negligent in ascertaining the pertinent facts.

(iii) The Indenture Trustee shall not have any duty to make, arrange or ensure the completion of any recording, filing or registration of any instrument or other document (including any UCC Financing Statements), or any amendments or supplements to any of said instruments or to determine if any such instrument or other document is in a form suitable for recording, filing or registration, and the Indenture Trustee shall not have any duty to make, arrange or ensure the completion of the payment of any fees, charges or taxes in connection therewith.

(iv) Whenever in performing its duties hereunder, the Indenture Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Indenture Trustee may, in the absence of bad faith on the part of the Indenture Trustee, rely upon (unless other evidence in respect thereof be specifically prescribed herein) an Officer's Certificate of the Issuer, and such Officer's Certificate shall be full warrant to the Indenture Trustee for any action taken, suffered or omitted by it on the faith thereof.

(v) The Indenture Trustee shall not have any obligations to see to the payment or discharge of any liens (other than the liens hereof) upon the Receivables, or to see to the application of any payment of the principal of or interest on any note secured thereby or to the delivery or transfer to any Person of any property released from any such lien, or to give notice to or make demand upon any mortgagor, mortgagee, trustor, beneficiary or other Person for the delivery or transfer of any such property. The Indenture Trustee (and any successor trustee or co-trustee in its individual capacity) nevertheless agrees that it will, at its own cost and expense, promptly take all action as may be necessary to discharge any liens or encumbrances on the Receivables arising as a result of the Indenture Trustee (or such successor trustee or co-trustee, as the case may be) acting improperly in its capacity as Indenture Trustee (or such successor trustee or co-trustee, as the case may be).

(vi) The Indenture Trustee shall not be concerned with or accountable to any Person for the use or application of any deposited monies or of any property or securities or the proceeds thereof that shall be released or withdrawn in accordance with the provisions hereof or of any property or securities or the proceeds thereof that shall be released from the lien hereof or thereof in accordance with the provisions hereof or thereof and the Indenture Trustee shall not have any liability for the acts of other parties that are not in accordance with the provisions hereof.

(b) The rights, duties and liabilities of the Indenture Trustee in respect of the Receivables and this Indenture, in addition to those set forth in Section 5.01(a), shall be as follows:

(i) except during the continuance of an Event of Default with respect to the Notes, the Indenture Trustee undertakes 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) the Indenture Trustee may, in the absence of bad faith on its part, 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; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Indenture Trustee, the Indenture Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture, to the extent expressly set forth herein.

(c) Subject to Section 4.12 hereof, in case an Event of Default actually known to the Indenture Trustee with respect to the Notes has occurred and is continuing, the Indenture Trustee shall exercise such of 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 his own affairs.

(d) No provision of this Indenture shall be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(i) this subsection shall not be construed to limit the effect of subsections (a), (b) or (c) of this Section; (ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(ii) the Indenture Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the directions of the Majority Noteholders, relating to the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred upon the Indenture Trustee, under this Indenture with respect to the Notes; and

(iii) the Indenture Trustee shall not be charged with knowledge of a default in the observance of any covenant contained in Section 9.06 or Section 9.07 unless either (i) a Responsible Officer of the Indenture Trustee shall have actual knowledge of such default or (ii) written notice of such default shall have been given by the Issuer or by any Noteholder to and received by a Responsible Officer of the Indenture Trustee.

Section 5.02. Notice of Defaults.

(a) The Indenture Trustee, promptly but not later than two (2) Business Days after a Responsible Officer of the Indenture Trustee acquires actual knowledge of the occurrence of any Event of Default or any event which, after notice or lapse of time would become an Event of Default with respect to the Notes, shall notify the Issuer, the Noteholders and the Agent of any

such event, unless all such events known to the Indenture Trustee shall have been cured before the giving of such notice or unless the same is rescinded and annulled, or waived by the Noteholders pursuant to Section 4.02 or Section 4.12. For the purpose of this Section 5.02, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to the Notes.

(b) The Indenture Trustee also agrees, promptly but no later than two (2) Business Days after a Responsible Officer of the Indenture Trustee acquires actual knowledge of the occurrence of any default or event of default under the Receivables Purchase Agreement, to notify the Issuer, the Noteholders and the Agent of such default or event of default.

Section 5.03. Certain Rights of Indenture Trustee.

Subject to the provisions of Section 5.01, in connection with this Indenture:

(a) the Indenture Trustee may request and rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties as may be required by such party or parties pursuant to the terms of this Indenture;

(b) any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order;

(c) whenever in the administration of this Indenture the Indenture Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Indenture Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Indenture Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel rendered thereby shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Indenture Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Noteholders pursuant to this Indenture, unless such Noteholders shall have offered to the Indenture Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction;

(f) the Indenture Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note, debenture, note, coupon, other evidence of indebtedness or other paper or document, but the Indenture Trustee in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Indenture Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney;

(g) the Indenture Trustee may, subject to Section 5.04, execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys of the Indenture Trustee, provided that it shall remain liable for the acts of all such attorneys and agents;

(h) the Indenture Trustee shall not be required to provide any surety or note of any kind in connection with the execution or performance of its duties hereunder;

(i) except with respect to the representations made by it in Section 5.06, the Indenture Trustee shall not make any representations as to the validity or sufficiency of this Indenture; and

(j) the Indenture Trustee shall not at any time have any responsibility or liability with respect to the legality, validity or enforceability of the Receivables other than its failure to act in accordance with the terms of this Indenture.

None of the provisions contained in this Indenture shall in any event require the Indenture Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers hereunder if there are reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 5.04. Compensation and Reimbursement.

(a) Subject to Section 5.04(b), the Issuer hereby agrees:

(1) to pay or cause to be paid to the Indenture Trustee on a monthly basis, the Indenture Trustee Fee as compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and all reasonable expenses (including the reasonable expenses of its counsel), disbursements and advances incurred or made by the Indenture Trustee in connection with this Indenture, the Receivables or the Notes, provided that the Issuer shall have no obligation to pay the Indenture Trustee’s overhead or other internal costs or expenses;

(2) to reimburse, indemnify and hold harmless the Indenture Trustee and any director, officer, employee, agent, Affiliate or Control Person of the Indenture Trustee for any loss, liability, expense or disbursements (including without limitation costs and expenses of litigation, and of investigation, reasonable counsel fees, damages, judgments and amounts paid in settlement) incurred in connection with the acceptance of performance of the trusts and duties by the Indenture Trustee with respect to this Indenture, the Receivables or the Notes (other than any loss, liability or expense incurred by reason of willful misfeasance, bad faith or negligence in the performance of duties, or as may arise from a breach of any representation or warranty of the Indenture Trustee set forth herein).

With respect to any third party claim:

(i) the Indenture Trustee shall give the Issuer, the Noteholders and the Agent written notice thereof promptly after the Indenture Trustee shall have knowledge thereof;

(ii) while maintaining control over its own defense, the Indenture Trustee shall cooperate and consult fully with the Issuer in preparing such defense; and

(iii) notwithstanding the foregoing provisions of this Section 5.04(a), the Indenture Trustee shall not be entitled to reimbursement out of the Note Payment Account for settlement of any such claim by the Indenture Trustee entered into without the prior consent of the Issuer, which consent shall not be unreasonably withheld or delayed.

The Indenture Trustee agrees to fully perform its duties under this Indenture notwithstanding any failure on the part of the Issuer to make any payments, reimbursements or indemnifications to the Indenture Trustee pursuant to this Section 5.04(a); provided, however, that (subject to Sections 5.04(b) and 5.04(c)) nothing in this Section 5.04 shall be construed to limit the exercise by the Indenture Trustee of any right or remedy permitted under this Indenture in the event of the Issuer's failure to pay any sums due the Indenture Trustee pursuant to this Section 5.04.

(b) The obligations of the Issuer set forth in Section 5.04(a) are nonrecourse obligations solely of the Issuer and will be payable only from the Trust Estate in accordance with Section 2.10(c). The Indenture Trustee hereby agrees that it has no rights or claims against the Issuer directly and shall only look to the Trust Estate to satisfy the Issuer's obligations under Section 5.04(a). The Indenture Trustee also hereby agrees not to file or join in filing any petition in bankruptcy or commence any similar proceeding in respect of the Issuer.

Section 5.05. Corporate Indenture Trustee Required; Eligibility.

The Issuer hereby agrees, for the benefit of the Noteholders, that there shall at all times be an Indenture Trustee hereunder which shall be a bank (within the meaning of Section 2(a)(5) of the 1940 Act) organized and doing business under the laws of the United States or any state thereof, authorized under such laws to exercise corporate trust powers, having aggregate capital, surplus and undivided profits of at least $100,000,000, and subject to supervision or examination by federal or state authority, the long term debt of which is rated not lower than "A" by any Rating Agency. If such bank publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital, surplus and undivided profits of such bank shall be deemed to be its combined capital, surplus and undivided profits as set forth in its most recent report of condition so published. The Indenture Trustee shall at all times meet the requirements of Section 26(a)(1) of the 1940 Act and shall in no event be an Affiliate of the Issuer or an Affiliate of any Person involved in the organization or operation of the Issuer or be directly or indirectly controlled by the Issuer. If at any time a Responsible Officer of the Indenture Trustee becomes aware that the Indenture Trustee has ceased to be eligible in accordance with the provisions of this Section 5.05, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 5.06. Authorization of Indenture Trustee.

The Indenture Trustee represents and warrants as to itself: that it is duly authorized under applicable federal law and the law of the state of its organization, its charter and its by-laws to execute and deliver this Indenture, and to perform its obligations hereunder, including, without limitation, that it is duly authorized to accept the Grant to it for the benefit of the Noteholders of the Trust Estate and is authorized to authenticate the Notes, and that all corporate action necessary or required therefor has been duly and effectively taken or obtained and all federal and state governmental consents and approvals required with respect thereto have been obtained.

Section 5.07. Merger, Conversion, Consolidation or Succession to Business.

Any corporation, bank, trust company or association into which the Indenture Trustee may be merged or converted or with which it may be consolidated, or any corporation, bank, trust company or association resulting from any merger, conversion or consolidation to which the Indenture Trustee shall be a party, or any corporation, bank, trust company or association succeeding to all or substantially all the corporate trust business of the Indenture Trustee, shall be the successor of the Indenture Trustee hereunder, provided such corporation, bank, trust company or association shall be otherwise qualified and eligible under this Article V, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 5.08. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee pursuant to this Article V shall become effective until (i) the acceptance of appointment by the successor Indenture Trustee in accordance with the applicable requirements of Section 5.09 and (ii) repayment to the predecessor Indenture Trustee of all unpaid fees and expenses.

(b) The Indenture Trustee may resign at any time by giving written notice thereof to the Issuer and the Agent. If the respective instruments of acceptance by a successor Indenture Trustee required by Section 5.09 shall not have been delivered to each such party within 30 days after the giving of such notice of resignation, the resigning Indenture Trustee may petition any court of competent jurisdiction for the appointment of their respective successors.

(c) The Indenture Trustee may be removed at any time by the Majority Noteholders and notice of such action by the Noteholders shall be delivered to the Indenture Trustee and the Issuer.

(d) If at any time:

(i) the Indenture Trustee shall cease to be eligible under Section 5.05, or the representations of the Indenture Trustee in Section 5.06 shall prove to be untrue in any material respect, and the Indenture Trustee shall fail to resign after written request therefor by the Issuer or Noteholders of 10% of the aggregate Note Principal Balance of the Outstanding Notes; or

(ii) the Indenture Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Indenture Trustee or of its property shall be appointed or any public officer shall take charge or control of the Indenture Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, (i) the Issuer may remove the Indenture Trustee, or (ii) subject to Section 4.13, any Noteholder may, on its own behalf and on behalf of all others similarly situated, petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

(e) If the Indenture Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Indenture Trustee for any cause, the Issuer shall promptly remove the Indenture Trustee and appoint a successor Indenture Trustee, subject to the Agent's consent, who shall comply with the applicable requirements of Section 5.09. If, within 60 days after such resignation, removal or incapacity, or the occurrence of such vacancy, a successor Indenture Trustee shall not have been appointed by the Issuer and shall not have accepted such appointment in accordance with the applicable requirements of Section 5.09, then a successor Indenture Trustee shall be appointed by the Majority Noteholders by notice delivered to the Issuer and the retiring Indenture Trustee, and the successor Indenture Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 5.09, become the successor Indenture Trustee with respect to the Notes.

If, within 120 days after such resignation, removal or incapacity, or the occurrence of such vacancy, no successor Indenture Trustee shall have been so appointed and accepted appointment in the manner required by Section 5.09, the resigning Indenture Trustee may, on its own behalf and on behalf of all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

(f) The Issuer shall give notice of any resignation or removal of the Indenture Trustee and the appointment of a successor Indenture Trustee by giving notice of such event to the Noteholders. Each notice shall include the name of the successor Indenture Trustee and the address of its Corporate Trust Office.

Section 5.09. Acceptance of Appointment by Successor.

In case of the appointment hereunder of a successor Indenture Trustee, the successor Indenture Trustee so appointed shall execute, acknowledge and deliver to the Issuer and to the retiring Indenture Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Indenture Trustee shall become effective and such successor Indenture Trustee without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Indenture Trustee; but, on the request of the Issuer or the successor Indenture Trustee such retiring Indenture Trustee shall, upon payment of each of its fees and expenses, execute and deliver an instrument transferring to such successor Indenture Trustee all the rights, powers and trusts of the retiring Indenture Trustee shall duly assign, transfer and deliver to such successor Indenture Trustee all property and money held by such retiring Indenture Trustee hereunder, shall take such action as may be

requested by the Administrator on behalf of the Issuer to provide for the appropriate interest in the Trust Estate to be vested in such successor Indenture Trustee, but shall not be responsible for the recording of such documents and instruments as may be necessary to give effect to the foregoing.

Upon request of any such successor Indenture Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Indenture Trustee all such rights, powers and trusts referred to in this Section 5.09.

No successor Indenture Trustee shall accept its appointment unless at the time of such acceptance such successor Indenture Trustee shall be qualified and eligible under this Article V.

Section 5.10. Unclaimed Funds.

The Indenture Trustee is required to hold any payments received by it with respect to the Notes that are not paid to the Noteholders in trust for the Noteholders. Notwithstanding the foregoing, at the expiration of two years following the Final Payment Date for the Notes, any monies set aside in accordance with Section 2.10(b) for payment of principal, interest and other amounts on such Notes remain unclaimed by any lawful owner thereof, such unclaimed funds and, to the extent required by applicable law, any accrued interest thereon shall be remitted to the Issuer to be held in trust by the Issuer for the benefit of the applicable Noteholder until distributed in accordance with applicable law, and all liability of the Indenture Trustee with respect to such money shall thereupon cease; provided, that the Indenture Trustee, before being required to make any such repayment, may, at the expense of the applicable Noteholder, payable out of such unclaimed funds, to the extent permitted by applicable law, and otherwise at the expense of the Issuer, cause to be published at least once but not more than three times in two newspapers in the English language customarily published on each Business Day and of general circulation, in New York, New York, a notice to the effect that such monies remain unclaimed and have not been applied for the purpose for which they were deposited, and that after a date specified therein, which shall be not less than 30 days after the date of first publication of said notice, any unclaimed balance of such monies then remaining in the hands of the Indenture Trustee will be paid to the Issuer upon its written directions to be held in trust for the benefit of the applicable Noteholder until distributed in accordance with applicable law. Any successor to the Issuer through merger, consolidation or otherwise or any recipient of substantially all the assets of the Issuer in a liquidation of the Issuer shall remain liable for the amount of any unclaimed balance paid to the Issuer pursuant to this Section 5.10.

Section 5.11. Illegal Acts.

No provision of this Indenture or any amendment or supplement hereto shall be deemed to impose any duty or obligation on the Indenture Trustee to do any act in the performance of its duties hereunder or to exercise any right, power, duty or obligation conferred or imposed on it, which under any present or future law shall be unlawful, or which shall be beyond the corporate powers, authorization or qualification of the Indenture Trustee.

Section 5.12. Communications by the Indenture Trustee.

The Indenture Trustee shall send to the Issuer, within one Business Day after the Maturity Date thereof, if any principal of or interest on such Notes due and payable hereunder is not paid, a written demand for payment thereof.

Section 5.13. Separate Indenture Trustees and Co-Trustees.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting legal requirements applicable to it in the performance of its duties hereunder, the Indenture Trustee shall have the power to, and shall execute and deliver all instruments to, appoint one or more Persons to act as separate trustees or co-trustees hereunder, jointly with the Indenture Trustee, of any of the Trust Estate subject to this Indenture, and any such Persons shall be such separate trustee or co-trustee, with such powers and duties consistent with this Indenture as shall be specified in the instrument appointing such Person but without thereby releasing the Indenture Trustee from any of its duties hereunder. If the Indenture Trustee obtains the consent of the Agent and the Issuer to the retention of any such separate trustee or co-trustee, the Indenture Trustee shall not be responsible for any fees or expenses of any such separate trustee or co-trustee. If the Indenture Trustee shall request the Issuer to do so, the Issuer shall join with the Indenture Trustee in the execution of such instrument, but the Indenture Trustee shall have the power to make such appointment without making such request. A separate trustee or co-trustee appointed pursuant to this Section 5.13 need not meet the eligibility requirements of Section 5.05.

(b) Every separate trustee and co-trustee shall, to the extent not prohibited by law, be subject to the following terms and conditions:

(i) the rights, powers, duties and obligations conferred or imposed upon such separate or co-trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate or co-trustee jointly, as shall be provided in the appointing instrument, except to the extent that under any law of any jurisdiction in which any particular act is to be performed any nonresident trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such separate trustee or co-trustee;

(ii) all powers, duties, obligations and rights conferred upon the Indenture Trustee, in respect of the custody of all cash deposited hereunder shall be exercised solely by the Indenture Trustee; and

(iii) the Indenture Trustee may at any time by written instrument accept the resignation of or remove any such separate trustee or co-trustee, and, upon the request of the Indenture Trustee, the Issuer shall join with the Indenture Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to make effective such resignation or removal, but the Indenture Trustee shall have the power to accept such resignation or to make such removal without making such request. A successor to a separate trustee or co-trustee so resigning or removed may be appointed in the manner otherwise provided herein.

(c) Such separate trustee or co-trustee, upon acceptance of such trust, shall be vested with the estates or property specified in such instrument, jointly with the Indenture Trustee, and the Indenture Trustee shall take such action as may be necessary to provide for (i) the appropriate interest in the Trust Estate to be vested in such separate trustee or co-trustee, (ii) the execution and delivery of any transfer documentation or note powers that may be necessary to give effect to transfer of the Receivables to the co-trustee. Any separate trustee or co-trustee may, at any time, by written instrument, constitute the Indenture Trustee its agent or attorney in fact with full power and authority, to the extent permitted by law, to do all acts and things and exercise all discretion authorized or permitted by it, for and on behalf of it and in its name. If any separate trustee or co-trustee shall be dissolved, become incapable of acting, resign, be removed or die, all the estates, property, rights, powers, trusts, duties and obligations of said separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Indenture Trustee, without the appointment of a successor to said separate trustee or co-trustee, until the appointment of a successor to said separate trustee or co-trustee is necessary as provided in this Indenture.

(d) Any notice, request or other writing, by or on behalf of any Noteholder, delivered to the Indenture Trustee shall be deemed to have been delivered to all separate trustees and co-trustees.

(e) Although co-trustees may be jointly liable, no co-trustee or separate trustee shall be severally liable by reason of any act or omission of the Indenture Trustee or any other such trustee hereunder.

ARTICLE VI

REPORTS TO NOTEHOLDERS

Section 6.01. Reports to Noteholders and Others.

(a) Based on information provided to the Indenture Trustee by the Servicer pursuant to the Pooling and Servicing Agreements and the Transaction Documents, the Indenture Trustee shall prepare, or cause to be prepared, and deliver by first class mail or electronic means on each Payment Date, or as soon thereafter as is practicable, to the Issuer, any Interested Person, each Noteholder and Certificateholder or any of their designees (the "Interested Parties") a statement in respect of the payments made on such Payment Date setting forth the information set forth in Exhibit F hereto (the "Trustee Report"). On each Payment Date, the Indenture Trustee shall make the Trustee Report available each month to the Agent and Interested Parties via the Indenture Trustee's internet website. The Indenture Trustee's internet website shall initially be located at www.ctslink.com which may be accessed by Interested Parties with the use of an assigned password. The Indenture Trustee shall provide reasonable assistance in using the website to users that call the Indenture Trustee's customer service desk at (866) 846-4526. Parties that are unable to use the above distribution options are entitled to have a paper copy mailed to them via first class mail by calling the customer service desk and indicating the need for assistance.

(b) Within a reasonable period of time after the end of each calendar year, upon request unless required pursuant to the Code, (but in no event more than 60 days following the end of such calendar year), the Indenture Trustee shall prepare, or cause to be prepared, and mail to each Person who at any time during the calendar year was a Noteholder (i) a statement containing the aggregate amount of principal and interest payments on the Notes for such calendar year or applicable portion thereof during which such person was a Noteholder and (ii) such other customary information as the Indenture Trustee deems necessary or desirable for Noteholders to prepare their federal, state and local income tax returns. The obligations of the Indenture Trustee in the immediately preceding sentence shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Indenture Trustee pursuant to any requirements of the Code. As soon as practicable following the request of any Noteholder in writing, the Indenture Trustee shall furnish to such Noteholder such information regarding the Receivables as such holder may reasonably request.

Section 6.02. Servicer Reports.

(a) By no later than the second Business Day before each Payment Date, the Servicer shall deliver to the Issuer, the Indenture Trustee, the Agent and the Verification Agent a report in the form of Exhibit C hereto (the "Monthly Servicer Report") (in electronic form) listing each Event of Default, Funding Termination Event and Securitization Termination Event for each Securitization Trust with a yes or no answer beside each indicating whether each possible Event of Default, Funding Termination Event and Securitization Termination Event has occurred as of the end of the preceding Collection Period, the information described in Exhibit C with respect to the Aggregate Receivables and the Securitization Trusts.

(b) In addition, no later than the second Business Day before each Payment Date, the Servicer shall deliver to the Issuer, the Indenture Trustee, the Verification Agent and the Agent a report in substantially the form of Exhibit D hereto (the "Payment Date Report") containing the information described in Exhibit D. Each Payment Date Report shall also (A) state the aggregate Collateral Value as of the end of the preceding Collection Period and (B) demonstrate that the Collateral Coverage Requirement was met at such time and (C) contain any other information necessary for the Indenture Trustee to make the payments required by Section 2.10 on such Payment Date and all information necessary for the Indenture Trustee to send statements to Noteholders pursuant to Section 6.01(a) and such additional information as may be reasonably requested by the Indenture Trustee, the Agent or the Verification Agent from time to time.

(c) By no later than 7:00 PM Eastern time two Business Days prior to each Funding Date (or, with respect to any Funding Date described in clause (iii) of the definition thereof, by no later than 7:00 PM Eastern time one (1) Business Day prior to each such Funding Date), the Servicer shall deliver to the Issuer, the Indenture Trustee, the Verification Agent and the Agent a report in substantially the form of Exhibit E hereto (each, a "Funding Date Report") containing the information described in Exhibit E and (A) listing all Additional Receivables to be purchased as of the close of business on such Funding Date (summarized in each case by Pool-Level Advances, Loan-Level Advances and Servicing Advances for each Securitization Trust at such date and including each Loan-Level Advance and Servicing Advance by loan number and (B) stating the aggregate amount of the Cash Purchase Price to be paid on the Funding Date.

(d) Notwithstanding anything contained herein to the contrary, none of the Verification Agent (except as described in the Verification Agent Letter), the Indenture Trustee nor the Agent shall have any obligation to verify or recalculate any information provided to them by the Servicer.

Section 6.03. Access to Certain Information.

(a) The Indenture Trustee shall afford to the Issuer, the Agent, the Servicer, the Seller and any Holder or Holders of Notes, and to the OTS, the FDIC and any other banking or insurance regulatory authority that may exercise authority over any Noteholder, access to any documentation regarding the Receivables within its control that may be required to be provided by this Indenture or by applicable law. Such access shall be afforded without charge but only upon reasonable prior written request and during normal business hours at the offices of the Indenture Trustee designated by it.

(b) The Indenture Trustee shall maintain at its office primarily responsible for administration of the Trust Estate and shall deliver to the Issuer, the Servicer, the Seller, the Agent and any Noteholder or Person identified to the Indenture Trustee as a prospective transferee of a Note or an interest therein (at the reasonable request and expense of the requesting party), copies of the following items (to the extent that such items have been delivered to the Indenture Trustee or the Indenture Trustee can cause such items to be delivered to it without unreasonable burden or expense): (i) this Indenture, the Receivables Purchase Agreement and any amendments hereto or thereto; (ii) all reports prepared by, and all reports delivered to, the Indenture Trustee or the Servicer since the Closing Date; (iii) all Officer's Certificates delivered by the Servicer since the Closing Date and all Officer's Certificates delivered by the Issuer since the Closing Date pursuant to Section 9.08 of this Indenture; (iv) all accountants' reports caused to be delivered by the Servicer since the Closing Date; and (v) each of the Receivables Files. The Indenture Trustee shall make available copies of any and all of the foregoing items upon request of any party set forth in the previous sentence. However, the Indenture Trustee shall be permitted to require of such party the payment of a sum sufficient to cover the reasonable costs and expenses of providing such copies as are requested by such party.

ARTICLE VII

FUNDING ACCOUNT; PURCHASE OF ADDITIONAL RECEIVABLES

Section 7.01. Funding Account.

On each Funding Date, the Indenture Trustee shall deposit or cause to be deposited into the Funding Account based on the information set forth in the Funding Date Report: (i) the amount of any Additional Note Balances purchased by the Note Purchasers pursuant to the Note Purchase Agreement on such Funding Date (to the extent that the Excess Amount is insufficient to pay the Cash Purchase Price with respect to the Additional Receivables to be acquired by the Issuer on such Funding Date); and (ii) subject to Section 2.10(d), the Excess Amount, if any, on deposit in the Reimbursement Account to the extent required to fund the Cash Purchase Price of the Additional Receivables on such Funding Date. On each Funding Date, subject to satisfaction of the Funding Conditions and the other requirements of Section 7.02, the Indenture Trustee shall

withdraw from the Funding Account and pay to the Servicer the Cash Purchase Price for the Additional Receivables to be acquired by the Issuer on such Funding Date.

Section 7.02. Purchase of Additional Receivables.

Two Business Days prior to each Funding Date, the Seller shall deliver a Funding Notice and, pursuant to Section 6.02(c), a Funding Date Report to the Indenture Trustee and the Agent. The Seller shall certify in the Funding Notice that the Funding Conditions set forth in clauses (ii), (iv), (v), (vi), (vii), (viii), (xii), (xiii) (with respect to Sections 3.01(a)(ii), (iii) and (iv) of the Note Purchase Agreement) and (xiv) of this Section 7.02 have been satisfied and, on the Funding Date, the Seller shall re-certify that such Funding Conditions are satisfied. Upon receipt of the Funding Notice and Funding Date Report by the Indenture Trustee and confirmation by the Indenture Trustee that the Funding Conditions set forth in clauses (i) (as to the Indenture Trustee's receipt), (iii), (iv) (based on the Funding Notice), (ix), (x), (xi) and (xii) of this Section 7.02 have been satisfied on or prior to such Funding Date (provided that with respect to conditions (i), (iii) and (xii), that the Indenture Trustee has not received notice from the Agent or any Noteholder that such condition has not been satisfied), on the Funding Date the Indenture Trustee shall apply funds on deposit in the Funding Account in the manner specified in Section 7.01 with respect to such Additional Receivables, provided that the Indenture Trustee shall not fund the Cash Purchase Price of the Additional Receivables if it receives notice from the Issuer or the Agent that any of the Funding Conditions have not been satisfied. In the event that the Indenture Trustee determines that any of the Funding Conditions set forth conditions in clauses (i), (iii), (iv)(based on the information set forth in the Funding Notice), (ix), (x), (xi) and (xii) of this Section 7.02 have not been satisfied on or prior to such Funding Date, the Indenture Trustee shall promptly notify the Seller and the Agent.

The funding by the Indenture Trustee of the Cash Purchase Price with respect to any Additional Receivable shall be subject to the satisfaction on the related Funding Date of the following conditions precedent (the "Funding Conditions"):

(i) the Issuer shall have delivered (or caused to be delivered) to the Indenture Trustee and the Agent the related Schedule of Additional Receivables along with the applicable Funding Notice and Bill of Sale pursuant to the Receivables Purchase Agreement;

(ii) as of such Funding Date, neither the Seller nor the Issuer shall (A) be insolvent, (B) be made insolvent by the transfer of the related Receivables or (C) have reason to believe that its insolvency is imminent;

(iii) the Funding Period shall not have terminated;

(iv) as of such Funding Date (after giving effect to the transfer of the related Additional Receivables on such Funding Date), the Collateral Coverage Requirement shall be satisfied;

(v) each of the representations and warranties made by the Seller under the Receivables Purchase Agreement with respect to the related Receivables shall be true and

correct in all material respects as of such Funding Date (or, as of the date of conveyance of the related Additional Receivable with respect to the representations and warranties set forth in Sections 6.01(r)(iv), (v), (x) and (xi) of the Receivables Purchase Agreement) with the same effect as if then made and each of the Seller and the Issuer shall have performed all obligations to be performed by it under the Transaction Documents on or prior to such Funding Date;

(vi) the Seller or the Issuer shall have taken any action requested by the Indenture Trustee or the Noteholders required to maintain the ownership interest of the Issuer and the first priority lien of the Indenture Trustee in the Trust Estate;

(vii) all conditions precedent to the transfer of the related Additional Receivable pursuant to the Receivables Purchase Agreement shall have been fulfilled as of such Funding Date;

(viii) if any Additional Note Balance is being purchased in respect of such Funding Date, the conditions precedent to the Note Purchasers' purchase of Additional Note Balance set forth in Section 3.01 of the Note Purchase Agreement shall have been fulfilled as of such Funding Date;

(ix) sufficient funds are on deposit in the Funding Account (including, without limitation, proceeds of purchase by Noteholders of Additional Note Balances) to pay the full Cash Purchase Price with respect to such Additional Receivable;

(x) the Indenture Trustee has received confirmation from the Verification Agent that the verification procedures have been performed in accordance with the Verification Agent letter to the satisfaction of the Verification Agent;

(xi) commencing with the first Funding Date after the Initial Funding Date, an amount equal to not less than the Expense Reserve is on deposit in the Reimbursement Account (after taking into account the purchase of such Additional Receivable);

(xii) the Note Principal Balance is equal to or less than the Maximum Note Balance, after taking into account the purchase of such Additional Receivable;

(xiii) a Funding Interruption Event shall not have occurred and be continuing; and

(xiv) the Additional Receivable does not relate to a Securitization Trust for which a Securitization Termination Event has occurred and such event has not been waived by the Agent.

ARTICLE VIII

SUPPLEMENTAL INDENTURES; AMENDMENTS

Section 8.01. Supplemental Indentures or Amendments Without Consent of Noteholders.

Without the consent of the Noteholders but with the consent of the Agent and Option One (for so long as it holds any interest in the trust), the Issuer and the Indenture Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, or one or more amendments hereto or to the Notes or the Receivables Purchase Agreement, for any of the following purposes:

(1) to convey, transfer, assign, mortgage or pledge any property to the Indenture Trustee;

(2) to correct any manifestly incorrect description, or amplify the description, of any property subject to the lien of this Indenture;

(3) to modify the Indenture or the Receivables Purchase Agreement as required by, or made necessary by any change in, applicable law; or

(4) to correct any mistake or typographical error or cure any ambiguity, or to cure, correct or supplement any defective or inconsistent provision herein or in the Notes or the Receivables Purchase Agreement.

No such supplemental indenture or amendment shall be effective unless (i) the Issuer obtains a Tax Opinion and obtains an Opinion of Counsel to the effect that such supplemental indenture or amendment would not cause the Notes to be characterized other than as indebtedness for federal income tax purposes or cause the Notes to be deemed to have been exchanged for a new debt instrument pursuant to Treasury Regulation §1.1001-3, and furnishes each such Opinion of Counsel to the Indenture Trustee in connection therewith, and (ii) with respect to the clauses (1), (3) and (4) above, the party requesting such supplemental indenture or amendment furnishes to the Indenture Trustee and the Issuer an Opinion of Counsel that, such action will not adversely affect the interests of Noteholders under this Indenture in any material way.

Section 8.02. Supplemental Indentures With Consent of Noteholders.

With the consent of the Noteholders of not less than 66 2/3% in aggregate Note Principal Balance of the Outstanding Notes materially affected thereby and Option One (for so long as it holds any interest in the trust), the Issuer and the Indenture Trustee may enter into one or more indentures supplemental hereto, or one or more amendments hereto or to the Notes or the Receivables Purchase Agreement, for the purpose of adding any provisions hereto or thereto, changing in any manner or eliminating any of the provisions hereof or thereof, modifying in any manner the rights of the Noteholders hereunder or thereunder or evidencing and providing for the acceptance of appointment by a successor Indenture Trustee or Servicer; provided that no such

supplemental indenture or amendment shall be effective unless the Issuer obtains a Tax Opinion and obtains an Opinion of Counsel to the effect that such supplemental indenture or amendment would not cause the Notes to be characterized other than as indebtedness for federal income tax purposes or cause the Notes to be deemed to have been exchanged for a new debt instrument pursuant to Treasury Regulation §1.1001-3 and, furnishes each such Opinion of Counsel to the Indenture Trustee in connection therewith; and provided, further, that no such supplemental indenture or amendment shall, without the consent of the Noteholders of 100% in aggregate Note Principal Balance of the Outstanding Notes affected thereby,

(1) change the Maturity Date or the Payment Date of any principal, interest or other amount on any Note, or reduce the Note Principal Balance thereof or the Floating Rate thereon, or authorize the Indenture Trustee to agree to delay the timing of, or reduce the payments to be made on or in respect of, the Receivables except as provided herein or in the Receivables Purchase Agreement, or change the coin or currency in which the principal of any Note or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Maturity Date thereof;

(2) reduce the percentage of the then aggregate Note Principal Balance of the Outstanding Notes, the consent of whose Noteholders is required for any such supplemental indenture or amendment, or the consent of whose Noteholders is required for any waiver of defaults hereunder and their consequences provided for in this Indenture, or for any other reason under this Indenture (including for actions taken by the Indenture Trustee pursuant to Section 5.01(a) hereof);

(3) change any obligation of the Issuer to maintain an office or agency in the places and for the purposes specified in Section 9.01;

(4) except as otherwise expressly provided in this Indenture, deprive any Noteholder of the benefit of a first priority security interest in the Trust Estate as provided in this Indenture;

(5) modify Section 2.10; or

(6) release from the lien of the Indenture (except as specifically permitted hereby on the date of execution hereof) all or any part of the Trust Estate.

It shall not be necessary for the consent of the Noteholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Section 8.03. Delivery of Supplements and Amendments.

Promptly after the execution by the Issuer and the Indenture Trustee of any supplemental indenture or amendment pursuant to the provisions hereof, the Indenture Trustee, at the expense of the Issuer payable out of the Trust Estate pursuant to Section 5.04, shall furnish a notice setting forth in general terms the substance of such supplemental indenture or amendment to each Noteholder at the address for such Noteholder set forth in the Note Register.

Section 8.04. Execution of Supplemental Indentures, etc.

In executing, or accepting the additional trusts created by, any supplemental indenture or amendment permitted by this Article VIII or in accepting the modifications thereby of the trusts created by this Indenture, the Indenture Trustee shall be entitled to receive, at the Issuer's expense payable out of the Trust Estate pursuant to Section 5.04, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture, amendment or modification is authorized or permitted by this Indenture. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture or amendment or consent to any such modification which affects the Indenture Trustee's own rights, duties or immunities under this Indenture or otherwise.

ARTICLE IX

COVENANTS; WARRANTIES

Section 9.01. Maintenance of Office or Agency.

The Issuer shall maintain or cause to be maintained an office or agency in the continental United States where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer shall give prompt written notice to the Indenture Trustee and the Noteholders of the location, and any change in the location, of such office or agency.

The Issuer may also from time to time designate one or more other offices or agencies outside the United States where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Issuer of its obligation to maintain an office or agency in accordance with the requirements set forth in the preceding paragraph. The Issuer shall give prompt written notice to the Indenture Trustee, Noteholders of any such designation or rescission and of any change in the location of such office or agency.

Section 9.02. Existence.

Subject to Section 9.08, the Issuer will keep in full effect its existence, rights and franchises under the laws of its jurisdiction of organization, and the existence, rights and franchises (if any) of the Issuer under the laws of its jurisdiction of organization.

Section 9.03. Payment of Taxes and Other Claims.

The Issuer shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon the Issuer or upon the income, profits or property of the Issuer, or shown to be due on the tax returns filed by the Issuer, except any such taxes, assessments, governmental charges or claims which the Issuer is in good faith contesting in appropriate proceedings and with respect to which reserves are established if required in accordance with GAAP, provided, that such failure to pay or discharge will not cause a forfeiture of, or a lien to encumber, any property included in the Trust Estate. The Indenture Trustee is authorized to pay out of the Note Payment Account, prior

to making payments on the Notes, any such taxes, assessments, governmental charges or claims which, if not paid, would cause a forfeiture of, or a lien to encumber, any property included in the Trust Estate.

Section 9.04. Validity of the Notes; Title to the Trust Estate; Lien.

(a) The Issuer represents and warrants that the Issuer is duly authorized under applicable law to create and issue the Notes, to execute and deliver this Indenture, the other documents referred to herein to which it is a party and all instruments included in the Trust Estate which it has executed and delivered, and that all corporate action and governmental consents, authorizations and approvals necessary or required therefor have been duly and effectively taken or obtained. The Notes, when issued, will be, and this Indenture and such other documents are, valid and legally binding obligations of the Issuer enforceable in accordance with their terms.

(b) The Issuer represents and warrants that, immediately prior to its Grant of the Trust Estate provided for herein, it was the sole obligee of each Receivable, free and clear of any pledge, lien, encumbrance or security interest.

(c) The Issuer represents and warrants that, upon the issuance of the Notes, the Indenture Trustee has a valid and enforceable first priority security interest in the Trust Estate, subject only to exceptions permitted hereby.

(d) The Issuer represents and warrants that the Indenture is not required to be qualified under the 1939 Act and that the Issuer is not required to be registered as an “investment company” under the 1940 Act.

Section 9.05. Protection of Trust Estate.

The Issuer and, to the extent directed by the Issuer or the Majority Noteholders, the Indenture Trustee shall execute and deliver all such amendments and supplements hereto (subject to Sections 8.01 and 8.02) and all such financing statements, continuation statements, instruments of further assurance and other instruments, and shall take such other action necessary or advisable to:

(a) Grant more effectively all or any portion of the Trust Estate securing the Notes;

(b) maintain or preserve the lien (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(c) perfect, publish notice of, or protect the validity of any Grant made or to be made by this Indenture;

(d) enforce any of the Receivables included in the Trust Estate; or

(e) preserve and defend title to the Trust Estate securing the Notes and the rights of the Indenture Trustee, and of the Noteholders, in the Trust Estate against the claims of all Persons and parties.

The Issuer hereby designates the Indenture Trustee and the Agent, its agent and attorney-in-fact, to prepare and file any financing statement, continuation statement or other instrument required pursuant to this Section 9.05; provided that, subject to and consistent with Section 5.01, neither the Indenture Trustee nor the Agent will be obligated to prepare or file any such statements or instruments.

Section 9.06. Nonconsolidation.

The Issuer shall at all times:

(a) maintain separate records and books of account from any other person or entity;

(b) maintain separate bank accounts from any other person or entity;

(c) maintain its assets in its own name and not commingle its assets with those of any other person or entity;

(d) conduct its own business in its own name;

(e) maintain separate financial statements, showing its assets and liabilities separate and apart from those of any other person or entity and not have its assets listed on the financial statements of any other person or entity (other than as required with respect to consolidated financial statements prepared in accordance with generally accepted accounting principles, and with respect to any consolidated or combined financial statements having appropriate footnotes indicating that the Issuer is a separate legal entity);

(f) pay its own liabilities and expenses only out of its own funds;

(g) observe all corporate and other organizational formalities;

(h) maintain an arm’s length relationship with each of its Affiliates;

(i) pay the salaries of its employees, if any, out of its own funds;

(j) maintain a sufficient number of employees or engage independent agents, in each case to the extent reasonably required in light of its contemplated business operations;

(k) not guarantee, become obligated or pay for the debts of any other entity or person;

(l) not hold out its credit as being available to satisfy the obligations of any other person or entity;

(m) not pledge its assets for the benefit of any other party (except the pledges set forth in this Indenture);

(n) hold itself out as a separate entity;

(o) correct any known misunderstanding regarding its separate identity; and

(p) maintain adequate capital in light of its contemplated business operations.

Section 9.07. Negative Covenants.

The Issuer shall not:

(a) sell, transfer, exchange or otherwise dispose of any of the Collateral, except as expressly permitted by this Indenture;

(b) dissolve or liquidate in whole or in part, except as provided herein (it being understood that the payment or repurchase of Receivables does not constitute a partial liquidation within the meaning of this provision);

(c) engage, directly or indirectly, in any business other than that arising out of the issue of the Notes, and the actions contemplated or required to be performed under this Indenture or the Receivables Purchase Agreement;

(d) incur, create or assume any indebtedness for borrowed money other than the Notes;

(e) make or permit to remain outstanding, any loan or advance to, or own or acquire any stock or securities of, any Person other than the Receivables and any other instruments constituting part of the Trust Estate, it being understood that the Issuer's purchase of Receivables does not constitute lending, making advances or acquiring stock; or

(f) voluntarily file a petition for bankruptcy, reorganization, assignment for the benefit of creditors or similar proceeding.

Section 9.08. Statement as to Compliance.

The Issuer shall deliver to the Indenture Trustee, Agent and the Noteholders, within 90 days after the end of each calendar year, an Officer's Certificate of the Issuer stating that (a), in the course of the performance by the officer executing such Officer's Certificate of such officer's present duties as an officer of the Issuer, such officer would normally obtain knowledge or have made due inquiry as to the existence of any condition or event which would constitute an Event of Default after notice or lapse of time or both and that to the best of the officer's knowledge, (b) the Issuer has fulfilled all of its obligations under this Indenture in all material respects throughout such year, or, if there has been a default in the fulfillment of any such obligation in any material respect, specifying each such default known to such officer and the nature and status thereof, and (c) no event has occurred and is continuing which is, or after notice or lapse of time or both would become, an Event of Default, or, if such an event has occurred and is continuing, specifying each such event known to such officer and the nature and status thereof.

Section 9.09. Issuer may Consolidate, Etc., only on Certain Terms.

(a) The Issuer shall not consolidate or merge with or into any other Person or convey or transfer the Trust Estate to any Person without the consent of Noteholders with an aggregate

Note Principal Balance of not less than 66 2/3% of the aggregate Note Principal Balance of the Outstanding Notes and unless:

(i) the Person (if other than the Issuer) formed by or surviving such consolidation or merger or that acquires by conveyance or transfer the Trust Estate (the "Successor Person"), shall be a Person organized and existing under the laws of the United States of America or any State and shall have expressly assumed, executed and delivered to the Indenture Trustee, the obligation (to the same extent as the Issuer was so obligated) to make payments of principal, interest and other amounts on all of the Notes and pay all amounts owned by the Issuer under this Indenture, and the obligation to perform every covenant of this Indenture on the part of the Issuer to be performed or observed, all as provided herein;

(ii) immediately after giving effect to such transaction, no default or Event of Default shall have occurred and be continuing;

(iii) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance or transfer comply with and satisfy all conditions precedent relating to the transactions set forth in this Section 9.09;

(iv) the Successor Person shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel each stating that, with respect to a Successor Person that is a corporation, limited liability company, partnership or trust, such Successor Person shall be duly organized, validly existing and in good standing in the jurisdiction in which such Successor Person is organized; that the Successor Person has sufficient power and authority to assume the obligations set forth in clause (i) above and to execute and deliver an indenture supplemental hereto for the purpose of assuming such obligation; that the Successor Person has duly authorized the execution, delivery and performance of an indenture supplemental hereto for the purpose of assuming such obligations; and that such supplemental indenture is a valid, legal and binding obligation of the Successor Person, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency and other laws affecting the enforcement of creditor's rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law); and that, immediately following the event which causes the Successor Person to become the Successor Person, (A) the Successor Person has good and marketable title, free and clear of any lien, security interest or charge other than the lien and security interest of this Indenture and any other lien permitted hereby, to the Collateral and (B) the Indenture Trustee continues to have a perfected first priority security interest in the Collateral.

(b) Upon any consolidation or merger, or any conveyance or transfer of the Trust Estate securing the Notes, the Successor Person shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such Successor Person had been named as the Issuer herein. In the event of any such conveyance or transfer of the Trust Estate permitted by this Section 9.09, the Person named as the "Issuer" in the first paragraph of this Indenture, or any successor that shall theretofore have become such in

the manner prescribed in this Article and that has thereafter effected such a conveyance or transfer, may be dissolved, wound-up and liquidated at any time thereafter, and such Person thereafter shall be released from its liabilities as obligor and maker on all of the then Outstanding Notes and from its obligations under this Indenture.

Section 9.10. Purchase of Notes.

The Issuer may reacquire Notes, in its discretion, by open market purchases in privately negotiated transactions or otherwise.

Section 9.11. Indemnification.

(a) Without limiting any other rights that an Indemnified Party may have hereunder or under applicable law, the Issuer hereby agrees to indemnify each Indemnified Party (as defined below) from and against any and all Indemnified Amounts (as defined below), excluding, however, Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party. To the extent that the foregoing undertaking to indemnify the Indemnified Parties may be unenforceable because it is violative of any law or public policy, the Issuer nevertheless shall pay such amounts as may be permitted under applicable law to satisfy its indemnification obligations hereunder to the fullest extent permissible under applicable law.

Without limiting or being limited by the foregoing, the Issuer shall pay in accordance with Section 2.10(c) to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts relating to or resulting from:

(i) a breach of any representation or warranty made by the Issuer under or in connection with this Indenture or any other Transaction Document; or

(ii) the failure by the Issuer to comply with any term, provision or covenant contained in this Indenture or any other Transaction Document; or

(iii) any information prepared by and furnished or to be furnished by any of the Issuer or the Seller or any of their Affiliates 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 Seller, any of their Affiliates or with respect to the Receivables, to the extent such information contains any untrue statement or alleged untrue statement of material fact.

(b) Any Indemnified Amounts subject to the indemnification provisions of this Section 9.11 shall be paid to the Indemnified Party within 20 Business Days following demand therefor; provided that, prior to an Event of Default, amounts payable under this Section

9.11 shall only be payable on Payment Dates pursuant to Section 2.10(c). “Indemnified Party” means any of the Indenture Trustee, the Owner Trustee, the Securities Intermediary, the Agent and the Secured Parties and their officers, employees, directors, attorneys, consultants, agents and successors or assigns. “Indemnified Amounts” means any and all claims, losses, liabilities, obligations, damages, penalties, actions, judgments, suits, and related reasonable costs and reasonable expenses of any nature whatsoever, including reasonable attorneys’ fees and disbursements, imposed on, incurred by or asserted against an Indemnified Party with respect to this Indenture or any other Transaction Document.

(c) Promptly after an Indemnified Party shall have been served with the summons or other first legal process or shall have received written notice of the threat of a claim in respect of which an indemnity may be claimed against the Issuer under this Section 9.11, the Indemnified Party shall notify the Issuer in writing of the service of such summons, other legal process or written notice, giving information therein as to the nature and basis of the claim, but failure so to notify the Issuer shall not relieve the Issuer from any liability which it may have hereunder or otherwise except to the extent that the Issuer is prejudiced by such failure so to notify the Issuer. The Issuer will be entitled, at its own expense, to participate in the defense of any such claim or action and to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Party, unless the defendants in any such action include both the Indemnified Party and the Issuer, and the Indemnified Party (upon the advice of counsel) shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Issuer, or one or more Indemnified Parties, and which in the reasonable opinion of such counsel are sufficient to create a conflict of interest for the same counsel to represent both the Issuer and such Indemnified Party; provided, however, that the Issuer shall not be responsible for the fees and expenses of more than one firm of attorneys for all Indemnified Parties related to the Secured Parties and one firm of attorneys for the Indenture Trustee. Each Indemnified Party shall cooperate with the Issuer in the defense of any such action or claim. The Issuer shall not, without the prior written consent of the Indemnified Party which consent shall not be unreasonably withheld or delayed, 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 or threatened proceeding.

ARTICLE X

AGENT

Section 10.01. Appointment. Each Noteholder, by its acceptance of a Note or a beneficial interest in a Note, hereby irrevocably appoints and authorizes the Agent to perform the duties of the Agent as set forth in this Indenture including: (i) to receive on behalf of each Noteholder any payment of principal of or interest on the Notes outstanding hereunder and all other amounts accrued hereunder for the account of the Noteholders and paid to the Agent, and to distribute promptly to each Noteholder its Percentage Interest of all payments so received and (ii) to distribute to each Noteholder copies of all material notices (including any Funding Notice delivered in accordance with the Note Purchase Agreement) and agreements received by the Agent and not required to be delivered to each Noteholder pursuant to the terms of this

Indenture, provided that the Agent shall not have any liability to the Noteholders for the Agent's inadvertent failure to distribute any such notices or agreements to the Noteholders and (iii) subject to Section 10.03 of this Indenture, to take such action as the Agent deems appropriate on its behalf to administer the Notes and the other Transaction Documents and to exercise such other powers delegated to the Agent by the terms hereof or the other Transaction Documents (including, without limitation, the power to give or to refuse to give notices, waivers, consents, approvals and instructions and the power to make or to refuse to make determinations and calculations) together with such powers as are reasonably incidental thereto to carry out the purposes hereof and thereof. As to any matters not expressly provided for by this Indenture and the other Transaction Documents (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Noteholders, and such instructions of the Majority Noteholders shall be binding upon all Noteholders and all holders of Notes; provided, however, that the Agent shall not be required to take any action which, in the reasonable opinion of the Agent, exposes the Agent to liability or which is contrary to this Indenture or any other Transaction Document or applicable law.

Section 10.02. Nature of Duties. The Agent shall have no duties or responsibilities except those expressly set forth in this Indenture or in the other Transaction Documents. The duties of the Agent shall be mechanical and administrative in nature. The Agent shall not have by reason of this Indenture or any Transaction Document a fiduciary relationship in respect of any Noteholder. Nothing in this Indenture or any of the Transaction Documents, express or implied, is intended to or shall be construed to impose upon the Agent any obligations in respect of this Indenture or any of the other Transaction Documents except as expressly set forth herein or therein. Each Noteholder shall make its own independent investigation of the financial condition and affairs of the Issuer in connection with the advancing Additional Note Balance pursuant to the Note Purchase Agreement and shall make its own appraisal of the creditworthiness of the Issuer and the value of the Collateral, and the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Noteholder with any credit or other information with respect thereto, whether coming into its possession before the advance of the Initial Note Balance hereunder or at any time or times thereafter, provided that, upon the reasonable request of a Noteholder, the Agent shall provide to such Noteholder any documents or reports delivered to the Agent by the Issuer pursuant to the terms of this Indenture or any other Transaction Document. The Agent shall obtain the approval of the Majority Noteholders prior to taking any of the following actions: (i) the giving of notice or waiving of a Funding Termination Event, (ii) the waiving of a Securitization Termination Event or (iii) the delivery of notice or waiving of an Event of Default. If the Agent seeks the consent or approval of the Majority Noteholders to the taking or refraining from taking any action hereunder, the Agent shall send notice thereof to each Noteholder. The Agent shall promptly notify each Noteholder any time that the Majority Noteholders have instructed the Agent to act or refrain from acting pursuant hereto.

Section 10.03. Rights, Exculpation, Etc. The Agent and its directors, officers, agents or employees shall not be liable for any action taken or omitted to be taken by it under or in connection with this Indenture or the other Transaction Documents unless such action or inaction

shall constitute gross negligence or willful misconduct on the part of the Agent or its directors, officers, agents or employees. Without limiting the generality of the foregoing, the Agent (i) may treat the payee of any Note as the holder thereof until the Agent receives written notice of the assignment or transfer thereof, pursuant to Section 10.08 hereof, signed by such payee and in form satisfactory to the Agent; (ii) may consult with legal counsel (including, without limitation, counsel to the Agent or counsel to the Issuer), independent public accountants, and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel or experts; (iii) makes no warranty or representation to any Noteholder and shall not be responsible to any Noteholder for any statements, certificates, warranties or representations made in or in connection with this Indenture or the other Transaction Documents; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Indenture or the other Transaction Documents on the part of any Person, the existence or possible existence of any default or Event of Default, or to inspect the Collateral or other property (including, without limitation, the books and records) of any Person; (v) shall not be responsible to any Noteholder for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Indenture or the other Transaction Documents or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall not be deemed to have made any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Indenture Trustee's Lien thereon, or any certificate prepared by the Issuer in connection therewith, nor shall the Agent be responsible or liable to the Noteholders for any failure to monitor or maintain any portion of the Collateral. The Agent shall not be liable for any apportionment or distribution of payments made in good faith pursuant to Section 2.10, and if any such apportionment or distribution is subsequently determined to have been made in error the sole recourse of any Noteholder to whom payment was due but not made, shall be to recover from other Noteholders any payment in excess of the amount which they are determined to be entitled. The Agent may at any time request instructions from the Noteholders with respect to any actions or approvals which by the terms of this Indenture or of any of the other Transaction Document the Agent is permitted or required to take or to grant, and if such instructions are promptly requested, the Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval under any of the other Transaction Documents until it shall have received such instructions from the Majority Noteholders. Without limiting the foregoing, no Noteholder shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting under this Indenture, the Notes or any of the other Transaction Documents in accordance with the instructions of the Majority Noteholders.

Section 10.04. Reliance. The Agent shall be entitled to rely upon any written notices, statements, certificates, orders or other documents or any telephone message believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and with respect to all matters pertaining to this Indenture or any of the other Transaction Documents and its duties hereunder or thereunder, upon advice of counsel selected by it.

Section 10.05. Indemnification. To the extent that the Agent is not reimbursed and indemnified by the Issuer, the Noteholders will reimburse and indemnify the Agent from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits,

costs, expenses, advances or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Indenture or any of the other Transaction Documents or any action taken or omitted by the Agent under this Indenture or any of the other Transaction Documents, in proportion to each Noteholder's Percentage Interest, including, without limitation, advances and disbursements made pursuant to Section 10.08; provided, however, that no Noteholder shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, advances or disbursements for which there has been a final judicial determination that such resulted from the Agent's gross negligence or willful misconduct. The obligations of the Noteholders under this Section 10.05 shall survive the payment in full of the Notes and the termination of this Indenture.

Section 10.06. Agent Individually. With respect to its Percentage Interest of the Commitment under the Note Purchase Agreement, the advances made by it and the Notes issued to or held by it, the Agent shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Noteholder or holder of a Note. The terms "Noteholders" or "Majority Noteholders" or any similar terms shall, unless the context clearly otherwise indicates, include the Agent in its individual capacity as a Noteholder or one of the Majority Noteholders. The term "Agent" shall mean the Agent solely in its individual capacity as the Agent hereunder. The Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with the Issuer as if it were not acting as an Agent pursuant hereto without any duty to account to the Noteholders.

Section 10.07. Successor Agent.

(a) The Agent may resign from the performance of all its functions and duties hereunder and under the other Transaction Documents at any time by giving at least thirty (30) Business Days' prior written notice to the Issuer and each Noteholder. Such resignation shall take effect upon the acceptance by a successor Agent of appointment pursuant to clauses (b) and (c) below or as otherwise provided below.

(b) Upon any such notice of resignation, the Majority Noteholders shall appoint a successor Agent (or, in the event that the Agent's Percentage Interest is less than fifty-one percent, the Noteholders may appoint a successor Agent) who, in the absence of a continuing Event of Default, shall be reasonably satisfactory to the Issuer. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Indenture and the other Transaction Documents. After the Agent's resignation hereunder as the Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Indenture and the other Transaction Documents.

(c) If a successor Agent shall not have been so appointed within said thirty (30) Business Day period, the retiring Agent shall then appoint a successor Agent who, if an Event of Default is not continuing, shall be reasonably satisfactory to the Issuer, who shall serve as Agent until such time, if any, as the Majority Noteholders appoint a successor Agent as provided above.

Section 10.08. Collateral Matters.

(a) The Agent may from time to time, during the occurrence and continuance of an Event of Default, make such disbursements and advances ("Agent Advances") which the Agent, in its sole discretion, deems necessary or desirable to preserve or protect the Collateral or any portion thereof, to enhance the likelihood or maximize the amount of repayment by the Issuer of the Notes and other Issuer Obligations or to pay any other amount chargeable to the Issuer pursuant to the terms of this Indenture, including, without limitation, costs, fees and expenses as described in Section 10.05. The Agent Advances shall be repayable on demand and be secured by the Collateral. The Agent Advances shall not constitute advances on the Notes but shall otherwise constitute Issuer Obligations hereunder. The Agent shall notify each Noteholder and the Issuer in writing of each Agent Advance, which notice shall include a description of the purpose of such Agent Advance. Without limitation to its obligations pursuant to Section 10.05, each Noteholder agrees that it shall make available to the Agent, upon the Agent's demand, in U.S. dollars in immediately available funds, the amount equal to such Noteholder's Percentage Interest of such Agent Advance. If such funds are not made available to the Agent by such Noteholder, the Agent shall be entitled to recover such funds on demand from such Noteholder, together with interest thereon, for each day from the date such payment was due until the date such amount is paid to the Agent, at the Reference Rate.

(b) The Agent shall have no obligation whatsoever to any Noteholders to assure that the Collateral exists or is owned by the Issuer or is cared for, protected or insured or has been encumbered or that the Lien granted to the Indenture Trustee pursuant to this Indenture has been properly or sufficiently or lawfully created, perfected, protected or enforced or is entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to the Agent in this Section 10.08 or in any of the other Transaction Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, the Agent may act in any manner it may deem appropriate, in its sole discretion, given the Agent's own interest in the Collateral as one of the Noteholders and that the Agent shall have no duty or liability whatsoever to any other Noteholder.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Execution Counterparts.

This instrument may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.02. 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, the Issuer shall furnish to the Indenture Trustee 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.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) 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;

(ii) 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;

(iii) 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

(iv) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

Section 11.03. 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 his 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 Issuer, stating that the information with respect to such factual matters is in the possession of the Issuer, 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 any Person shall deliver any document as a condition of the granting of such application, or as evidence of such Person'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 such Person 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 V.

Section 11.04. 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 5.01) conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Section. With respect to authorization to be given or taken by Noteholders, the Indenture Trustee shall be authorized to follow the written directions or the vote of the Majority Noteholders, unless any greater or lesser percentage is required by the terms hereunder.

(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 Note Principal Balance and serial numbers of Notes held by any Person, and the date of holding the same, shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, election, declaration, waiver or other act of any Noteholder shall bind every future Noteholder of the same Note and the Noteholder of every Note issued upon the transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, suffered or omitted 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 11.05. Computation of Percentage of Noteholders.

Whenever this Indenture states that any action may be taken by a specified percentage of the Noteholders, such statement shall mean that such action may be taken by the Noteholders of such specified percentage of the aggregate Note Principal Balance of the Outstanding Notes.

Section 11.06. Notice to the Indenture Trustee, the Issuer and Certain Other Persons.

Any communication provided for or permitted hereunder shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given if delivered by courier or mailed by first class mail, postage prepaid, or if transmitted by telecopier and confirmed in a writing delivered or mailed as aforesaid, to: (i) in the case of the Issuer, Option One Advance Trust 2007-ADV2, 3 Ada, Irvine, California 92618, Attention: Rod Smith, telecopy number: (949) 790-7514, telephone number: (949) 790-8100 and (ii) in the case of the Indenture Trustee, the Corporate Trust Office, or as to each such Person, such other address or facsimile number as may hereafter be furnished by such Person to the parties hereto in writing.

Section 11.07. Notices to Noteholders; Notification Requirements and Waiver.

Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given if in writing and delivered by courier or mailed by first-class mail, postage prepaid; to each Noteholder affected by such event, at its 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 delivered or mailed in the manner herein provided shall conclusively be presumed to have been duly 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 courier and 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 11.08. Successors and Assigns.

All covenants and agreements in this Indenture by the Issuer shall bind its successors and permitted assigns, whether so expressed or not.

Section 11.09. Separability Clause.

In case any provision of this Indenture or of the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall, to the extent permitted by law, not in any way be affected or impaired thereby.

Section 11.10. Governing Law.

(a) THIS INDENTURE AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

(b) Any action or proceeding against any of the parties hereto relating in any way to this Indenture or any Note or the Trust Estate may be brought and enforced in the courts of the State of New York sitting in the borough of Manhattan or of the United States District Court for the Southern District of New York and the Issuer irrevocably submits to the jurisdiction of each such court in respect of any such action or proceeding. The Issuer hereby waives, to the fullest extent permitted by law, any right to remove any such action or proceeding by reason of
improper venue or inconvenient forum.

Section 11.11. 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 11.12. 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, the Noteholders and any other party secured hereunder or named as a beneficiary of any provision hereof, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 11.13. Non-Recourse Obligation.

Notwithstanding any other provision of this Indenture, the obligations of the Issuer under this Indenture and the Notes are limited recourse obligations of the Issuer, payable solely from the Collateral in accordance with the terms of this Indenture.

No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer on the Notes or under this Indenture (other than with respect to Permitted Investments as to which such Person is the issuer) or any certificate or other writing delivered in connection herewith or therewith, against (i) any owner of an interest in the Issuer or (ii) any partner, owner, beneficiary, agent, officer, director, employee, agent or Control Person of the Indenture Trustee in its individual capacity, the Indenture Trustee in its individual capacity, except as any such Person may have expressly agreed (it being understood that the Indenture Trustee does not have any such obligations in its individual capacity). It is understood that the foregoing provisions of this Section 11.13 shall not (i) prevent recourse to the Collateral for the sums due or to become due under any security, instrument or agreement which is part of the Collateral or (ii) constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Notes or secured by this Indenture, and the same shall continue until paid or discharged. It is further understood that the foregoing provisions of this Section 11.13 shall not limit the right of any person to name the Issuer as a party defendant in any action or suit or in the exercise of any other remedy under

the Notes or this Indenture, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against any such person or entity.

Section 11.14. 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 relating to the Receivables with the Issuer's officers, employees, and independent certified public accountants, all at such reasonable times and as often as may be reasonably requested. 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) or the Indenture Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder.

Section 11.15. Method of Payment.

Except as otherwise provided in Section 2.10(b), all amounts payable or to be remitted pursuant to this Indenture shall be paid or remitted or caused to be paid or remitted in immediately available funds by wire transfer to an account specified in writing by the recipient thereof.

Section 11.16. No Recourse.

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 trustee of the Issuer, 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 of 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 parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

OPTION ONE ADVANCE TRUST 2007-ADV2

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee

By: _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Indenture Trustee

By: /s/ Darron C. Woodus
Name: Darron C. Woodus
Title: Assistant Vice President

Accepted and Acknowledged by

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
as Agent

By: /s/ (ILLEGIBLE)
Name:
Title:

STATE OF Delaware)
) ss.:
COUNTY OF New Castle)

On this _____ day of [_____], 2007, before me, the undersigned officer, personally appeared Jeanne Oller, and acknowledged himself to me to be the Senior Financial Services Officer of Wilmington Trust Company, and that as such officer, being duly authorized to do so pursuant to such entity's by-laws or a resolution of its board of directors, executed and acknowledged the foregoing instrument for the purposes therein contained, by signing the name of such entity by himself or herself as such officer as his or her free and voluntary act and deed and the free and voluntary act and deed of said entity.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Roseline K. Maney
Notary Public

NOTARIAL SEAL
[SEAL]

ROSELINE K. MANEY
Notary Public — State of Delaware
My Comm. Expires Aug. 20, 2011

STATE OF Maryland)
) ss.:
COUNTY OF Howard)

On this 1st day of October, 2007, before me, the undersigned officer, personally appeared Darron C. Woodus, and acknowledged himself to me to be the Assistant Vice President of Wells Fargo Bank, National Association, and that as such officer, being duly authorized to do so pursuant to such entity's by-laws or a resolution of its board of directors, executed and acknowledged the foregoing instrument for the purposes therein contained, by signing the name of such entity by himself or herself as such officer as his or her free and voluntary act and deed and the free and voluntary act and deed of said entity.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Graham M. Oglesby
Notary Public

NOTARIAL SEAL

GRAHAM M. OGLESBY
NOTARY PUBLIC
BALTIMORE CITY
MARYLAND
MY COMMISSION EXPIRES JANUARY 7 2009

SCHEDULE I

[LIST OF LOAN-LEVEL SECURITIZATION TRUSTS INITIALLY INCLUDED]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

OPTION ONE ADVANCE TRUST 2007-ADV2

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee

By: /s/ Jeanne M. Oller
Name: Jeanne M. Oller
Title: Senior Financial Services Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Indenture Trustee

By: _____
Name:
Title:

Accepted and Acknowledged by

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
as Agent

By: _____
Name:
Title:

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.

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 WHO IS A QUALIFIED PURCHASER UNDER SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT") THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHO IS A QUALIFIED PURCHASER UNDER SECTION 3(C)(7) OF THE 1940 ACT TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

EACH TRANSFEREE OF THIS NOTE SHALL PROVIDE THE INDENTURE TRUSTEE THE CERTIFICATION REQUIRED IN SECTION 2.05(c) OF THE INDENTURE.

Aggregate Principal Balance: $
Maximum Note Principal Balance: $
Initial Percentage Interest: %
No.

Option One Advance Trust 2007-ADV2

ADVANCE RECEIVABLES BACKED NOTES, SERIES 2007-ADV2

Option One Advance Trust 2007-ADV2, 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 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 Floating 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 October 1, 2007 between the Issuer and Wells Fargo Bank, National Association, as Indenture Trustee (the "Indenture Trustee").

By its acceptance of this Note, each Noteholder covenants and agrees, until the earlier of (a) the termination of the Funding Period and (b) the Maturity Date, on each Funding Date to advance amounts in respect of Additional Note Balance hereunder to the Issuer, subject to and in accordance with the terms of the Indenture, the Receivables Purchase Agreement and the Note Purchase Agreement.

In the event of an advance of Additional Note Balance by the Noteholders as provided in Section 2.01 of the Note Purchase 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 Balance purchased 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 Balance and its right to receive interest payments in respect of the Additional Note 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.

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 Note Purchase 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: _____, 2007

OPTION ONE ADVANCE TRUST 2007-ADV2

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee

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: _____, 2007

WELLS FARGO BANK, 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 Advance Receivables Backed Notes, Series 2007-ADV2 (herein called the "Notes"), all issued under the Indenture. Reference is hereby made to the Indenture and all indentures supplemental thereto, and the Note Purchase 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 Note Purchase Agreement, the provisions of the Indenture or the Note Purchase 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 Note Purchase 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 Note Purchase Agreement.

The entire unpaid principal amount of this Note shall be due and payable on the Maturity Date or any Redemption Date in full in connection with a Redemption in whole of the Notes pursuant to 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 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 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 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 Owner Trustee in their individual capacities, (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 Owner Trustee in its individual capacity, any holder of a beneficial interest in the Issuer or the Indenture Trustee or Owner Trustee or of any successor or assign of the Indenture Trustee or 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 Transaction 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.

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 Transaction Documents, none of the Issuer 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 Transaction 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 Series 2007-ADV2 Note
dated as of [_____], 2007
of Option One Advance Trust 2007-ADV2

Date of advance of Additional Note Balance	Amount of advance of Additional Note Balance	Percentage Interest —%	Aggregate Note Balance	Note Principal Balance of Note

EXHIBIT B

FORM OF TRANSFEREE CERTIFICATE FOR TRANSFERS OF NOTES TO QUALIFIED INSTITUTIONAL BUYERS

[Date]

Wells Fargo Bank, National Association
Wells Fargo Center
Sixth and Marquette Avenue
Minneapolis, Minnesota 55479-0113
Attention: Corporate Trust Services — Option One Advance Trust 2007-ADV2

Re: Option One Advance Trust 2007-ADV2, Advance Receivables Backed Notes, Series 2007-ADV2 (the "Notes")

Ladies and Gentlemen:

This letter is delivered to you in connection with the transfer by _____ (the "Transferor") to _____ (the "Transferee") of the Notes having an initial Note Principal Balance as of [_____], of $_____. The Notes were issued pursuant to an Indenture, dated as of October 1, 2007 (the "Indenture"), between Option One Advance Trust 2007-ADV2 as issuer and Wells Fargo Bank, National Association as indenture trustee. All terms used herein and not otherwise defined shall have the meanings set forth in the Indenture. The Transferee hereby certifies, represents and warrants to you, as Note Registrar, that:

1. The Transferee is a "qualified institutional buyer" (a "Qualified Institutional Buyer") as that term is defined in Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended, and has completed one of the forms of certification to that effect attached hereto as Annex A and Annex B. The Transferee is a "qualified purchaser" (a "Qualified Purchaser") as defined in Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "1940 Act"). The Transferee is aware that the sale to it of the Notes is being made in reliance on Rule 144A and Section 3(c)(7) of the 1940 Act. The Transferee is acquiring the Notes for its own account or for the account of a Qualified Institutional Buyer who is a Qualified Purchaser, and understands that such Notes may be resold, pledged or transferred only (i) to a person reasonably believed to be a Qualified Institutional Buyer and Qualified Purchaser that purchases for its own account or for the account of a Qualified Institutional Buyer and Qualified Purchaser to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A and Section 3(c)(7) of the 1940 Act, or (ii) pursuant to another exemption from registration under the Securities Act.

2. The Transferee understands that it may not sell or otherwise transfer any Notes except in compliance with the provisions of the Indenture, which provisions it has carefully reviewed, and that each Notes will bear the following legend:

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.

3. The Transferee represents to the Issuer and the Indenture Trustee that either: (a) it is not, and is not purchasing on behalf of, as fiduciary of, or with assets of, an employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Part 4 of Title I of ERISA, or a plan within the meaning of Section 4975 of the Internal Revenue Code of 1986; or (b)(i) the Notes are rated investment grade or better as of the date of purchase, (ii) it believes that the Notes are properly treated as indebtedness without substantial equity features for purposes of the Section 2510.3-101 of the Department of Labor Regulations and agrees to so treat such Notes and (iii) the acquisition and holding of the Notes will not result in a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code.

4. The Transferee has been furnished with all information regarding (a) the Notes and distributions thereon, (b) the nature, performance and servicing of the Receivables, (c) the Indenture and (d) any other matter related thereto, that it has requested.

Very truly yours,

(Transferor)

By: _____
Name:
Title:

QUALIFIED INSTITUTIONAL BUYER STATUS UNDER SEC RULE 144A

[for Transferees other than Registered Investment Companies]

The undersigned hereby certifies as follows to [name of Transferor] (the "Transferor") and [name of Note Registrar], as Note Registrar, with respect to the Notes (the "Notes") being transferred as described in the Transferee Certificate to which this certification relates and to which this certification is an Annex:

1. As indicated below, the undersigned is the chief financial officer, a person fulfilling an equivalent function, or other executive officer of the entity purchasing the Notes (the "Transferee").

2. The Transferee is a "qualified institutional buyer" as that term is defined in Rule l44A under the Securities Act of 1933 ("Rule 144A") because (i) the Transferee owned and/or invested on a discretionary basis $25,000,000 or more in securities (other than the excluded securities referred to below) as of the end of the Transferee's most recent fiscal year (such amount being calculated in accordance with Rule 144A) and (ii) the Transferee satisfies the criteria in the category marked below.

— *Corporation, etc*. The Transferee is a corporation (other than a bank, savings and loan association or similar institution), Massachusetts or similar business trust, partnership, or any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

— *Bank*. The Transferee (a) is a national bank or a banking institution organized under the laws of any State, U.S. territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the State or territorial banking commission or similar official or is a foreign bank or equivalent institution, and (b) has an audited net worth of at least $25,000,000 as demonstrated in its latest annual financial statements, *a copy of which is attached hereto*, as of a date not more than 16 months preceding the date of sale of the Note in the case of a U.S. bank, and not more than 18 months preceding such date of sale for a foreign bank or equivalent institution.

— *Savings and Loan*. The Transferee (a) is a savings and loan association, building and loan association, cooperative bank, homestead association or similar institution, which is supervised and examined by a state or federal authority having supervision over any such institutions or is a foreign savings and loan association or equivalent institution and (b) has an audited net worth of at least $25,000,000 as demonstrated in its latest annual financial statements, *a copy of which is attached hereto*, as of a date not more than 16 months preceding the date of sale of the Note in the case of a U.S. savings and loan association, and not more than 18 months preceding such date of sale for a foreign savings and loan association or equivalent institution.

— *Broker-dealer*. The Transferee is a dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.

— *Insurance Company*. The Transferee is an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a State, U.S. territory or the District of Columbia.

— *State or Local Plan*. The Transferee is a plan established and maintained by a State, its political subdivisions, or any agency or instrumentality of the State or its political subdivisions, for the benefit of its employees.

— *ERISA Plan*. The Transferee is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

— *Investment Advisor*. The Transferee is an investment advisor registered under the Investment Advisers Act of 1940.

— *Other*. (Please supply a brief description of the entity and a cross-reference to the paragraph and subparagraph under subsection (a)(1) of Rule 144A pursuant to which it qualifies. Note that registered investment companies should complete Annex B rather than this Annex A.)

3. The term "*securities*" as used herein *does not include* (i) securities of issuers that are affiliated with the Transferee, (ii) securities that are part of an unsold allotment to or subscription by the Transferee, if the Transferee is a dealer, (iii) bank deposit notes and certificates of deposit, (iv) loan participations, (v) repurchase agreements, (vi) securities owned but subject to a repurchase agreement and (vii) currency, interest rate and commodity swaps. For purposes of determining the aggregate amount of securities owned and/or invested on a discretionary basis by the Transferee, the Transferee did not include any of the securities referred to in this paragraph.

4. For purposes of determining the aggregate amount of securities owned and/or invested on a discretionary basis by the Transferee, the Transferee used the cost of such securities to the Transferee, unless the Transferee reports its securities holdings in its financial statements on the basis of their market value, and no current information with respect to the cost of those securities has been published, in which case the securities were valued at market. Further, in determining such aggregate amount, the Transferee may have included securities owned by subsidiaries of the Transferee, but only if such subsidiaries are consolidated with the Transferee in its financial statements prepared in accordance with generally accepted accounting principles and if the investments of such subsidiaries are managed under the Transferee's direction. However, such securities were not included if the Transferee is a majority-owned, consolidated subsidiary of another enterprise and the Transferee is not itself a reporting company under the Securities Exchange Act of 1934.

5. The Transferee acknowledges that it is familiar with Rule 144A and understands that the Transferor and other parties related to the Notes are relying and will continue to rely on the statements made herein because one or more sales to the Transferee may in reliance on Rule 144A.

_____	_____	Will the Transferee be purchasing the Notes
Yes	No	only for the Transferee's own account?

6. If the answer to the foregoing question is "no," then in each case where the Transferee is purchasing for an account other than its own, such account belongs to a third party that is itself a "qualified institutional buyer" within the meaning of Rule l44A, and the "qualified institutional buyer" status of such third party has been established by the Transferee through one or more of the appropriate methods contemplated by Rule 144A.

7. The Transferee will notify each of the parties to which this certification is made of any changes in the information and conclusions herein. Until such notice is given, the Transferee's purchase of the Notes will constitute a reaffirmation of this certification as of the date of such purchase. In addition, if the Transferee is a bank or savings and loan as provided above, the Transferee agrees that it will furnish to such parties any updated annual financial statements that become available on or before the date of such purchase, promptly after they become available.

Print Name of Transferee

By: _____
Name:
Title:
Date:

EXHIBIT C

FORM OF MONTHLY SERVICER REPORT

EXHIBIT D

FORM OF PAYMENT DATE REPORT

EXHIBIT E

FORM OF FUNDING DATE REPORT

EXHIBIT F

FORM OF TRUSTEE REPORT

SCHEDULE A-1

SCHEDULE OF INITIAL RECEIVABLES

A-1-1

Exhibit 10.8

EXECUTION COPY

NOTE PURCHASE AGREEMENT

between

OPTION ONE ADVANCE TRUST 2007-ADV2
as Issuer,

and

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
as Initial Purchaser and Agent

Dated as of October 1, 2007

OPTION ONE ADVANCE TRUST 2007-ADV2
ADVANCE RECEIVABLES BACKED NOTES,SERIES 2007-ADV2

TABLE OF CONTENTS

EXECUTION COPY

NOTE PURCHASE AGREEMENT

NOTE PURCHASE AGREEMENT dated as of October 1, 2007 (this "Note Purchase Agreement" or "Agreement"), between Option One Advance Trust 2007-ADV2, a Delaware statutory trust, as issuer (the "Issuer"), and Greenwich Capital Financial Products, Inc., a Delaware corporation (as "Initial Purchaser" and as "Agent" under the Indenture).

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 Receivables Purchase Agreement (as defined below). Additionally, the following terms shall have the following meanings:

"Closing" shall have the meaning set forth in Section 2.02.

"Committed Purchaser" the Purchaser, its successors and assigns.

"Commitment" means the commitment of the Committed Purchasers to purchase Additional Note Balances pursuant to Section 2.01.

"Commitment Interest": With respect to any Committed Purchaser and as of any date of determination, the percentage equal to a fraction, the numerator of which is the Maximum Note Principal Balance with respect to (and as indicated on) such Committed Purchaser's Purchased Note(s) and the denominator of which is the Maximum Note Balance.

"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 each of the Agent, each Purchaser and any of their officers, directors, employees, agents, representatives, assignees and Affiliates and any Person

who controls any of the Agent or any Purchaser or their Affiliates within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act.

"Indemnified Proceeding" shall have the meaning provided in Section 8.02.

"Indenture" means the Indenture dated as of October 1, 2007 between the Issuer and Wells Fargo Bank, National Association, as Indenture Trustee.

"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.

"Maximum Note Balance" means an amount equal to $400,000,000.

"Maximum Note Principal Balance" means with respect to each Purchased Note, the amount set forth on Schedule A for such Purchased Note.

"Purchased Notes" means the Option One Advance Trust 2007-ADV2, Advance Receivables Backed Notes, Series 2007-ADV2 issued by the Issuer pursuant to the Indenture.

"Purchaser" means the Initial Purchaser, its successors and assigns.

"Receivables Purchase Agreement" means the Receivables Purchase Agreement dated as of October 1, 2007, between the Issuer, the Depositor and the Receivables Seller, as the same may be amended, modified or supplemented from time to time.

"Receivables Seller" means Option One Mortgage Corporation.

"Reference Rate" means the rate of interest publicly announced by Wells Fargo Bank, National Association, its successors or any other commercial bank designated by the Agent to the Borrowers from time to time, in New York, New York from time to time as its prime rate or base rate. The prime rate or base rate is determined from time to time by such bank as a means of pricing some loans to its borrowers and neither is tied to any external rate of interest or index nor necessarily reflects the lowest rate of interest actually charged by such bank to any particular class or category of customers. Each change in the Reference Rate shall be effective from and including the date such change is publicly announced as being effective.

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, and Exhibits in or to this Note Purchase Agreement unless otherwise specified.

(d) 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.

ARTICLE II

COMMITMENT; CLOSING AND PURCHASES OF ADDITIONAL NOTE BALANCES

SECTION 2.01. Commitment.

(a) At any time during the Funding Period at least two (2) Business Days prior to a proposed Funding Date (or, with respect to any Funding Date described in clause (iii) of the definition thereof in the Indenture, at least one (1) Business Day prior to each such Funding Date), to the extent that the aggregate outstanding Note Principal Balance (after giving effect to the proposed purchase) is less than the Maximum Note Balance, and subject to the terms and conditions hereof and in accordance with the other Transaction Documents, the Issuer may deliver to the Agent, on behalf of the Purchasers, a written request that the Purchasers purchase Additional Note Balances (each such request, a “Purchase Request”). Each Purchase Request shall identify the proposed Funding Date, the Receivables Balance of the Receivables that will be sold and/or contributed to the Issuer on such Funding Date and the Cash Purchase Price thereof. On the identified Funding Date, the Committed Purchasers agree, severally and not jointly, to purchase the respective relative percentage of the Additional Note Balances requested in the Purchase Request set forth opposite such Committed Purchaser’s name in Schedule A hereto, subject to the terms and conditions and in reliance upon the covenants, representations and warranties set forth herein and in the other Transaction Documents.

(b) (i) Except as otherwise provided in this Section 2.01(b), if there should be more than one Committed Purchaser, all purchases of Additional Note Balances under this Agreement shall be made by the Committed Purchasers simultaneously and proportionately based on each Committed Purchaser’s respective Commitment Interest, it being understood that no Committed Purchaser shall be responsible for any default by the other Committed Purchaser with respect to such other Committed Purchaser’s obligations to purchase an Additional Note Balance requested hereunder. The Commitment of any Committed Purchaser shall not be

enforced as a result of the default by the other Committed Purchaser in that other Committed Purchaser's obligation to purchase an Additional Note Balance requested hereunder and any amounts paid in connection with the obligation to purchase shall be refunded with no penalty. No Committed Purchaser shall be obligated to purchase Additional Note Balances required to be made by it by the terms of this Agreement if the other Committed Purchaser fails to do so.

(ii) Notwithstanding any other provision of this Agreement, and in order to reduce the number of fund transfers among the parties hereto, the Issuer, the Agent and the Purchasers agree that the Agent may (but shall not be obligated to), and the Issuer and the Purchasers hereby irrevocably authorize the Agent to, fund, on behalf of the Purchasers, purchases of Additional Note Balances pursuant to this Section 2.01; provided, however, that the Agent shall in no event fund such purchase of Additional Note Balances if the Agent shall have determined pursuant to Section 3.01(b) that one or more of the conditions precedent contained in Section 3.01 (a) will not be satisfied on the day of the proposed purchase of Additional Note Balances. If the Issuer gives a Purchase Request requesting a purchase of Additional Note Balances and the Agent elects not to fund such proposed purchase of Additional Note Balances on behalf of the Purchasers, then promptly after receipt of the Purchase Request requesting such purchase of Additional Note Balances, the Agent shall notify each Purchaser of the specifics contained in such Purchase Request and that it will not fund such Purchase Request on behalf of the Purchasers. If the Agent notifies the Purchasers that it will not fund a requested purchase of Additional Note Balances on behalf of the Purchasers, each Purchaser shall purchase its respective portion of the Additional Note Balance pursuant to Section 2.01 (a), by remitting the required funds to the Issuer pursuant to and in accordance with Section 3.01(c) hereto. If the Agent elects to fund a requested purchase of Additional Note Balances, the Agent will remit the required funds for such Purchase Request to the Issuer pursuant to and in accordance with Section 3.01(c) hereto.

(iii) If the Agent has notified the Purchasers that the Agent, on behalf of the Purchasers, will fund a particular purchase of Additional Note Balances pursuant to Section 2.01(b)(ii), the Agent may assume that such Purchaser has made such amount available to the Agent on such day and the Agent, in its sole discretion, may, but shall not be obligated to, cause a corresponding amount to be made available to the Issuer on such day. If the Agent makes such corresponding amount available to the Issuer and such corresponding amount is not in fact made available to the Agent by such Purchaser, the Agent shall be entitled to recover such corresponding amount on demand from such Purchaser together with interest thereon, for each day from the date such payment was due until the date such amount is paid to the Agent, at the Reference Rate. During the period in which such Purchaser has not paid such corresponding amount to the Agent, notwithstanding anything to the contrary contained in this Agreement or any other Transaction Document, the amount so advanced by the Agent to the Issuer shall, for all purposes hereof, be a purchase of Additional Note Balances made by the Agent for its own account. Upon any such failure by a Purchaser to pay the Agent, the Agent shall promptly thereafter notify the Issuer of such failure and the Issuer shall immediately pay such corresponding amount to the Agent for its own account.

(iv) Nothing in this Section 2.01 (b) shall be deemed to relieve any Committed Purchaser from its obligations to fulfill its Commitment hereunder or to prejudice

any rights that the Agent or the Issuer may have against any Committed Purchaser as a result of any default by such Committed Purchaser hereunder.

(c) From time to time during the Funding Period, the Issuer may request the Initial Purchasers' consent to add transactions to the definition of Securitization Trusts, and such additional transactions may be added to the definition of Securitization Trusts with the written consent of the Initial Purchasers (such consent at the sole discretion of the Initial Purchaser). The Issuer understands and acknowledges that the Purchaser or Purchasers do not hereby commit to add any such transactions and any agreement to do so is subject to completion by the Initial Purchaser of due diligence to its satisfaction regarding such transactions and execution of such additional documentation as the Initial Purchaser deems appropriate in its sole discretion.

SECTION 2.02. Closing. The closing (the "Closing") of the execution of the Transaction Documents and the initial purchase of Purchased Notes hereunder shall take place at 2:00 PM at the offices of Thacher Proffitt & Wood LLP, 2 World Financial Center, New York, New York 10281 on October 1, 2007, 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 hereto shall agree upon (the date of the Closing being referred to herein as the "Closing Date").

ARTICLE III

FUNDING DATES

SECTION 3.01. Funding Dates.

(a) Subject to the conditions and terms set forth herein and in Sections 7.01 and 7.02 of the Indenture with respect to each Funding Date, the Issuer may request, and the Committed Purchasers agree, severally and not jointly, to purchase Additional Note 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:

(i) With respect to each Funding Date, each of the Funding Conditions set forth in Section 7.02 of the Indenture shall have been satisfied;

(ii) Each of the representations and warranties of the Servicer and the Receivables Seller made in the Transaction Documents shall be true and correct as if made as of such Funding Date (except to the extent they expressly relate to an earlier or later time);

(iii) The Servicer and the Receivables Seller shall be in compliance with all of their respective covenants contained in the Transaction Documents;

(iv) No Event of Default or default shall have occurred under the Indenture and be continuing; and

(v) With respect to each Funding Date, the Agent 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 Agent, desirable to perfect or evidence the assignments required to be effected on such Funding Date in accordance with the Receivables Purchase Agreement including, without limitation, the assignment of the Receivables and the proceeds thereof required to be assigned pursuant to the Indenture.

(b) The Agent shall determine in its reasonable discretion whether each of the above conditions have been met and such determination shall be binding on the parties hereto.

(c) The price paid by the Purchasers on each Funding Date for the Additional Note Balance purchased on such Funding Date shall be equal to the amount of such Additional Note Balance purchased by such Purchaser and shall be remitted not later than 3:00 PM New York City time on such Funding Date by wire transfer of immediately available funds to the Funding Account.

(d) Each Purchaser or its designee shall record on the schedule attached to its related Purchased Note, the date and amount of any Additional Note Balance purchased by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect such 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.

(e) On or prior to the first Funding Date, the Purchased Notes representing the interest of each Committed Purchaser in the Issuer shall be delivered to the applicable indenture trustee for each Committed Purchaser.

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 Initial Purchaser in its sole discretion):

(a) Performance by the Issuer, the Servicer and the Receivables Seller. All the terms, covenants, agreements and conditions of the Transaction Documents to be complied with and performed by the Issuer, the Depositor, the Servicer and the Receivables Seller 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 Receivables Seller made in the Transaction 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 Agent shall have received in form and substance reasonably satisfactory to the Agent an officer's certificate from the Depositor, the Receivables Seller and the Servicer and a certificate of an Authorized Officer of the Issuer, dated the Closing Date, each certifying to the satisfaction of the conditions set forth in the preceding paragraphs (a) and (b), in each case, together with incumbency, by-laws, resolutions and good standing.

(d) Opinions of Counsel to the Issuer, the Depositor, the Receivables Seller and the Servicer. Counsel to the Issuer, the Depositor, the Receivables Seller and the Servicer shall have delivered to the Agent favorable opinions, dated as of the Closing Date and satisfactory in form and substance to the Agent and its counsel, relating to corporate matters, true sale, non-consolidation, and perfection and an opinion as to which state's law applies to security interest and perfection matters. In addition to the foregoing, the Receivables Seller shall have caused its counsel to deliver to the Committed Purchasers 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 satisfactory in form and substance of the Committed Purchasers and their counsel.

(e) Officer's Certificate of Indenture Trustee. The Agent shall have received in form and substance reasonably satisfactory to the Agent an Officer's Certificate from the Indenture Trustee, dated as of the Closing Date, with respect to the Indenture, together with incumbency, by-laws, resolutions and good standing.

(f) Opinions of Counsel to the Indenture Trustee. Counsel to the Indenture Trustee shall have delivered to the Agent a favorable opinion, dated as of the Closing Date and reasonably satisfactory in form and substance to the Agent and its counsel related to the enforceability of the Indenture.

(g) Opinions of Counsel to the Owner Trustee. Delaware counsel to the Owner Trustee of the Issuer shall have delivered to the Committed Purchasers favorable opinions regarding the formation, existence and standing of the Issuer and of the Issuer's execution, authorization and delivery of each of the Transaction Documents to which it is a party and such other matters as the Committed Purchasers may reasonably request, dated as of the Closing Date and reasonably satisfactory in form and substance to the Committed Purchasers and their counsel.

(h) Filings and Recordations. The Agent 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 Agent, desirable to perfect or evidence the assignment by the Receivables Seller to the Depositor of the Receivables Seller's ownership interest in the Aggregate Receivables conveyed pursuant to the Receivables 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 Agent, desirable to perfect or evidence the assignment by the Depositor to the Issuer of the Receivables Seller's and the Depositor's ownership interest in the Aggregate Receivables conveyed pursuant to the Receivables Purchase Agreement 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 Agent, desirable to perfect or evidence the grant of a first priority perfected security interest in the Issuer's ownership interest

in the Aggregate Receivables in favor of the Indenture Trustee, subject to no Liens prior to the Lien created by the Indenture.

(i) Documents. The Agent shall have received a duly executed counterpart of each of the Transaction Documents, in form acceptable to the Initial Purchasers, the Purchased Notes and each and every document or certification delivered by any party in connection with any of the Transaction Documents or the Purchased Notes, and each such document shall be in full force and effect.

(j) 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 Transaction Documents, the Purchased Notes and the documents related thereto in any material respect.

(k) Approvals and Consents. All Governmental Actions of all Governmental Authorities required with respect to the transactions contemplated by the Transaction Documents, the Purchased Notes and the documents related thereto shall have been obtained or made.

(l) Accounts. The Agent shall have received evidence reasonably satisfactory to it that each Account has been established in accordance with the terms of the Indenture, and that the Issuer shall have deposited an amount equal to the amount required to be deposited in the Reserve Account pursuant to the Indenture.

(m) Fees and Expenses. The fees and expenses payable by the Issuer pursuant to Section 7.02(b) shall have been paid.

(n) Other Documents. The Issuer, the Depositor, the Receivables Seller and the Servicer shall have furnished to the Agent and the Purchasers such other opinions, information, certificates and documents as the Agent and the Purchasers may reasonably request.

(o) Securitization Trust Acknowledgment. The Agent shall have received acknowledgment notices from the trustee of each Securitization Trust acknowledging the receipt of notice from the Receivables Seller of pledge and assignment of the Receivables to the Issuer as an "Advance Financing Person" and that to the extent that there is an "Advance Facility" referenced in the applicable Pooling and Servicing Agreement related to any Securitization Trust, the Transaction Documents shall be the "Advance Facility" (as and to the extent such terms or terms of substantially similar import are used in such Pooling and Servicing Agreement).

(p) Verification Agent. The Receivables Seller shall have engaged the Verification Agent pursuant to an agreement reasonably satisfactory to the Agent.

(q) Proceedings in Contemplation of Sale of Purchased Notes. All actions and proceedings undertaken by the Issuer, the Depositor, the Receivables Seller and the Servicer in connection with the issuance and sale of the Purchased Notes as herein contemplated shall be satisfactory in all respects to the Agent, the Purchasers and their respective counsel.

(r) Funding Termination Events. No Funding Termination Event or Funding Interruption Event shall then be occurring.

(s) Due Diligence. The Initial Noteholder shall have completed its due diligence examination of the Issuer, the Depositor, the Receivables Seller and the Receivables to their sole satisfaction.

(t) Satisfaction of Conditions. Each condition to the purchase of Additional Note Balance by the Initial Purchaser shall have been satisfied.

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 Initial Purchasers by notice to the Receivables Seller at any time at or prior to the Closing Date, and the Purchasers shall incur no liability as a result of such termination.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

The Issuer hereby makes the representations and warranties set forth in ARTICLE IX of the Indenture to the Initial Purchaser, as of the Closing Date, and as of each Funding Date and the Purchasers shall be deemed to have relied on such representations and warranties in making (or committing to make) purchases of Additional Note Balances on each Funding Date.

SECTION 5.01. Issuer. The representations and warranties set forth in ARTICLE IX of the Indenture are true and correct as of the date hereof.

(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 Balances, the performance of the Issuer's obligations under each Transaction 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 Transaction 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 Transaction 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 Transaction 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 Transaction 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 Transaction 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 Transaction 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 Transaction Documents or (ii) seeking to prevent the issuance of the Purchased Note or the consummation of any of the transactions contemplated by the Transaction 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 Transaction 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 Transaction 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) The Issuer is solvent and has adequate capital for its business and undertakings.

(k) The chief executive offices of the Issuer are located at Option One Advance Trust 2007-ADV2, c/o Wilmington Trust Company, as Owner Trustee, 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.

(l) 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 Purchasers, contained herein, the sale of the Purchased Notes and the sale of Additional Note Balances pursuant to this Agreement are each exempt from the registration and prospectus delivery requirements of the 1933 Act. In the case of the offer or sale of the Purchased Notes, 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 Notes 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 Purchasers and compliance with the applicable provisions of the Indenture with respect to each transfer of any Purchased Note, would render the issuance and sale of the Purchased Notes as contemplated hereby a violation of Section 5 of the 1933 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 any of its Affiliates has paid or agreed to pay to any Person any compensation for soliciting another to purchase the Purchased Notes.

SECTION 5.04. Information. The information provided pursuant to Section 6.01(a) hereof will, at the date thereof, be true and correct in all material respects.

SECTION 5.05. The Purchased Notes. The Purchased Notes have 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 1934 Act.

SECTION 5.07. Taxes, etc. Any taxes, fees and other charges of Governmental Authorities applicable to the Issuer, except for franchise or income taxes, in connection with the execution, delivery and performance by the Issuer of each Transaction Document to which it is a party, the issuance of the Purchased Note or otherwise applicable to the Issuer have been paid or will be paid by the Issuer at or prior to the Closing Date or Funding Date, to the extent then due.

SECTION 5.08. Financial Condition. On the date hereof and on each Funding Date, the Issuer is not or will not be insolvent or the subject of any voluntary or involuntary bankruptcy proceeding.

ARTICLE VI

COVENANTS OF THE ISSUER

SECTION 6.01. Information from the Issuer. So long as any Purchased Note remains outstanding, the Issuer shall furnish to the Agent:

(a) such information (including financial information), documents, records or reports with respect to the Receivables or the Issuer as the Agent or any of the Purchasers or the Initial Purchasers may from time to time reasonably request;

(b) as soon as possible and in any event within two (2) Business Days after the occurrence thereof, notice of each Event of Default under the Receivables Purchase Agreement or the Indenture, and each Default; and

(c) promptly and in any event within 30 days after the occurrence thereof, written notice of a change in address or the jurisdiction of organization of the Issuer or the Receivables Seller.

SECTION 6.02. Access to Information. So long as any Purchased Note remains outstanding, the Issuer 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 permit any of the Agent, the Purchasers, or their agents or representatives to do the following in such a manner that does not unreasonably interfere with the conduct by the Issuer or any of its Affiliates of their business:

(a) examine all books, records and documents (including computer tapes and disks) in the possession or under the control of the Issuer relating to the Receivables or the Transaction Documents as may be reasonably requested, and

(b) visit the offices and property of the Issuer for the purpose of examining such materials described in clause (a) above.

SECTION 6.03. Ownership and Security Interests; Further Assurances. The Issuer will take all action necessary to maintain the Indenture Trustee's security interest in the Receivables and the other items pledged to the Indenture Trustee pursuant to the Indenture.

The Issuer agrees to take any and all acts and to execute any and all further instruments reasonably necessary or reasonably requested by the Agent or any of the Purchasers to more fully effect the purposes of this Note Purchase Agreement.

SECTION 6.04. Covenants. The Issuer shall duly observe and perform each of its covenants set forth in each of the Transaction Documents to which it is a party.

SECTION 6.05. Amendments. Except as otherwise provided in Section 8.01 of the Indenture, the Issuer shall not make, or permit any Person to make, any amendment, modification or change to, or provide any waiver under any Transaction Document to which the Issuer is a party without the prior written consent of the Purchasers with aggregate Note Principal Balance of not less than 66 2/3% of the aggregate Note Principal Balance of the Outstanding Notes.

SECTION 6.06. With Respect to the Exempt Status of the Purchased Notes.

(a) Neither the Issuer nor any of its respective Affiliates, nor any Person acting on its behalf will, directly or indirectly, (i) make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Purchased Notes under the 1933 Act or under any state securities laws, or (ii) permit the Issuer to become an "investment company" registered or required to be registered under the 1940 Act.

(b) Neither the Issuer nor any of its Affiliates, nor any Person acting on its behalf will engage in any form of general solicitation or general advertising (within the meaning of Regulation D promulgated under the 1933 Act) in connection with any offer or sale of the Purchased Notes.

SECTION 6.07. Additional Deliveries

On or prior to any Funding Date, the Issuer will furnish or cause to be furnished to the Purchasers and any subsequent purchaser therefrom of Additional Note Balance, if any Purchaser or such subsequent purchaser so requests, a letter from such Persons furnishing a

certificate or opinion on the Closing Date as described in Section 4.01 hereof or on or before any 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 solely in the case of a certificate and not in the case of an opinion made on and as of the Closing Date or such Funding Date, as the case may be.

ARTICLE VII

ADDITIONAL COVENANTS

SECTION 7.01. 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 7.02. Expenses.

(a) The Issuer covenants 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.

(b) The Issuer covenants that, upon the Closing taking place, the Issuer shall pay to the Agent from net proceeds of the sale of the Notes contemplated hereunder the portion of the Facility Fee set forth in subclause (i) of the definition thereof.

(c) The Issuer covenants to pay as and when billed by the Agent 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 Transaction Documents including, without limitation, (i) all reasonable fees, disbursements and expenses of counsel to the Agent and the Initial Purchaser, (ii) all reasonable fees and expenses of the Indenture Trustee and (iii) all reasonable fees and expenses of the Verification Agent, in connection therewith.

SECTION 7.03. 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 7.04. Restrictions on Transfer. Each of the Purchasers agrees that it will comply with the restrictions on transfer of the Purchased Notes set forth in the Indenture and resell the Purchased Notes only in compliance with such restrictions.

SECTION 7.05. Securities Act. The Initial Purchaser agrees that it 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 1933 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 1933 Act or any other securities law.

SECTION 7.06. Agreement and Consent to Agent. The Initial Purchaser agrees with, and consent to, each of the provisions in the Indenture regarding the Agent.

ARTICLE VIII

INDEMNIFICATION

SECTION 8.01. Indemnification. The Issuer hereby agrees to indemnify and hold harmless each Indemnified Party in accordance with, and pursuant to, Section 9.11 of the Indenture.

SECTION 8.02. Procedure and Defense. In case any litigation, claim, suit, 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 8.01 (each such litigation, claim, suit, action or proceeding being referred to an "Indemnified Proceeding"), such Indemnified Party shall follow the procedures set forth in Section 9.11 of the Indenture. The Indemnified Party shall have the rights and defense set forth in Section 9.11 of the Indenture.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. 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 9.02. Severability of Provisions. If any one or more of the agreements, provisions or terms of this Agreement shall for any reason whatsoever be held invalid, then the unenforceable agreements, provisions or terms shall be deemed severable from the remaining agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other agreements, provisions or terms of this Agreement.

SECTION 9.03. 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 9.04. 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 9.05. Integration. This Agreement contains a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof, superseding all prior oral or written understandings.

SECTION 9.06. Negotiation. This Agreement and the other Transaction Documents are the result of negotiations among the parties hereto, and have been reviewed by the respective counsel to the parties hereto, and are the products of all parties hereto. Accordingly, this Agreement and the other Transaction Documents shall not be construed against the Agent or any Purchaser merely because of the Agent's or such Purchaser's involvement in the preparation of this Agreement and the other Transaction Documents.

SECTION 9.07. Binding Effect; Assignability.

(a) This Note Purchase Agreement shall be binding upon and inure to the benefit of the Issuer, the Agent and the Purchasers and their respective permitted successors and assigns (including any subsequent holders of any Purchased Note); provided, however, the Issuer shall not have any right to assign its respective rights hereunder or interest herein (by operation of law or otherwise) without the prior written consent of all of the Purchasers.

(b) Any of the Purchasers may, in the ordinary course of its business and in accordance with the Transaction 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 any Purchaser of participating interests to a Participant, such Purchaser's rights and obligations under this Note Purchase Agreement shall remain unchanged, such Purchaser shall remain solely responsible for the performance thereof, and the Issuer 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. Each Purchaser shall have the right to assign its rights and obligations hereunder to an Affiliate without the consent of the Issuer or the Receivables Seller.

(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 Notes shall have been paid in full.

SECTION 9.08. Provision of Documents and Information. The Issuer acknowledges and agrees that the Agent and each Purchaser is permitted to provide to any subsequent Purchaser, permitted assignees and Participants, opinions, certificates, documents

and other information relating to the Issuer and the Receivables delivered to the Agent or the Purchasers pursuant to this Note Purchase Agreement.

SECTION 9.09. **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 NEW YORK 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 9.10. 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 and the Purchasers hereby covenant and agree that they will not institute against the Issuer, or join in any institution against 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.

SECTION 9.11. 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 9.12. No Recourse — Purchaser. The obligations of each Purchaser under this Note Purchase Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by such Purchaser or any officer thereof are solely the partnership or corporate obligations of such 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 any Purchaser or any officer thereof in connection therewith, against any stockholder, limited partner, employee, officer, director or incorporator of such Purchaser.

SECTION 9.13. 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 Notes. In addition the respective agreements, covenants, indemnities and other statements set forth in this Section 9.13 and in Sections 7.02, 8.01, 8.02, 9.01, 9.02, 9.03, 9.04, 9.06, 9.07, 9.09, 9.10, 9.12 and 9.14 shall remain in full force and effect regardless of any termination or cancellation of this Agreement.

SECTION 9.14. 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 Notes will be treated as evidence of indebtedness secured by the Receivables 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 Notes for federal, state and local income and franchise tax purposes as indebtedness and (c) agrees that the provisions of all Transaction Documents shall be construed to further these intentions of the parties.

SECTION 9.15. No Recourse. 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 trustee of the Issuer, 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 of 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 Advance Trust 2007-ADV2

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee

By: /s/ Erwin M. Soriano
Name: Erwin M. Soriano
Title: Assistant Vice President

Greenwich Capital Financial Products, Inc.,
as Initial Purchaser and as Agent

By: /s/ Dominic Obaditch
Name: Dominic Obaditch
Title:

Schedule I

Information for Notices

1. if to the Issuer:

   OPTION ONE ADVANCE TRUST 2007-ADV2
   3 Ada
   Irvine, California 92618
   Attention: [_____]
   Facsimile: [_____]
   Telephone: (949) 790-8100

2. if to the Depositor:

   OPTION ONE ADVANCE CORPORATION
   3 Ada
   Irvine, California 92618
   Attention: Rod Smith
   Facsimile: (949) 790-7514
   Telephone: (949) 790-8100

3. if to the Receivables Seller:

   OPTION ONE MORTGAGE CORPORATION
   3 Ada
   Irvine, California 92618
   Attention: Rod Smith
   Facsimile: (949) 790-7514
   Telephone: (949) 790-8100

4. if to the Initial Purchaser or the Agent:

   GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
   600 Steamboat Road
   Greenwich, Connecticut 06830
   Attention: Robert Parvetz
   Facsimile: 203-618-2148
   Telephone: 203-618-6884

   With a copy to:

   GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
   600 Steamboat Road
   Greenwich, Connecticut 06830
   Attn: Dominic Obaditch
   Telecopy: (203) 422-4565
   Telephone: (203) 618-2565

Schedule A

Maximum Note Principal Balance

Greenwich Capital Financial Products, Inc.: $400,000,000

Exhibit 10.9

AMENDMENT NUMBER TEN

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 TEN (this "Amendment") is made and is effective as of this 26th day of October, 2007 (the "Effective Date"), among Option One Owner Trust 2001-2 (the "Issuer"), Option One Loan Warehouse LLC, as successor-by-conversion to Option One Loan Warehouse Corporation (the "Depositor") and Bank of America, N.A. (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 reduce the Maximum Note Principal Balance from $2,252,000,000 to $750,000,000, subject to certain terms and conditions 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. As of the Effective Date, Section 1.01 (Certain Defined Terms) of the Note Purchase Agreement shall be amended by deleting the definition of "Maximum Note Principal Balance" in its entirety and replacing it with the following:

"Maximum Note Principal Balance" means $750,000,000 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 except and to the extent explicitly waived in a waiver letter executed by the parties hereto prior to the date hereof.

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 document.

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/ Reseline K. Maney
Name: Reseline K. Maney
Title: Vice President

OPTION ONE LOAN WAREHOUSE LLC

By: /s/ Charles T. Harkins
Name: Charles T. Harkins
Title: Assistant Secretary

BANK OF AMERICA, N.A,

By: /s/ Garrett Dolt
Name: Garrett Dolt
Title: Principal

[Signature Page to Amendment Ten to the Amended and Restated Note Purchase Agreement]

Exhibit 10.10

OMNIBUS AMENDMENT
OPTION ONE OWNER TRUST 2003-5

This OMNIBUS AMENDMENT (the "Amendment") dated as of October 30, 2007 is by and among Option One Owner Trust 2003-5 (the "Issuer"), Option One Mortgage Corporation ("OOMC"), in its capacity as loan originator (in such capacity, the "Loan Originator") and as servicer (in such capacity, the "Servicer"), Option One Mortgage Capital Corporation ("Capital"), Option One Loan Warehouse LLC (formerly known as Option One Loan Warehouse Corporation) (the "Depositor"), Wells Fargo Bank, N.A. (successor-in-interest to Wells Fargo Bank Minnesota, National Association), as indenture trustee (the "Indenture Trustee"), and Citigroup Global Markets Realty Corp. (the "Purchaser").

PRELIMINARY STATEMENTS:

A. The Issuer, OOMC, Capital, the Depositor and the Indenture Trustee are parties to that certain Amended and Restated Sale and Servicing Agreement dated as of November 12, 2004 (as amended and waived through the date hereof, the "Sale and Servicing Agreement").

B. The Issuer, the Depositor and the Purchaser are parties to that certain Note Purchase Agreement dated as of November 14, 2003 (as amended and waived through the date hereof, the "Note Purchase Agreement").

C. The Issuer and the Indenture Trustee are parties to that certain Indenture dated as of November 1, 2003 (as amended and waived through the date hereof, the "Indenture").

D. The parties hereto desire to amend the Sale and Servicing Agreement, the Indenture and the Note Purchase Agreement subject to the terms and conditions of this Amendment.

E. The parties hereto acknowledge that the Option One Owner Trust 2007-5A was terminated on September 28, 2007.

F. Pursuant to Section 7.02(e) of the Sale and Servicing Agreement, entitled "Financial Covenants," OOMC is required to maintain a minimum "Net Income" (defined and determined in accordance with GAAP) of at least $1 based on the total of the current quarter combined with the previous three quarters (the "Minimum Income Covenant"). Pursuant to the Basic Documents, OOMC periodically represents and warrants its compliance with the Minimum Income Covenant. In addition, under the Basic Documents, a failure by OOMC to satisfy the Minimum Income Covenant, if not waived, could be or become a Default, Event of Default or Servicing Event of Default, as those terms are used in the Basic Documents, or could result in a termination of the Revolving Period.

C. OOMC now believes that the Minimum Income Covenant will not be satisfied as of the quarter ending October 31, 2007. The Issuer has requested that the Majority Noteholders temporarily waive the Minimum Income Covenant, and, subject to the terms hereof,

the Majority Noteholders have agreed to temporarily waive the Minimum Income Covenant on and subject to the terms and conditions hereinafter set forth.

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 or the Indenture.

SECTION 2. Accuracy of Preliminary Statements. OOMC and the Depositor agree and represent that the foregoing Preliminary Statements are true and correct in all respects.

SECTION 3. Amendments to the Sale and Servicing Agreement.

(A) Section 1.01 of the Sale and Servicing Agreement is hereby amended by amending the definition of the term "Revolving Period" in its entirety to read as follows:

Revolving Period: With respect to the Notes, the period commencing on November 10, 2006 and ending on the earlier of (i) November 15, 2007, and (ii) the date on which the Revolving Period is terminated pursuant to Section 2.07.

SECTION 4. Amendments to the Note Purchase Agreement.

Section 1.01 of the Sale and Servicing Agreement is hereby amended by amending the definition of the term "Maximum Note Principal Balance" in its entirety to read as follows:

"Maximum Note Principal Balance" means an amount equal to $75,000,000.

SECTION 5. Amendments to the Indenture.

Section 1.01 of the Indenture is hereby amended by amending the definition of the term "Maturity Date" in its entirety to read as follows:

"Maturity Date" means November 15, 2007.

SECTION 6. Temporary Waiver of the Minimum Income Covenant.

(A) Effective as of the date first above written and subject to the satisfaction of the condition precedent set forth in 6(B) below, the Majority Noteholders hereby agree to waive, until November 15, 2007 only, the Minimum Income Covenant.

(B) The waiver under this Section 6 shall become effective and be deemed effective as of the date first above written upon (i) receipt by OOMC of an executed

counterpart of this Waiver from each of the Issuer, the Depositor, the Majority Noteholders and the Indenture Trustee and (ii) receipt by the Majority Noteholders of confirmation from OOMC that each Note Purchaser, Purchaser, Initial Noteholder Agent or Note Agent, as applicable, in connection with each of the Trusts listed on Schedule I hereto, has executed a waiver in substantially similar form as set out in this Section 6, regarding the failure by OOMC to satisfy the Minimum Income Covenant as of the quarter ending October 31, 2007.

(C) The waiver under this Section 6 shall continue to be effective until November 15, 2007 only so long as no Event of Default (other than the Minimum Income Covenant) has occurred. Upon the occurrence of any Event of Default other than the Minimum Income Covenant, this Waiver shall immediately cease to be effective.

(D) Each of the Issuer, OOMC (in its capacities as Servicer and Loan Originator), Capital and the Depositor hereby reaffirms all covenants, representations and warranties made by the Issuer, OOMC, Capital and the Depositor, as applicable, in the Sale and Servicing Agreement, to the extent the same are not modified hereby and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment.

SECTION 7. Representations. In order to induce the parties hereto to execute and deliver this Amendment, each of the Issuer and the Depositor hereby jointly and severally represents to the other parties hereto and the Initial Noteholder 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 8. Limited Effect. Except as expressly amended and modified by this Amendment, the Sale and Servicing Agreement, Indenture and the Note Purchase Agreement shall continue in full force and effect in accordance with their respective terms. Reference to this Amendment need not be made in the Sale and Servicing Agreement, Indenture or Note Purchase 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, Indenture or the Note Purchase Agreement, any reference in any of such items to the Sale and Servicing Agreement, Indenture or Note Purchase Agreement, as applicable, being sufficient to refer to the Sale and Servicing Agreement, Indenture or Note Purchase Agreement as amended hereby.

SECTION 9. Fees and Expenses. The Issuer and the Depositor jointly and severally covenant to pay as and when billed, 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 and (ii) all reasonable fees and expenses of the Indenture Trustee and Owner Trustee and their counsel.

SECTION 10. 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 11. 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 12. 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.

SECTION 13. Direction and Authorization. Citigroup Global Markets Realty Corp., by signing below, represents and warrants that it is the holder of 100% of the Securities and authorizes and directs the Indenture Trustee to waive any Opinion of Counsel contemplated by Section 11.02 of the Sale and Servicing Agreement, or other condition to the amendment of the Sale and Servicing Agreement in the respects provided in this Amendment.

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IN WITNESS WHEREOF, the parties have executed this Amendment and Consent as of the day and year first above written.

OPTION ONE OWNER TRUST 2003-5,
as Issuer

By: Wilmington Trust Company, not in its individual capacity, but solely as Owner Trustee

By: /s/ Roseline K. Maney
Name: Roseline K. Maney
Title: Vice President

OPTION ONE MORTGAGE CORPORATION,
as Loan Originator and as Servicer

By: /s/ Matthew A. Engel
Name: Matthew A. Engel
Title: Senior Vice President

OPTION ONE MORTGAGE CAPITAL CORPORATION

By: /s/ Matthew A. Engel
Name: Matthew A. Engel
Title: Vice President

OPTION ONE LOAN WAREHOUSE LLC,
as Depositor

By: /s/ Matthew A. Engel
Name: Matthew A. Engel
Title: Secretary

WELLS FARGO BANK, N.A.,
as Indenture Trustee

By: Jacquelyn E. Kimball
Name: Jacquelyn E. Kimball
Title: Vice President

CITIGROUP GLOBAL MARKETS
REALTY CORP., as Purchaser

By: Bobbie Theivakumaran
Name: Bobbie Theivakumaran
Title: Authorized Agent

Advancing Your Success

Advances, Pledge and Security Agreement

Blanket Pledge

This Advances, Pledge and Security Agreement ("Agreement") is entered between **H&R BLOCK BANK** ("Member"), with principal offices at **KANSAS CITY, MD** , and the Federal Home Loan Bank of Des Moines ("Bank"), with principal offices in Des Moines, Iowa.

WHEREAS, the Bank may from time to time make available extensions of credit to the Member ("Advances"), in accordance with the Federal Home Loan Bank Act, the regulations and directives of the Federal Housing Finance Board , the Confirmations issued hereunder, and the policies and procedures currently set forth in the Bank's Member Products and Services Policy, as amended, superseded or replaced by the Bank's Board of Directors from time to time, and the Bank's Credit and Collateral Procedures, as amended, superseded replaced by the Bank's management from time to time (collectively referred to herein as the "Member Policies and Procedures");

WHEREAS, member desires, from time to time, to obtain Advances from the Bank in accordance with the terms and conditions of this Agreement, the Confirmations issued hereunder and the Member Policies and Procedures; and

WHEREAS, the Bank requires that all Advances, and all other indebtedness, arising from any and all obligations or liabilities of the Member to the Bank be secured pursuant to this Agreement, and the Member agrees to provide such security;

NOW THEREFORE, for valuable consideration, intending to be legally bound, and with respect to each and every such Advance, the Bank and Member agree as follows:

Section 1. Applications. The Member shall request an Advance in such form as shall be specified by the Bank. Nothing contained in this Agreement or the Member Policies and Procedures shall be construed as an agreement or commitment by the Bank to grant any Advance hereunder. The Bank expressly reserves its right and power to either grant or deny in its sole discretion any Advance.

Section 2. Confirmation of Advance. Each Advance, and, except as otherwise provided, all other indebtedness, shall be evidenced by a writing or electronic record, in such form or forms as may be determined by the Bank from time to time ("Confirmation"), issued by the Bank to the

Member. The Member and the Bank shall be bound by the terms and conditions set forth herein, in the Confirmation and in the Member Policies and Procedures. Any inconsistencies between the terms and conditions of a Confirmation, this Agreement, or the Member Policies and Procedures, shall be resolved in favor of this Agreement.

Section 3. Payment to the Bank. The Member shall repay each Advance and make payments of interest thereon and any and all costs, expenses, fees and penalties relating thereto as specified herein and in the Member Policies and Procedures and the related Confirmation. All payments shall be made at the office of the Bank in Des Moines, Iowa, or at such other place as the Bank, or its successors or assigns, may from time to time appoint in writing.

The Member shall maintain in its demand deposit account(s) with the Bank (collectively, the "Demand Deposit Account") an amount at least equal to the amounts then currently due and payable to the Bank on outstanding Advances. The Member hereby authorizes the Bank to debit the Demand Deposit Account for all amounts due and payable to the Bank on any Advance or other indebtedness. If the amount in the Demand Deposit Account is, at any time, insufficient to pay such due and payable amounts, the Bank may, without notice to the Member, apply any other funds or assets then in the possession of the Bank to the payment of such amounts.

Past due payments of principal, interest, or other amounts payable in connection with any Advance may, at the option of the Bank, bear interest until paid at a default rate that is 3% per annum higher than the then current rate being charged by the Bank for Advances.

Section 4. Creation of Security Interest in Collateral. As Collateral security for any and for any and all such Advances, Member assigns, transfers, pledges, and grants a security interest to the Bank, its successors as assigns, in all Mortgage Collateral, Securities Collateral, Deposits other collateral (as described in the Member Policies and Procedures and referred to herein collectively as "Collateral") now or hereafter acquired by the Member, and all proceeds thereof, provided, however, that the Member may freely dispose of Collateral that is not used to satisfy its collateral maintenance level as set forth below in B. With respect to the Collateral, Member undertakes and agrees as follows:

A. That such security interest shall extend to after acquired Collateral of a similar nature;

B. To keep and maintain an amount of such Collateral free and clear of pledges, liens, and encumbrances to others as is required to meet the Member's collateral maintenance level. The "required Collateral Maintenance Level" means the amount of Collateral the Member is required to maintain to secure its Advances with the Bank as set forth and calculated in accordance with the Member Policies and Procedures;

C. That the Member shall be at liberty to use, commingle, and dispose of all or part of the Collateral, and to collect, compromise, and dispose of the proceeds of the Collateral without being required to account for the proceeds or replace the Collateral subject only to its obligation to meet its Collateral Maintenance Level as set forth above;

D. To assemble and deliver Collateral to the Bank or its authorized agents immediately upon demand of the Bank; and as specified by the Bank in the Member Policies and Procedures to pay for the safekeeping of Collateral as established by the Bank; and

E. To make, execute, and deliver to the Bank such assignments, endorsements, listings, powers, financing statements or other instruments as the Bank may reasonably request respecting such Collateral.

Without limitation of the foregoing, all tangible and intangible property heretofore assigned, transferred or pledged by the Member to the Bank as Collateral for Advances prior to the date hereof is hereby assigned, transferred and pledged to the Bank as Collateral hereunder.

Section 5. Assignment to Bank of Security Interests in Bank Stock. The Member hereby assigns, transfers and pledges to the Bank, its successors or assigns, all stock of the Federal Home Loan Bank of Des Moines owned by the Member as additional collateral security for payment of any and all indebtedness, whether in the nature of an Advance or otherwise, of the Member to the Bank, its successors and assigns.

Section 6. Covenants. The Member represents, warrants, and covenants to the Bank, which representations, warranties, and covenants shall be deemed to be repeated at all times until the termination of this Agreement:

A. No Event of Default, as defined in Section 9, with respect to the Member has occurred and is continuing or would occur as a result of the Member entering into or performing its obligations under this Agreement or any Advance.

B. The Member owns and has marketable title to the Collateral free and clear of any and all liens, claims, or encumbrances of any kind, and has the right and authority to grant a security interest in the Collateral and to subject all of the Collateral to this Agreement.

C. All of the Collateral meets the standards and requirements with respect thereto established by the Member Policies and Procedures.

D. The Member shall at all times maintain and accurately reflect the terms of this Agreement, including the Bank's interest in Collateral, and all Advances and other indebtedness on its books and records.

E. The Member has the full power and authority and has received all corporate and governmental authorizations and approvals as may be required to enter into and perform its obligations under this Agreement and any Advance.

Section 7. Duty to Use Reasonable Care. In the event Member delivers Collateral to Bank or its agent pursuant to Section 4 above, the duty of the Bank with respect to said Collateral shall be solely to use reasonable care in the custody and preservation of the Collateral in its possession.

Section 8. Additional Security. Member shall assign additional or substituted Collateral for Advances at any time the Bank shall deem it necessary for the Bank's protection.

Section 9. Events of Default. The Bank may consider the Member in default hereunder upon the occurrence of any of the following events or conditions:

A. Failure of the Member to pay any interest, or repay any principal, or pay any other amount due in connection with any Advance; or

B. Breach or failure to perform by the Member of any covenant, promise, condition, obligation or liability contained or referred to herein, or any other agreement to which the Member and the Bank are parties; or

C. Proof being made that any representation, statement or warranty made or furnished in any manner to the Bank by or on behalf of the Member in connection with all or part of any Advance was false in any material respect when made or furnished; or

D. Any tax levy, attachment, garnishment, levy of execution or other process issued against the Member or the Collateral; or

E. Any suspension of paymet by the Member to any creditor or any events which result in acceleration of the maturity of any indebtedness of the Member to others under any indenture, agreement or other undertaking, or

F. Application for, or appointment of, a receiver of any part of the property of the Member, or in case of adjudication of insolvency, or assignment for benefit of creditors, or general transfer of assets by the Member, or if management of the Member is taken over by any supervisory authority, or in case of any other form of liquidation, merger, sale of a substantial portion of the Member's assets outside of the ordinary course of the Member's business or voluntary dissolution, or upon termination of the membership of the Member in the Federal Home Loan Bank of Des Moines, or in the case of Advances made under the provisions of 12 U.S.C. § 1431(g)(4) or any successor provisions, if at any time thereafter the creditor liabilities of the Member, excepting its liabilities to the Bank, are increased in any manner to an amount exceeding 5% of its net assets; or

G. Determination by the Bank that a material adverse change has occurred in the financial condition of the Member from that disclosed at the time of the making of any Advance, or from the condition of the Member as theretofore most recently disclosed to the Bank in any manner; or

H. If the Bank reasonably and in good faith deems itself insecure even though the Member is not otherwise in default.

Section 10. Bank Remedies in the Event of Default. Upon the occurrence of any default hereunder, the Bank may, at its option, declare the entire amount of any and all Advances or other indebtedness to be immediately due and payable. Without limitation of any of its rights and remedies hereunder or under other law, the Bank shall have all of the remedies of a secured

party under the Uniform Commercial Code of the State of Iowa. The Member agrees to pay all the costs and expenses of the Bank in the collection of the secured indebtedness and enforcement of the Bank's rights hereunder including, without limitation, reasonable attorney's fees. The Bank may sell the Collateral or any part thereof in such manner and for such price as the Bank deems appropriate without any liability for any loss due to. decrease in the market value of the Collateral during the period held. The Bank shall have the right to purchase all or part of the Collateral at public or private sale. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonable and properly given if mailed, postage prepaid, at least five days before any such disposition to the address of the Member appearing on the records of the Bank. The proceeds of any sale shall be applied in the following order: first, to pay all costs and expenses of every kind for the enforcement of this Agreement or the care, collection, safekeeping, sale, foreclosure, delivery or otherwise respecting the Collateral (including expenses for legal services); then to interest and fees on all indebtedness of the Member to the Bank; then to the principal amount of any such indebtedness whether or not such indebtedness is due or accrued. The Bank, at its discretion or as assigned by law, may apply any surplus to indebtedness of Member to third parties claiming a secondary security interest in the Collateral. Any remaining surplus shall be paid to the Member.

Section 11. Appointment of Bank as Attorney-in-Fact. Member does hereby make, constitute and appoint Bank its true and lawful attorney-in-fact to deal with the Collateral in the event of default and, in its name and stead to release, collect, compromise, settle, and release or record any note, mortgage or deed of trust which is a part of such Collateral as fully as the Member could do if acting for itself. The powers herein granted are coupled with an interest, and are irrevocable, and full power of substitution is granted to the Bank in the premises.

Section 12. Audit and Verification of Collateral. In extension and not in limitation of all requirements of law respecting examination of the Member by or on behalf of the Bank, the Member agrees that all Collateral pledged hereunder shall always be subject to audit and verification by or on behalf of the Bank in its corporate capacity.

Section 13. Resolution to be Furnished by Member. The Member agrees to furnish to the Bank at the execution of this Agreement, and from time to time hereafter, a certified copy of a resolution of its Board of Directors or other governing body authorizing such of the Member's officers, agents, and employees as the Member shall select, to apply for Advances from the Bank. In lieu of requiring an additional resolution upon execution of this Agreement, the Bank may rely on a previously furnished resolution of the Member's Board of Directors or other governing body with respect to Advances made pursuant to this Agreement.

Section 14. Applicable Law. This Agreement and all Advances and other indebtedness obtained hereunder shall be governed by the statutory and common law of the United States and, to the extent federal law incorporates or defers to state law, the laws (exclusive of choice of law provisions) of the State of Iowa. Notwithstanding the foregoing, the Uniform Commercial Code as in effect in the State of Iowa shall apply to the parties' rights and obligations with respect to the Collateral. If any portion of this Agreement conflicts with applicable law, such conflict shall not affect any other provision of this Agreement that can be given effect without the conflicting provision, and to this end the provisions of this Agreement are severable.

Section 15. Jurisdiction. In any action or proceeding brought by the Bank or the Member in order to enforce any right or remedy under this Agreement, Member hereby submits to the jurisdiction of the United States District Court for the Southern District of Iowa, or if such action or proceeding may not be brought in Federal Court, the jurisdiction of the Iowa District Court in Polk County. If any action or proceeding is brought by the Member seeking to obtain relief against the Bank arising out of this Agreement and such relief is not granted by a court of competent jurisdiction, the Member will pay all attorney's fees and court costs incurred by the Bank in connection therewith.

Section 16. Effective Date; Agreement Constitutes Entire Agreement. This Agreement shall be effective on the later of May 1, 2006 or the date of execution of this Agreement by the parties hereto. Except as set forth in this paragraph, this Agreement, together with the Member Policies and Procedures and any applicable Confirmations, shall embody the entire agreement and understanding between the parties hereto relating to the subject matter hereof and thereof. This Agreement may not be amended except by written amendment executed by the Bank and the Member. Each such Confirmation and the Member Policies and Procedures shall be incorporated herein. Advances made by the Bank to the Member prior to the effective date of this Agreement shall be governed exclusively by the terms of the prior agreements pursuant to which such Advances were made, except that (i) any default hereunder shall constitute default hereunder, (ii) Collateral furnished as security hereunder shall also secure such prior Advances and (iii) the rights and obligations with respect to such Collateral shall be governed by the terms of this agreement.

Section 17. Section Headings. Section headings are not to be considered part of this Agreement. Section headings are solefy for convenience of reference, and shall not affect the meaning or interpretation of this Agreement or any of its provisions.

Section 18. Successors and Assigns. This Agreement shall be binding upon each of the parties, successors and permitted assigns. The Member may not assign any obligation hereunder without the prior written consent of the Bank. The Bank may assign any or all of its rights and obligations hereunder or with respect to any Advance or other indebtedness to any other party.

Section 19. No Waiver of Rights. A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise of any right, power, or privilege or the exercise of any other right, power or privilege.

Section 20. Remedies Cumulative. The rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be signed in its name by its duly authorized representatives as of the dates below.

Full Corporate Name of Customer

H&R BLOCK BANK

BY: /s/ JON. L. APPLEBY

Title: CFO

Date: 4/17/2006

FEDERAL HOME LOAN BANK OF DES MOINES

By: 

Title: Officer of the Federal Home Loan Bank of Des Moines

Date: April 17, 2006

FEDERAL HOME LOAN BANK DES MOINES

MEMBER REPRESENTATIONS AND WARRANTIES

In accordance with the Advances, Pledge and Security Agreement (as such document may be amended from time to time) between the undersigned Member and the Federal Home Loan Bank of Des Moines (Bank), the Member hereby certifies as follows:

(1) it understands and complies with the Bank's Anti-Predatory Lending (APL) Policy and with all applicable local, state and federal APL laws and other similar credit-related consumer protection laws, regulations and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, APL laws);

(2) it will maintain qualifying collateral; and

(3) it will substitute eligible collateral for any residential mortgage loans and securities backed by residential mortgage loans pledged to the Bank as collateral (Residential Mortgage Collateral) that does not comply in all material respects with all applicable APL laws or the Bank's APL Policy.

The Member agrees to indemnify, defend and hold the Bank harmless from and against all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including, without limitation, legal fees and expenses, that result from the pledge of any Residential Mortgage Collateral that does not comply in all material respects with applicable APL laws or with the Bank's APL Policy.

All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Advances, Pledge and Security Agreement.

MEMBER NAME/CITY/STATE: H&R BLOCK BANK, KANSAS CITY, NO

MEMBER NUMBER: _____

By: /s/ JON L. APPLEBY

Print Name: JON L. APPLEBY

Title: CFO
Authorized Officer*

Dated: 1/19/2006

* Signing Officer must be authorized to execute advances or pledge collateral on behalf of the Member.

FEDERAL
HOME LOAN BANK
DES MOINES

Credit and Collateral Guidelines for

H&R Block Bank
Home Loan Bank member number 3225

The total amount of Federal Home Loan Bank of Des Moines credit, including advances, letters of credit, MPF credit enhancement exposures, and all other credit products your financial institution may have outstanding at any time will be determined by the following guidelines:

- Total credit up to 35% of your total assets as reported in the most recent financial information submitted to your primary regulator
- Convertible advances up to 17.5% of your total assets as reported in the most recent financial information that you submit to your primary regulator
- Unlimited amounts of the following assets may be pledged as collateral for your Home Loan Bank borrowings; subject to normal eligibility requirements:
  - § conventional 1-4 family residential loans
  - § multifamily real estate loans
  - § non-agency mortgage backed securities
  - § government/agency securities, including mortgage backed securities
  - § government guaranteed loans (excludes SBA guaranteed loans)
  - § certificates of deposit issued by the Home Loan Bank
- In addition, borrowings collateralized by the following assets will be allowed in an amount up to 200% of your equity capital:
  - § commercial real estate loans
  - § agricultural real estate loans
  - § second mortgage 1-4 family residential loans
  - § For Community Financial Institutions (FDIC insured institutions with average total assets less than $548 million for the past three years, ending December 31, 2003):
    - small business loans
    - small agri-business loans

These guidelines are based on your present financial and operating condition, and may be revised, at the Bank's sole discretion, if the Bank determines there is a change in these conditions. Your ability to borrow is subject to continued creditworthiness, the pledging of sufficient eligible collateral to secure advances, and compliance with the terms and conditions of the Agreement for Advances, Collateral Pledge and Security Agreement.

Exhibit 10.12

EXECUTION COPY

AMENDMENT NUMBER ONE
to the
INDENTURE
dated as of October 1, 2007,
between
OPTION ONE ADVANCE TRUST 2007-ADV2,
and
WELLS FARGO BANK, NATIONAL ASSOCIATION

This AMENDMENT NUMBER ONE (this "Amendment") is made and is effective as of this 24th day of October, 2007, among Option One Advance Trust 2007-ADV2 (the "Issuer"), and Wells Fargo Bank, National Association (the "Indenture Trustee") to the Indenture, dated as of October 1, 2007, (the "Indenture") between the Issuer and the Indenture Trustee.

RECITALS

WHEREAS, on the terms and conditions set forth herein, the Issuer has requested that the Indenture Trustee amend the Indenture as provided herein;

NOW THEREFORE, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. As used in this Amendment, capitalized terms have the same meanings assigned thereto in the Indenture.

SECTION 2. Amendments.

(a) Schedule I of the Indenture is hereby amended and restated in its entirety as set forth in Exhibit A.

(b) Schedule II of the Indenture is hereby amended and restated in its entirety as set forth in Exhibit B.

(c) Schedule A-2 of the Indenture is hereby amended and restated in its entirety as set forth in Exhibit C.

SECTION 3. Waiver. The parties hereto hereby waive the provisions of Sections 8.02 and 8.04 of the Indenture requiring the delivery of Tax Opinions and Opinions of Counsel with respect to any amendments of the Indenture.

SECTION 4. Limited Effect. Except as expressly amended and modified by this Amendment, the Indenture shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Indenture 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 Indenture, any reference in any of such items to the Indenture being sufficient to refer to the Indenture as amended hereby.

SECTION 5. 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 6. 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 7. 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 the Issuer 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 ADVANCE TRUST 2007-ADV2

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee

By: /s/ Roseline K. Maney
Name: Roseline K. Maney
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Indenture Trustee

By: /s/ William Augustin
Name: William Augustin
Title: Vice President

Consented to by

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.,
as Majority Noteholder

By: /s/ Jason Kennedy
Name: Jason Kennedy
Title: Vice President

SCHEDULE I
LOAN LEVEL SECURITIZATION TRUSTS

Investor No.	Investor Name	Servicer Advances	PSA Requiring Amendment
250	OOMC Series 2003-5	Approved	
257	Merrill Lynch Series 2003-OPT1	Approved	
267	ACE 2004-OP1 STEP SERV FEE	Approved	
269	SABR Trust 2004-OP1 —STEP SF	Approved	
279	ABSC Series 2004-HE3	Approved	
284	ABFC 2004-OPT4	Approved	
288	UBS MASTR Series 2004-OPT2	Approved	
292	OOMLT 2005-1 STEP SERV FEE	Approved	
294	Citigroup CMLTI 2005-OPT1	Approved	
297	MASTR 2005-OPT1 STEP SERV FEE	Approved	
299	CMLT 2005-OPT2 STEP SERV FEE	Approved	
324	Lehman SAIL 2003-BC10 — STEP INV	Approved	Yes
330	Lehman SAIL 2004-8 STEP	Approved	Yes
333	Citigroup Mort Loan Trust 2004-OPT1 step	Approved	
334	Barclays SABR Series 2004-OP2	Approved	
346	Morgan Stanley 2004-OP1	Approved	
360	Barclays SABR Series 2005-OP1	Approved	
369	OOMLT 2005-2 STEP SERV FEE	Approved	
370	SOUNDVIEW 2005-OPT1- PMI	Approved	
377	Citigroup CMLTI 2005-OPT3	Approved	
380	OOMLT 2005-3	Approved	
381	ABSC 2005-HE6	Approved	
384	JPMAC 2005-OPT1	Approved	
386	Soundview 2005-OPT2	Approved	
391	Citigroup CMLTI 2005-OPT4	Approved	
396	Soundview 2005-OPT3	Approved	
397	OOMLT 2005-4	Approved	
401	OOMLT 2005-5	Approved	
406	SOUNDVIEW 2005-OPT4	Approved	
412	OOMLT 2006-1	Approved	
413	SABR 2005-OP2	Approved	
414	JPMAC 2005-OPT2	Approved	
417	Barclays SABR Series 2006-OP1	Approved	
420	HSBC HASCO 2006-OPT2	Approved	Yes
422	Soundview 2006-OPT1	Approved	
423	Carrington 2006-OPT1	Approved	
425	HSBC HASCO 2006-OPT3	Approved	Yes
428	ABSC 2006-HE3	Approved	
429	Soundview 2006-OPT2	Approved	
432	HSBC HASCO 2006-OPT4	Approved	
434	ACE 2006-OP1	Approved	Yes
435	Soundview 2006-OPT3	Approved	
437	Soundview 2006-OPT4	Approved	
440	Soundview 2006-OPT5	Approved	
441	OOMC Loan Trust Series 2006-2	Approved	
442	ABSC 2006-HE5	Approved	
445	ABFC 2006-OPT1	Approved	
449	ABFC 2006-OPT2	Approved	
450	OOMLT 2006-3	Approved	
551	ACE 2006-OP2	Approved	

Investor No.	Investor Name	Servicer Advances	PSA Requiring Amendment
554	ABFC 2006-OPT3	Approved	
559	SGMS 2006-OPT2- Dual Cutoff	Approved	Yes
565	OOMLT 2007-01- Dual Cutoff	Approved	
571	OOMC Loan Trust Series 2007-2	Approved	
581	Soundview 2007-OPT1	Approved	
626	OOMC Loan Trust 2000-A (FHLMC T023	Approved	Yes

SCHEDULE II
POOL LEVEL SECURITIZATION TRUSTS

Investor No.	Investor Name	Delinquency Advances	PSA Requiring Amendment
250	OOMC Series 2003-5	Approved	
267	ACE 2004-OP1 STEP SERV FEE	Approved	
277	Lehman SAIL 2004-4	Approved	Yes
289	ABFC 2004-OPT5	Approved	Yes
292	OOMLT 2005-1 STEP SERV FEE	Approved	
324	Lehman SAIL 2003-BC10 — STEP INV	Approved	Yes
330	Lehman SAIL 2004-8 STEP	Approved	Yes
361	Lehman SAIL 2005-3	Approved	Yes
365	ABFC Series 2005-HE1 STEP SF	Approved	Yes
369	OOMLT 2005-2 STEP SERV FEE	Approved	
370	SOUNDVIEW 2005-OPT1- PMI	Approved	
372	Lehman SAIL 2005-5	Approved	Yes
380	OOMLT 2005-3	Approved	
391	Citigroup CMLTI 2005-OPT4	Approved	
397	OOMLT 2005-4	Approved	
401	OOMLT 2005-5	Approved	
402	SGMS 2005-OPT1	Approved	Yes
412	OOMLT 2006-1	Approved	
416	HSBC HASCO 2006-OPT1	Approved	Yes
420	HSBC HASCO 2006-OPT2	Approved	Yes
423	Carrington 2006-OPT1	Approved	
425	HSBC HASCO 2006-OPT3	Approved	Yes
430	Lehman SASCO 2006-OPT1	Approved	Yes
432	HSBC HASCO 2006-OPT4	Approved	
434	ACE 2006-OP1	Approved	Yes
441	OOMC Loan Trust Series 2006-2	Approved	
448	Merrill Lynch Series 2006-OPT1	Approved	
450	OOMLT 2006-3	Approved	
551	ACE 2006-OP2	Approved	
559	SGMS 2006-OPT2- Dual Cutoff	Approved	Yes
565	OOMLT 2007-01- Dual Cutoff	Approved	
567	HSBC HASCO 2007-OPT1	Approved	Yes
571	OOMC Loan Trust Series 2007-2	Approved	
573	Merrill Lynch Series 2007-HE2	Approved	
623	Lehman Bros SASCO 1999-BC4	Approved	Yes

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Alan M. Bennett, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) 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

(d) 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: December 12, 2007

/s/ Alan M. Bennett
Alan M. Bennett
Chief Executive Officer
H&R Block, Inc.

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Becky S. Shulman, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) 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

(d) 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: December 12, 2007

/s/ Becky S. Shulman
Becky S. Shulman
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 October 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan M. Bennett, 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/ Alan M. Bennett
Alan M. Bennett
Chief Executive Officer
H&R Block, Inc.
December 12, 2007

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 October 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Becky S. Shulman, 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/ Becky S. Shulman
Becky S. Shulman
Chief Financial Officer
H&R Block, Inc.
December 12, 2007