Table of Contents

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

FORM 10-K

(Mark One)

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

For the fiscal year ended: April 30, 2005

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®

(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 Number)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, without par value	New York Stock Exchange Pacific Exchange

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, without par value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☑ No ☐

The aggregate market value of the registrant's Common Stock (all voting stock) held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold on October 31, 2004, was $7,683,275,768.

Number of shares of registrant's Common Stock, without par value, outstanding on June 30, 2005: 165,970,297.

Documents incorporated by reference

The definitive proxy statement relating to the registrant's Annual Meeting of Shareholders, to be held September 7, 2005, is incorporated by reference in Part III to the extent described therein.

H&R BLOCK

2005 FORM 10-K AND ANNUAL REPORT

TABLE OF CONTENTS

Certification Pursuant to Section 302 - Exec. VP & CFO
Certification Pursuant to Section 1350- CEO
Certification Pursuant to Section 1350 - Exec. VP & CFO

INTRODUCTION AND FORWARD LOOKING STATEMENTS

We have again chosen to combine our Annual Report on Form 10-K, which we are required to file annually with the Securities and Exchange Commission ("SEC"), and our Annual Report to Shareholders. We hope that by including all of this information in one document, you will find this Annual Report more useful and informative.

On June 7, 2005, we determined it was appropriate to restate our previously issued consolidated financial statements, including financial statements for the nine months ended January 31, 2005 and financial statements for the fiscal years ended April 30, 2004 and 2003 and all related interim periods. The details of the restatement, including the issues and amounts, are presented in Item 8, note 2 to our consolidated financial statements.

Specified portions of our proxy statement, which will be filed in August 2005, are listed as "incorporated by reference" in response to certain items. Our proxy statement will be printed within our Annual Report and mailed to shareholders in August 2005 and will also be available on our website at *www.hrblock.com.*

In this report, and from time to time throughout the year, we share our expectations for the Company's 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.

PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS ...

H&R Block is a diversified company with subsidiaries delivering tax, investment, mortgage and business services and products. For 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 and other services and products related to tax return preparation to the general public in the United States, and in Canada, Australia and the United Kingdom. We also offer investment services and securities products through H&R Block Financial Advisors, Inc. ("HRBFA"). Our Mortgage Services segment offers a full range of home mortgage services through Option One Mortgage Corporation ("Option One") and H&R Block Mortgage Corporation ("HRBMC"). RSM McGladrey Business Services, Inc. ("RSM") is a national accounting, tax and consulting firm primarily serving mid-sized businesses.

H&R BLOCK'S MISSION ...

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

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

H&R Block, Inc. was organized as a corporation in 1955 under the laws of the State of Missouri, and is a holding company with operating subsidiaries providing financial services and products to the general public. "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.

RECENT DEVELOPMENTS ... On October 26, 2004, we issued $400.0 million of 5.125% Senior Notes under our shelf registration statements. The Senior Notes are due on October 30, 2014. The proceeds from the notes were used to repay our $250.0 million in 6¾% Senior Notes, which were due on November 1, 2004. The remaining proceeds were used for working capital, capital expenditures, repayment of other debt and other general corporate purposes. As of April 30, 2005, we had $850.0 million available under our shelf registration statements.

On June 8, 2005, our Board of Directors declared a two-for-one stock split of the Company's Common Stock in the form of a 100% stock distribution, effective August 22, 2005, to shareholders of record as of the close of business on August 1, 2005.

Developments during fiscal year 2005 within our operating segments are described below in "Description of Business."

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

See discussion below and in Item 8, note 20 to our consolidated financial statements.

DESCRIPTION OF BUSINESS

TAX SERVICES

GENERAL ... Our Tax Services segment is primarily engaged in providing tax return preparation and related services and products in the United States and its territories, Canada, Australia and the United Kingdom. Revenues include fees earned for services performed at company-owned retail tax offices, royalties from franchise retail tax offices, sales of Peace of Mind ("POM") guarantees, sales of tax preparation and other software, fees from online tax preparation, and participation in refund anticipation loans ("RALs"). Segment revenues constituted 53.4% of our consolidated revenues for fiscal year 2005, 51.6% for 2004, and 52.2% for 2003.

Retail income tax return preparation and related services are provided by tax professionals via a system of retail offices operated directly by us or by franchisees. In addition to our retail offices, we offer a number of digital tax preparation alternatives.

TaxCut® from H&R Block enables do-it-yourself users to prepare their federal and state tax returns easily and accurately. Our software products may be purchased through third-party retail stores, direct mail or online.

Clients also have many online options: multiple versions of do-it-yourself tax preparation, professional tax review, tax advice and tax preparation through a tax professional, whereby the client completes a tax organizer and sends it to a tax professional for preparation and/or signature.

By offering professional and do-it-yourself tax preparation options through multiple channels, we can serve our clients in the manner in which they choose to be served.

We also offer clients a number of options for receiving their income tax refund, including a check directly from the Internal Revenue Service ("IRS"), an electronic deposit directly to their bank account, a refund anticipation check or a RAL.

The following are some of the services we offer with our tax preparation service:

PEACE OF MIND GUARANTEE ... The POM guarantee is offered to U.S. clients, whereby we (1) represent our clients if audited by the IRS, and (2) assume the cost, subject to certain limits, of additional taxes owed by a client resulting from errors attributable to one of our tax professionals. The POM program has a per client cumulative limit of $5,000 in additional taxes assessed with respect to the federal, state and local tax returns we prepared for the taxable year covered by the program.

RALs ... RALs are offered to our U.S. clients by a designated bank through a contractual relationship with HSBC Holdings plc ("HSBC"). An eligible, electronic filing client may apply for a RAL at one of our offices. After meeting certain eligibility criteria, clients are offered the opportunity to apply for a loan from HSBC in amounts up to $9,999 based upon their anticipated federal income tax refund. We simultaneously transmit the income tax return information to the IRS and the lending bank. Within a few days or less after the filing date, the client receives a check or direct deposit in the amount of the loan, less the bank's transaction fee, our tax return preparation fee and other fees for client-selected services. Additionally, qualifying electronic filing clients are eligible to receive their RAL proceeds, less applicable fees, in approximately one hour after electronic filing using the Instant Money service. For a RAL to be repaid, the IRS directly deposits the participating client's federal income tax refund into a designated account at the lending bank. See related discussion of RAL participations below.

RACs ... Refund Anticipation Checks ("RACs") are offered to U.S. clients who may not wish to obtain a RAL or do not qualify for the RAL program, but who would like to either (1) receive their refund faster and do not have a bank account for the IRS to direct deposit their refund or (2) have their tax preparation fees paid directly out of their refund. A RAC is not a loan and is provided through a contractual relationship with HSBC.

EASY PAY LOANS ... "EasyPay" revolving loans are offered through a contractual relationship with HSBC to clients whose tax returns reflect a balance due to the IRS. The loan has "same as cash" terms for approximately 90 days.

EXPRESS IRAs ... Individual retirement accounts ("Express IRAs"), invested in FDIC-insured money market accounts, are offered to U.S. clients as a tax-advantaged retirement savings tool. HRBFA acts as custodian on the accounts, with the funds being invested at insured depository institutions paying competitive money market interest rates.

TAX RETURN PREPARATION COURSES ... We offer income tax return preparation courses to the public, which teach taxpayers how to prepare income tax returns and provide us with a source of trained tax professionals.

SOFTWARE PRODUCTS ... We develop and market TaxCut income tax preparation software, H&R Block DeductionPro™,

Kiplinger's Home and Business Attorney and Kiplinger's WILLPower℠ software products.

TaxCut offers a simple step-by-step tax preparation interview, data imports from money management software and tax preparation software, calculations, completion of the appropriate tax forms, checking for errors and, for an additional charge, electronic filing.

H&R Block DeductionPro helps taxpayers track and accurately value their charitable deductions by providing fair-market valuations for hundreds of commonly donated household goods.

ONLINE TAX PREPARATION ... We offer a comprehensive range of tax services and products, from tax advice to complete professional and do-it-yourself tax return preparation and electronic filing, through our website at *www.hrblock.com* and *www.taxcut.com.* These websites allow clients to prepare their federal and state income tax returns using the Online Tax Program ("OTP"), access tax tips, advice and tax-related news and use calculators for tax planning.

Beginning with the fiscal year 2003 tax season, we participated in the Free File Alliance ("FFA"). This alliance was created by the tax return preparation industry and the IRS, and allows filers to prepare and file their federal return online at no charge. We feel that this program increases our visibility with new clients, while also providing an opportunity to offer our state return preparation services to these new clients at our regular prices.

CASHBACK PROGRAM ... We offer a refund discount ("CashBack") program to our customers in Canada. Canadian law specifies the procedures we must follow in conducting the program. In accordance with current Canadian regulations, if a customer's tax return indicates the customer is entitled to a tax refund, we issue a check to the client. The client assigns to us the full amount of the tax refund to be issued by Revenue Canada and the refund check is then sent by Revenue Canada directly to us. In accordance with the law, the discount is deemed to include both the tax return preparation fee and the fee for tax refund discounting. This program is financed by short-term borrowings. The number of returns discounted under the CashBack program in fiscal year 2005 was approximately 581,000, compared to 552,000 in 2004 and 531,000 in 2003. See discussion of the Canadian tax season extension under "Seasonality of Business."

CLIENTS SERVED ... We, together with our franchisees, served approximately 21.4 million clients worldwide during fiscal year 2005, compared to 21.6 million in 2004 and 21.7 in 2003. See discussion of the Canadian tax season extension under "Seasonality of Business." We served 19.1 million clients in the U.S. during fiscal year 2005, compared to 19.3 million in 2004 and 19.5 million in 2003. "Clients served" includes taxpayers for whom we prepared income tax returns in offices, federal software units sold, online completed and paid federal returns and paid online state returns when no federal return was purchased, as well as taxpayers for whom we provided only paid electronic filing services. Returns for our U.S. clients constituted 15.5% of an IRS estimate of total individual income tax returns filed as of April 29, 2005, compared to 15.7% in 2004 and 16.0% in 2003.

OWNED AND FRANCHISED OFFICES ... A summary of our company-owned and franchise offices is as follows:

April 30,	2005	2004	2003
U.S. OFFICES ...			
Company-owned offices	**5,811**	5,172	4,688
Company-owned shared locations (1)	**1,296**	996	607
Total company-owned offices	**7,107**	6,168	5,295
Franchise offices	**3,528**	3,418	3,967
Franchise shared locations (1)	**526**	323	95
Total franchise offices	**4,054**	3,741	4,062
	11,161	9,909	9,357
INTERNATIONAL OFFICES ...			
Canada	**912**	891	910
Australia	**378**	378	362
Other	**10**	7	6
	1,300	1,276	1,278

(1) Shared locations include offices located within Wal-Mart, Sears or other third-party businesses.

Offices in shared locations include 947 offices operated in Wal-Mart stores and 757 offices in Sears stores operated as "H&R Block at Sears." The Wal-Mart agreement is in the process of being extended, with the new agreement expected to expire in May 2007, and the Sears license agreement expires in July 2007, both subject to termination rights.

We offer franchises as a way to expand our presence in the market. Our franchise arrangements provide us with certain rights which are designed to protect our brand. Most of our franchisees receive signs, designated equipment, specialized forms, local advertising, initial training, and supervisory services, and pay us a percentage of gross tax return preparation and related service revenues as a franchise royalty.

From time to time, we have acquired the territories of existing franchisees and other tax return preparation businesses, and will continue to do so if future conditions warrant and satisfactory terms can be negotiated. During fiscal year 2004, we made payments of $243.2 million related to the acquisition of primarily assets and stock in the franchise territories of ten of our former major franchisees. One franchisee is continuing litigation

challenging the post-expiration restrictive covenants and also disputing the payment due under the franchise agreement terms.

RAL PARTICIPATIONS AND 2003 TAX SEASON WAIVER ... Since July 1996, we have been a party to agreements with HSBC and its predecessors to participate in RALs provided by a lending bank to H&R Block tax clients. The 1996 agreement was amended and restated in January 2003 and again in June 2003. In the June 2003 agreement, we obtained the right to purchase a 49.9% participation interest in RALs obtained through company-owned and regular franchise offices and a 25% interest in RALs obtained through major franchise offices. The current agreement continues through June 2006. Our purchases of the participation interests are financed through short-term borrowings, and we bear all of the credit risk associated with our interests in the RALs. Revenue from our participation is calculated as the rate of participation multiplied by the fee paid by the borrower to the lending bank. Our RAL participation revenue was $182.8 million and $168.4 million in fiscal years 2005 and 2004, respectively.

In January 2003, we entered into an agreement with Household Tax Masters, Inc. ("Household," subsequently acquired by HSBC), whereby we waived our right to purchase any participation interests in and to receive fees related to RALs during the period January 1 through April 30, 2003. In consideration for waiving these rights, we received a series of payments from Household, subject to certain adjustments based on delinquency rates for the 2003 tax season. We recorded revenues totaling $138.2 million during fiscal year 2003. The initial payments were recognized as revenue over the waiver period. The waiver agreement only covered the 2003 tax season.

SEASONALITY OF BUSINESS ... Because most of our clients file their tax returns during the period from January through April of each year, substantially all of our revenues from income tax return preparation and related services and products are received during this period. As a result, our tax segment generally operates at a loss through the first eight months of the fiscal year. Historically, these losses primarily reflect wages of year-round personnel, training of tax professionals, rental and furnishing of retail tax offices, and other costs and expenses relating to preparation for the upcoming tax season. Additionally, the tax business is affected by economic conditions and unemployment rates. Peak revenues occur during the applicable tax season, as follows:

United States and Canada	January – April
Australia	July – October

This year Revenue Canada extended the Canadian tax season to May 2, 2005. Clients served in our Canadian operations in fiscal year 2005 includes approximately 47,500 returns in both company-owned and franchise offices which were accepted by the client on May 1 and 2, 2005. The revenues related to these returns will be recognized in fiscal year 2006.

COMPETITIVE CONDITIONS ... The retail tax services business is highly competitive. There are a substantial number of tax return preparation firms and accounting firms offering tax return preparation services. Many tax return preparation firms and many firms not otherwise in the tax return preparation business are involved in providing electronic filing and RAL services to the public. Commercial tax return preparers and electronic filers are highly competitive with regard to price, service and reputation for quality. In terms of the number of offices and personal tax returns prepared and electronically filed in offices, online and via our software, we are the largest company providing direct tax return preparation and electronic filing services in the U.S. We also believe we operate the largest tax return preparation businesses in Canada and Australia.

The Digital Tax Solutions businesses compete with a number of companies. Intuit, Inc. is the dominant supplier of tax preparation software and is also our primary competitor in the online tax preparation market. There are many smaller competitors in the online market, as well as free state-sponsored online filing programs. Price competition for tax preparation services increased in fiscal year 2005. In addition, we and Intuit, along with several other online companies participating in the FFA, began offering free online federal return preparation with no income limitations. As a result, the IRS indicated the number of free federal returns filed through the FFA increased 46%. We continue to believe the FFA offers us the opportunity to reach new clients; however, this year's free offer captured new clients who may have otherwise paid for a return through our online business.

GOVERNMENT REGULATION ... Primary efforts toward the regulation of U.S. commercial tax return preparers have historically been made at the federal level. Federal legislation requires income tax return preparers to, among other things, set forth their signatures and identification numbers on all tax returns prepared by them, and retain all tax returns prepared for three years. Federal laws also subject income tax return preparers to accuracy-related penalties in connection with the preparation of income tax returns. Preparers may be prohibited from further acting as income tax return preparers if they continuously and repeatedly engage in specified misconduct. With certain exceptions, the Internal Revenue Code also prohibits the use or disclosure by income tax return preparers of certain income tax return information without the prior written consent of the taxpayer. In addition, the Gramm-Leach-Bliley Act and

Federal Trade Commission regulations adopted thereunder require income tax preparers to adopt and disclose consumer privacy policies, and provide consumers a reasonable opportunity to "opt-out" of having personal information disclosed to unaffiliated third parties for marketing purposes. Some states have adopted or proposed strict "opt-in" requirements in connection with use or disclosure of consumer information.

We believe the federal legislation regulating commercial tax return preparers and consumer privacy has not had and will not have a material adverse effect on the operations of H&R Block. In addition, no present state statutes of this nature have had a material adverse effect on our business. We cannot, however, predict what the effect may be of the enactment of new statutes or adoption of new regulations.

The federal government regulates the electronic filing of income tax returns in part by requiring individuals and businesses to be accepted into the electronic filing program. Once accepted, electronic filers must comply with all publications and notices of the IRS applicable to electronic filing, provide certain information to the taxpayer, comply with advertising standards for electronic filers, and be subjected to possible monitoring by the IRS, penalties for disclosure or use of income tax return preparation and other preparer penalties, and suspension from the electronic filing program. States that have adopted electronic filing programs for state income tax returns have also enacted laws regulating electronic filers and the advertising and offering of electronic filing services.

Federal statutes and regulations also regulate an electronic filer's involvement in RALs. Electronic filers must clearly explain the RAL is a loan and not a substitute for or a quicker way of receiving an income tax refund. Federal laws place restrictions on the fees an electronic filer may charge in connection with RALs. In addition, some states and localities have enacted laws and adopted regulations for RAL facilitators and/or the advertising of RALs. There are also many states that have statutes regulating, through licensing and other requirements, the activities of brokering loans, providing credit services and offering "credit repair" services to consumers for a fee ("Loan Activity Statutes"). We believe the procedures under which we facilitate RALs are structured so our activities are not included within the scope of the activities regulated by these Loan Activity Statutes. There can be no assurances, however, that states with these Loan Activity Statutes will not contend successfully that these statutes apply to the RAL business and that we will need to become licensed under the Loan Activity Statutes, otherwise comply with statutory requirements, or modify procedures so that the Loan Activity Statutes are inapplicable.

Many states have statutes requiring the licensing of persons offering contracts of insurance. We have received from certain state insurance regulators inquiries about our POM guarantee program and the applicability of the state insurance statutes. In states where the inquiries are closed, the regulators affirmed our position that the POM guarantee is not a contract of insurance and is therefore not subject to state insurance licensing laws. In the few states where inquiries are pending, we believe there are no insurance laws under which the POM guarantee constitutes a contract of insurance. There can be no assurances, however, that the product, or other similar products we may offer in the future, will not be scrutinized as potential insurance products and held to be subject to various insurance laws and regulations.

Many of our income tax courses are regulated and licensed in select states. Failure to obtain a tax school license could limit our ability to develop interest in tax preparation as a career or obtain qualified tax professionals.

We believe the federal, state and local laws and legislation regulating electronic filing, RALs and the facilitation of RALs, loan brokers, credit services, credit repair services, insurance products, and proprietary schools have not, and will not in the future, have a material adverse effect on our operations. We cannot predict, however, what the effect may be of the enactment of new statutes or the adoption of new regulations pertaining to these matters.

As noted above under "Owned and Franchised Offices," many of the income tax return preparation offices operating in the U.S. under the name "H&R Block" are operated by franchisees. Certain aspects of the franchisor/franchisee relationship have been the subject of regulation by the Federal Trade Commission and by various states. The extent of regulation varies, but relates primarily to disclosures to be made in connection with the grant of franchises and limitations on termination by the franchisor under the franchise agreement. To date, no such regulation has materially affected our business. We cannot predict, however, the effect of applicable statutes or regulations that may be enacted or adopted in the future.

We also seek to determine the applicability of all government and self-regulatory organization statutes, ordinances, rules and regulations in the international countries in which we operate (collectively, "Foreign Laws") and to comply with these Foreign Laws. We cannot predict what effect the enactment of future Foreign Laws, changes in interpretations of existing Foreign Laws, or the results of future regulator inquiries regarding the applicability of Foreign Laws may have on our segments, any particular subsidiary, or our consolidated financial statements.

Statutes and regulations relating to income tax return preparers, electronic filing, franchising and other areas affecting

the income tax business also exist in other countries in which we operate. In addition, the Canadian government regulates the refund-discounting program in Canada. These laws have not materially affected our international operations.

See discussion in "Risk Factors" for additional information.

MORTGAGE SERVICES

GENERAL ... Our Mortgage Services segment originates mortgage loans, services non-prime mortgage loans and sells and securitizes mortgage loans and residual interests in the U.S. Revenues primarily consist of gains from sales and securitizations of mortgage assets, accretion on residual interests and servicing fee income. Segment revenues constituted 28.2% of our consolidated revenues for fiscal year 2005 and 31.2% for 2004 and 30.8% for 2003.

We originate both non-prime and prime mortgage loans. Non-prime mortgages are those that may not be offered through government-sponsored loan agencies and typically involve borrowers with limited income documentation, high levels of consumer debt or past credit problems. Even though these borrowers have credit problems, they also tend to have equity in the property that will be used to secure the loan. Prime mortgages are those that may be offered through government sponsored loan agencies. We conduct business through four channels:

- Option One's wholesale origination channel works with independent brokers throughout the U.S. to fund non-prime mortgage loans through a national branch network. Wholesale originations represent the majority of Option One's total loan production.
- HRBMC originates residential mortgage loans directly to retail consumers through various sales channels, including 37 loan production offices, of which four are regional offices, in 26 states in fiscal year 2005.
- Option One's national accounts channel forms partnerships with financial institutions, including national and regional banks, to allow them to offer non-prime loans.
- Option One's bulk acquisitions channel specializes in the purchase of performing non-prime mortgage loan pools.

Option One is headquartered in Irvine, California and operates in 48 states by serving 42,000 mortgage broker locations and through its network of 36 wholesale loan production branches and six national accounts branches. HRBMC, a wholly-owned subsidiary of Option One, is a retail mortgage lender for prime, non-prime and government loans and is licensed to conduct business in all 50 states. HRBMC is an approved seller/servicer for Fannie Mae and Freddie Mac and is HUD authorized to originate and underwrite FHA and VA mortgage loans.

LOAN ORIGINATION ... The following table details our originations by channel for fiscal years 2005, 2004 and 2003:

(in 000s)

Year Ended April 30,	2005	2004	2003
Wholesale	**$ 21,841,783**	$ 16,828,138	$ 11,434,138
Retail	**4,023,914**	3,105,021	2,918,378
National accounts	**3,974,224**	2,642,944	1,814,092
Bulk acquisitions	**1,161,803**	679,910	411,013
	$ 31,001,724	$ 23,256,013	$ 16,577,621

Information regarding our non-prime loan originations is as follows:

(dollars in 000s)

Year Ended April 30,	2005	2004	2003
Loan type:			
2-year ARM	**61.6%**	63.4%	70.3%
3-year ARM	**4.0%**	5.2%	5.1%
Fixed 1st	**17.7%**	28.7%	23.9%
Fixed 2nd	**3.8%**	1.6%	0.7%
Interest only 1st	**12.6%**	0.7%	– %
Other	**0.3%**	0.4%	– %
Loan purpose:			
Cash-out refinance	**63.5%**	67.1%	64.9%
Purchase	**30.8%**	26.0%	26.9%
Rate or term refinance	**5.7%**	6.9%	8.2%
Loan characteristics:			
Average loan size	**$ 160**	$ 151	$ 144
Weighted-average loan-to-value	**78.9%**	78.1%	78.7%
Weighted-average FICO score	**614**	608	604

WHOLESALE. Wholesale loan originations involve an independent broker who assists the borrower in completing the loan application, which includes securing information regarding their assets, liabilities, income, credit history, employment history and personal information. We require a credit report on each applicant from an industry-recognized credit reporting company. In evaluating an applicant's credit history, we use credit bureau risk scores, generally known as a FICO score, which is a statistical ranking of likely future credit performance developed by Fair, Isaac & Company and provided by the three national credit data repositories. Qualified independent appraisers are required to appraise mortgaged properties used to secure mortgage loans. The broker then identifies a lender who offers a loan product best suited to the borrower's financial

needs. No one broker currently originates more than 0.6% of our total non-prime production.

Upon receipt of an application from a broker, a credit report and an appraisal report, one of our branch offices processes and underwrites the loan. Our underwriting guidelines require mortgage loans be underwritten in a standardized procedure that complies with federal and state laws and regulations. The guidelines are primarily intended to assess the value of the mortgaged property, evaluate the adequacy of the property as collateral for the mortgage loan, and assess the creditworthiness of the related borrower. Based upon this assessment, we advise the broker whether the loan application meets our underwriting guidelines and product description by issuing a loan approval or denial. In some cases, we issue a "conditional approval," which requires the submission of additional information or clarification. The mortgage loans are underwritten with a view toward resale in the secondary market.

RETAIL. HRBMC originates our retail mortgage loans. In fiscal year 2005, 75% of our retail originations were non-prime and 25% were prime, compared to 59% and 41%, respectively, in 2004. These loans are processed by loan officers in HRBMC offices. Approximately one-third of these offices are co-located with our retail tax offices. The co-located offices are key to working towards our mission of becoming our clients' tax and financial partner. During fiscal year 2005, approximately 35% of HRBMC's loans were made to existing H&R Block clients compared to 49% in 2004.

The application and approval process in our retail locations is similar to those described above under "Wholesale." Retail mortgage loans are originated with the intent to sell.

SALE AND SECURITIZATION OF LOANS ... Substantially all non-prime mortgage loans are sold daily to qualifying special purpose entities ("Trusts"). See discussion of our loan sale and securitization process in Item 7, under "Off-Balance Sheet Financing Arrangements."

Substantially all of our retail prime mortgage loans are sold to Countrywide Home Loans, Inc. ("Countrywide"). The majority of mortgage loans sold to Countrywide are underwritten through an automated system under which Countrywide assumes our representations and warranties, which comply with Countrywide's underwriting guidelines. This agreement allows us to achieve improved execution due to price, efficiencies in delivery, and elimination of redundancies in operations. We do not retain servicing rights related to the prime mortgage loans. HRBMC non-prime mortgage loans are sold to Option One. See discussion of our prime warehouse line in Item 7, under "Capital Resources and Liquidity by Segment."

SERVICING ... Loan servicing involves collecting and remitting mortgage loan payments, making required advances, accounting for principal and interest, holding escrow for payment of taxes and insurance and contacting delinquent borrowers. We receive loan-servicing fees monthly over the life of the mortgage loans. We only service non-prime mortgage loans. At the end of fiscal year 2005, we serviced 435,290 loans totaling $68.0 billion, compared to 324,364 loans totaling $45.3 billion at April 30, 2004 and 246,463 loans totaling $31.3 billion at April 30, 2003.

The following table summarizes our servicing portfolio by origin and includes related mortgage servicing rights ("MSRs") as of April 30, 2005 and the rate we earned on each type of servicing during fiscal year 2005:

(dollars in 000s)

Type of Servicing	Principal Balance	MSR Balance	Rate Earned
Originated	$ 47,376,295	$ 166,614	0.41%
Sub-servicing	20,450,482	–	0.22%
Purchased	167,687	–	0.51%
Total	$ 67,994,464	$ 166,614	0.36%

When non-prime loans are sold or securitized, we generally retain the right to service the loans, which results in MSR assets and liabilities being recorded on our balance sheet. Assumptions used in estimating the value of MSRs are discussed in Item 8, note 1 to our consolidated financial statements. In addition to servicing loans we originate, we also service non-prime loans originated by other lenders, designated in the above table as sub-servicing. MSRs are recorded only in conjunction with our originated or purchased loan-servicing portfolio.

GEOGRAPHIC DISTRIBUTION ... The following table details the percent of non-prime loan origination volume and our loan origination branches by state, excluding our Retail channel, for fiscal years 2005 and 2004:

	2005		2004	
State	Percent of Volume	Number of Branches	Percent of Volume	Number of Branches
California	21.8%	8	18.8%	5
New York	11.5%	2	14.4%	2
Massachusetts	8.4%	2	10.2%	1
Florida	7.2%	4	6.4%	4
New Jersey	5.3%	3	5.1%	3
Other	45.8%	23	45.1%	25

COMPETITIVE CONDITIONS ... Both the non-prime and prime sectors of the residential mortgage loan market are highly competitive. The principal methods of competition are price, service and product differentiation. There are a substantial number of companies competing in the residential loan market, including mortgage banking companies, commercial banks,

savings associations, credit unions and other financial institutions. There are also numerous companies competing in the business of servicing non-prime loans. No one firm is a dominant supplier of non-prime and prime mortgage loans or a dominant servicer of non-prime loans. *Inside B&C Lending* ranked Option One as the number seven originator, based on market share as of December 31, 2004, and the number four servicer, based on servicing volume as of December 31, 2004, of non-prime loans in the industry.

SEASONALITY OF BUSINESS ... Residential mortgage volume is not subject to significant seasonal fluctuations. The mortgage business is cyclical, however, and directly affected by national economic conditions, trends in business and finance and is impacted by changes in interest rates.

GOVERNMENT REGULATION ... Mortgage loans purchased, originated and/or serviced are subject to federal laws and regulations, including:

- The federal Truth-in-Lending Act, as amended, and Regulation Z promulgated thereunder;
- The Equal Credit Opportunity Act, as amended, and Regulation B promulgated thereunder;
- The Fair Credit Reporting Act, as amended;
- The federal Real Estate Settlement Procedures Act, as amended, and Regulation X promulgated thereunder;
- The Home Ownership Equity Protection Act ("HOEPA");
- The Soldiers' and Sailors' Civil Relief Act of 1940, as amended;
- The Home Mortgage Disclosure Act ("HMDA") and Regulation C promulgated thereunder;
- The federal Fair Housing Act;
- The Gramm-Leach-Bliley Act and regulations adopted thereunder; and
- Certain other laws and regulations.

Under environmental legislation and case law applicable in certain states, it is possible that liability for environmental hazards in respect of real property may be imposed on a holder of a deed to the property, which may impair the underlying collateral.

Applicable state laws generally regulate interest rates and other charges pertaining to non-prime loans. These states also require certain disclosures and require originators of certain mortgage loans to be licensed unless an exemption is available. In addition, most states have other laws, public policies and general principles of equity relating to consumer protection, unfair and deceptive practices, and practices that may apply to the origination, servicing and collection of mortgage loans.

In recent years, there has been a noticeable increase in state, county and municipal statutes, ordinances and regulations that prohibit or regulate so-called "predatory lending" practices. Predatory lending statutes such as HOEPA, regulate "high-cost loans," which are defined separately by each state, county or municipal statute, regulation or ordinance, but generally include mortgage loans with interest rates exceeding a (1) specified margin over the Treasury Index for a comparable maturity, or (2) designated percentage of points and fees. Statutes, ordinances and regulations that regulate high-cost loans generally prohibit mortgage lenders from engaging in certain defined practices, or require mortgage lenders to implement certain practices, in connection with any mortgage loans that fit within the definition of a high-cost loan. We do not originate loans which meet the definition of high-cost loans under any law.

Certain state laws restrict or prohibit prepayment penalties on mortgage loans, and we relied on the federal Alternative Mortgage Transactions Parity Act ("Parity Act") and related rules issued in the past by the Office of Thrift Supervision ("OTS") to preempt state limitations on prepayment penalties. In September 2003, the OTS released a new rule that reduced the scope of the Parity Act preemption effective July 1, 2004 and, as a result, we can no longer rely on the Parity Act to preempt state restrictions on prepayment penalties. The elimination of this federal preemption requires compliance with state restrictions on prepayment penalties. These restrictions prohibit us from charging any prepayment penalty in six states and restrict the amount or duration of prepayment penalties that we may impose in an additional eleven states. This places us at a competitive disadvantage relative to financial institutions that continue to enjoy federal preemption of such state restrictions. Such institutions can charge prepayment penalties without regard to state restrictions and, as a result, may be able to offer loans with interest rate and loan fee structures that are more attractive than the interest rate and loan fee structures that we are able to offer.

See discussion in "Risk Factors" for additional information.

BUSINESS SERVICES

GENERAL ... Our Business Services segment offers middle-market companies accounting, tax and consulting services. We have continued to expand the services we offer our clients by adding wealth management, retirement resources, payroll services, corporate finance and financial process outsourcing. Segment revenues constituted 13.0% of our consolidated revenues for fiscal year 2005, 11.8% for 2004 and 11.6% for 2003.

This segment consists primarily of RSM McGladrey, Inc., which provides tax, accounting, and business consulting services in

more than 90 offices in 23 states and offers services in 18 of the top 25 U.S. markets.

Services are also provided by the following wholly-owned subsidiaries:

- RSM McGladrey Retirement Resources administers retirement plans, helps clients design the best plan for their needs, and provides retirement plan investment advice, year-end compliance, tax reporting and consulting.
- RSM EquiCo, Inc. is an investment banking firm specializing in business valuations, acquisitions and divestitures for private middle-market businesses.
- RSM McGladrey Employer Services, Inc. (formerly known as "MyBenefitSource, Inc.") is a provider of payroll and benefits administration services to middle-market businesses.
- RSM McGladrey Financial Process Outsourcing, Inc. is a provider of accounting, reporting, payroll and bill paying services to distributors/franchisors and their population of retailers/franchisees.
- PDI Global, Inc. provides marketing, communications and visibility programs, tax and financial planning guides, and marketing and management consulting services to accountants, consultants, lawyers, banks, insurers, and other financial service providers.

RELATIONSHIP WITH MCGLADREY & PULLEN, LLP ... By regulation, we cannot provide audit and attest services. McGladrey & Pullen, LLP ("M&P"), a public accounting firm, provides audit and review services and other services in which M&P issues written reports on client financial statements. Through an administrative services agreement with M&P, we provide accounting, payroll, human resources and other administrative services to M&P and receive a management fee for these services. We also have a cost-sharing arrangement with M&P, whereby they reimburse us for the costs of certain items, mainly supplies and for the use of RSM owned property and equipment. M&P is a limited liability partnership with its own governing body and, accordingly, is a separate legal entity and is not an affiliate. Some partners and employees of M&P are also our employees.

SEASONALITY OF BUSINESS ... Revenues for this segment are largely seasonal in nature, with peak revenues occurring during January through April.

COMPETITIVE CONDITIONS ... The accounting, tax and consulting business is highly competitive. The principal methods of competition are price, service and reputation for quality. There are a substantial number of accounting firms offering similar services at the international, national, regional and local levels. As our focus is on middle-market businesses, our principal competition is with national and regional accounting firms. We believe we have a competitive advantage in the geographic areas in which we are currently located based on the breadth of services we can offer to these clients above and beyond what a traditional accounting firm can offer.

GOVERNMENT REGULATION ... Many of the same federal and state regulations relating to tax preparers and the information concerning tax reform discussed above in the "Government Regulation" section of "Tax Services" apply to the Business Services segment as well. However, accountants are not subject to the same prohibition on the use or disclosure of certain income tax return information as tax professionals. Accounting firms are also subject to state and federal regulations governing accountants, auditors and financial planners. Various legislative and regulatory proposals have been made relating to auditor independence and accounting oversight, among others. Some of these proposals, if adopted, could have an impact on RSM's operations. We believe current state and federal regulations and known legislative and regulatory proposals do not and will not have a material adverse effect on our operations, but we cannot predict what the effect of future legislation, regulations and proposals may be.

Independence rules established by the SEC and the Public Company Accounting Oversight Board ("PCAOB") apply to M&P as a public accounting firm. In applying its auditor independence rules, the SEC views us and M&P as a single entity and requires that we abide by its independence rules for M&P to be deemed independent of any SEC audit client. The SEC regards any financial interest or business relationship we have with a client of M&P as a financial interest or business relationship between M&P and the client for purposes of applying its auditor independence rules.

We and M&P have jointly developed and implemented policies, procedures and controls designed to safeguard M&P's independence and integrity as an audit firm in compliance with applicable regulations and professional responsibilities. These policies, procedures and controls are designed to monitor and prevent violations of applicable independence rules and include, among others, (1) informing our officers, directors and other members of management concerning auditor independence matters, (2) procedures for monitoring securities ownership, (3) communicating with SEC audit clients regarding the SEC's interpretation and application of relevant independence rules and guidelines, and (4) requiring RSM employees to comply with M&P's independence and relationship policies (including M&P's independence compliance questionnaire procedures). We believe these policies, procedures and controls are adequate, although there can be no assurances they will ensure compliance with applicable independence rules and requirements. Any

noncompliance could cause M&P to lose the ability to perform audits of financial statements filed with the SEC.

See discussion in "Risk Factors" for additional information.

INVESTMENT SERVICES

GENERAL ... Our Investment Services segment provides brokerage services and investment planning through HRBFA to our clients in the U.S. Services offered to our customers include 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. Segment revenues constituted 5.4% of our consolidated revenues for fiscal years 2005, 2004 and 2003.

HRBFA is a registered broker-dealer with the SEC and is a member of the New York Stock Exchange ("NYSE"), other national securities exchanges, Securities Investor Protection Corporation ("SIPC"), and the National Association of Securities Dealers, Inc. ("NASD"). HRBFA is also a registered investment advisor.

The integration of investment advice with our tax client base allows us to leverage an already established relationship. In the past two years, new service offerings have allowed us to shift our focus from a transaction-based client relationship to a more advice-based focus.

CUSTOMER ACTIVITY ... Customer trades in fiscal year 2005 totaled approximately 0.9 million, compared to approximately 1.0 million in 2004 and approximately 0.9 million in 2003. Average revenue per trade increased to $123.33 in fiscal year 2005, up from $119.36 in 2004 and $120.15 in 2003. We had 431,749 traditional brokerage accounts at April 30, 2005, compared to 463,736 at 2004 and 501,001 at 2003.

FINANCIAL SERVICES OFFERINGS ... We offer a full range of financial services, including financial planning, college savings products, flexible brokerage accounts with cash management features, and a comprehensive line of insurance annuity products. Clients may also open professionally managed accounts.

As previously discussed in "Tax Services," we offer our tax clients the opportunity to open an Express IRA through HRBFA as a part of the tax return preparation process. Clients opened approximately 106,500 Express IRAs during tax season 2005, approximately 145,400 in 2004 and approximately 105,400 in 2003.

We act as a dealer in fixed income markets including corporate and municipal bonds, various U.S. Government and U.S. Government Agency securities and certificates of deposit.

FINANCIAL ADVISORS ... Key to our future success is retention and recruiting productive financial advisors. One of our key initiatives in fiscal year 2005 was to build revenues through the addition of financial advisors. During fiscal years 2005 and 2004, we added 258 and 255 advisors, respectively. These additions were offset by attrition of 233 and 230 advisors, respectively. Our overall retention rate for fiscal year 2005 was approximately 77%, essentially flat with the prior year. The retention rate for our higher-producing advisors was approximately 92%, down slightly from 93% in 2004. Advisor productivity by recruitment class is as follows:

		(in 000s)
	Revenue Per Advisor	Total Production Revenues
Fiscal year 2005 ...		
Pre-2003 class	**$ 230**	**$ 121,342**
2003 recruits	**114**	**16,416**
2004 recruits	**98**	**19,941**
2005 recruits	**65**	**8,203**
Fiscal year 2004 ...		
Pre-2003 class	$ 216	$ 135,128
2003 recruits	84	17,717
2004 recruits	61	7,664

Financial advisors generally reach full productivity levels approximately 24 to 36 months after they join our company.

PARTNERING WITH TAX PROFESSIONALS ... The H&R Block Preferred Partner Program℠ facilitates strategic, referral-based partnerships between tax professionals and financial advisors. The program includes the Licensed Referral Tax Professional ("LRTP") program and, new for fiscal year 2005, a non-licensed option, which allows non-licensed tax professionals to gain additional rewards and recognition when making qualified client referrals to financial advisor partners. The LRTP program helps tax professionals become licensed to sell securities, teaming them with a financial advisor and providing a commission to the LRTP for business referred to Investment Services.

As of April 30, 2005, our Preferred Partner Program had 6,442 active tax partners, of which 686 were licensed. We had 461 licensed tax partners at the end of fiscal year 2004. As a result of this initiative, we added 18,164 new customer accounts and assets totaling $573.0 million during the current fiscal year. We will continue to increase the number of tax partners in the coming year.

INTEGRATED ONLINE SERVICES ... We have an online investment center on our website at *www.hrblock.com.* Online users have the opportunity to open accounts, obtain research, create investment plans, buy and sell securities, and view the status of their accounts.

OFFICE LOCATIONS ... HRBFA is authorized to do business as a broker-dealer in all 50 states, the District of Columbia and Puerto Rico. At the end of fiscal year 2005, we operated 257 branch offices, compared to approximately 358 offices in 2004 and 600 in 2003. The reduced number of branch offices is primarily due to the evolution of our tax-partnering program, which now locates financial advisors in retail tax offices. At April 30, 2005, we had 94 offices co-located with retail tax and mortgage offices. We believe the existence of these locations contributes to our growth and client satisfaction.

COMPETITIVE CONDITIONS ... HRBFA competes directly with a broad range of companies seeking to attract consumer financial assets, including full-service brokerage firms, discount and online brokerage firms, mutual fund companies, investment banking firms, commercial and savings banks, insurance companies and others. The financial services industry has become considerably more concentrated as numerous securities firms have been acquired by or merged into other firms. Some of these competitors have greater financial resources than HRBFA and offer additional financial services. In addition, we expect competition from domestic and international commercial banks and larger securities firms to continue to increase as a result of legislative and regulatory initiatives in the U.S., including the passage of the Gramm-Leach-Bliley Act in November 1999 and the implementation of the U.S.A. Patriot Act in April 2002. These initiatives strive to remove or relieve certain restrictions on mergers between commercial banks and other types of financial services providers and extend privacy provisions and anti-money laundering procedures across the financial services industry.

Discount brokerage firms and online-only financial services providers compete vigorously with HRBFA with respect to commission charges. Some full-commission brokerage firms also offer greater product breadth, discounted commissions and more robust online services to selected retail brokerage customers. Additionally, some competitors in both the full-commission and discount brokerage industries have substantially increased their spending on advertising and direct solicitation of customers.

Competition in the online trading business has become similarly intense as recent expansion and customer acceptance of conducting financial transactions online has attracted new brokerage firms to the market.

We compete based on quality of service, breadth of services offered, prices, accessibility through delivery channels, technological innovation and expertise and integration with our tax services relationships.

SEASONALITY OF BUSINESS ... The Investment Services segment does not, as a whole, experience significant seasonal fluctuations. The securities business is cyclical, however, and directly affected by national and global economic and political conditions, trends in business and finance and changes in the conditions of the securities markets in which our clients invest.

GOVERNMENT REGULATION ... The securities industry is subject to extensive regulation covering all aspects of the securities business, including registration of our offices and personnel, sales methods, the acceptance and execution of customer orders, the handling of customer funds and securities, trading practices, capital structure, record keeping policies and practices, margin lending, execution and settlement of transactions, the conduct of directors, officers and employees, and the supervision of employees. The various governmental authorities and industry self-regulatory organizations that have supervisory and regulatory jurisdiction over us generally have broad enforcement powers to censure, fine, issue cease-and-desist orders or suspend or expel a broker-dealer or any of its officers or employees who violate applicable laws or regulations.

The SEC is the federal agency responsible for the administration of the federal securities laws. The SEC has delegated much of the regulation of broker-dealers to self-regulatory organizations, principally the NASD, Inc., Municipal Securities Rulemaking Board and the NYSE, which has been designated as HRBFA's primary regulator. These self-regulatory organizations adopt rules, subject to SEC approval, governing the industry and conduct periodic examinations of HRBFA's brokerage operations and clearing activities. Securities firms are also subject to regulation by state securities administrators in states in which they conduct business.

As a registered broker-dealer, HRBFA is subject to the Net Capital Rule (Rule 15c3-1) promulgated by the SEC and adopted through incorporation by reference in NYSE Rule 325. The Rule, which specifies minimum net capital requirements for registered brokers and dealers, is designed to measure the financial soundness and liquidity of a broker-dealer and requires at least a minimum portion of its assets be kept in liquid form. Additional discussion of this requirement and HRBFA's calculation of net capital is located in Item 7, under "Capital Resources and Liquidity by Segment."

See discussion in "Risk Factors" for additional information.

SERVICE MARKS, TRADEMARKS AND PATENTS ...

We have made a practice of selling our services and products under service marks and trademarks and of obtaining protection for these by all available means. Our service marks and trademarks are protected by registration in the U.S. and other countries where our services and products are marketed. We consider these service marks and trademarks, in the aggregate, to be of material importance to our business, particularly our business segments providing services and products under the "H&R Block" brand.

We have no registered patents that are material to our business.

EMPLOYEES ...

We have approximately 13,400 regular full-time employees. The highest number of persons we employed during the fiscal year ended April 30, 2005, including seasonal employees, was approximately 133,800.

RISK FACTORS ...

In this report, and from time to time throughout the year, we share our expectations for the Company's future performance. The following explains the critical risk factors impacting our business and reasons actual results may differ from our expectations. This discussion does not intend to be a comprehensive list and there may be other risks and factors that may have an effect on our business.

LIQUIDITY AND CAPITAL ... We use capital primarily to fund working capital requirements, pay dividends, repurchase shares of our common stock and acquire businesses. We are dependent on the use of our off-balance sheet arrangements to fund our daily non-prime originations and the secondary market to securitize and sell mortgage loans and residual interests. See Item 7, under "Off-Balance Sheet Financing Arrangements." We are also dependent on commercial paper issuances and/or bank lines to fund RAL participations and seasonal working capital needs. A disruption in such markets could adversely affect our access to these funds. To meet our future financing needs, we may issue additional debt or equity securities.

LITIGATION ... We are involved in lawsuits in the normal course of our business related to RALs, our Peace of Mind guarantee program, electronic filing of tax returns, Express IRAs, losses incurred by customers in their investment accounts, mortgage lending activities and other matters. Adverse outcomes related to litigation could result in substantial damages and could adversely affect our results of operations. Negative public opinion can also result from our actual or alleged conduct in such claims, possibly damaging our reputation and adversely affecting the market price of our stock. See Item 3, "Legal Proceedings" for additional information.

PRIVACY OF CLIENT INFORMATION ... We manage highly sensitive client information in all of our operating segments, which is regulated by law. Problems with the safeguarding and proper use of this information could result in regulatory actions and negative publicity, which could adversely affect our reputation and results of operations.

INTERNAL CONTROL CERTIFICATION ... We have documented and tested our internal control procedures in accordance with various SEC rules governing Section 404 of the Sarbanes-Oxley Act ("SOX 404"). SOX 404 requires us to assess the effectiveness of our internal controls over financial reporting annually, and obtain an opinion on these controls from our Independent Registered Public Accounting Firm. We may encounter problems or delays in completing the review and evaluation, the implementation of improvements and the receipt of a positive attestation, or any attestation at all, by our independent auditors. Additionally, management's assessment of our internal controls over financial reporting may identify deficiencies that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. As a part of Management's assessment of our internal controls over financial reporting as of April 30, 2005, a material weakness was identified in the Company's accounting for income taxes. The material weakness in internal controls resulted from insufficient resources in the corporate tax function to accurately identify, evaluate and report, in a timely manner, non-routine and complex transactions. The Company also determined that it had not completed the requisite historical analysis and related reconciliations to ensure tax balances were appropriately stated prior to the completion of the Company's internal control activities. These deficiencies resulted in errors in the Company's accounting for income taxes. These errors were corrected prior to issuance of the consolidated financial statements as of and for the year ended April 30, 2005. As a result, KPMG has issued an adverse opinion with respect to our internal controls over financial reporting and their report is included in Item 8. Should we, or our independent auditors, determine in future periods that we have additional material weaknesses in our internal controls over financial reporting, our results of

operations or financial condition may be adversely affected and the price of our common stock may decline.

OPERATIONAL RISK ... There is a risk of loss resulting from inadequate or failed processes or systems, theft or fraud. These can occur in many forms including, among others, errors, business interruptions, inappropriate behavior of or misconduct by our employees or those contracted to perform services for us, and vendors that do not perform in accordance with their contractual agreements. These events can potentially result in financial losses or other damages. We rely on internal and external information and technological systems to manage our operations and are exposed to risk of loss resulting from breaches in the security, or other failures of these systems. Replacement of our major operational systems could have a significant impact on our ability to conduct our core business operations and increase our risk of loss resulting from disruptions of normal operating processes and procedures that may occur during the implementation of new information and transaction systems.

TAX SERVICES

COMPETITIVE POSITION ... Increased competition for tax preparation clients in our retail offices, online and software channels could adversely affect our current market share and limit our ability to grow our client base. See clients served statistics included in Item 7, under "Tax Services."

REFUND ANTICIPATION LOANS ... Changes in government regulation related to RALs could adversely affect our ability to offer RALs or our ability to purchase participation interests. Changes in IRS practices could adversely affect our ability to use the IRS debt indicator to limit our bad debt exposure. Changes in any of these, as well as possible litigation related to RALs, may adversely affect our results of operations. See discussion of RAL litigation in Item 3, "Legal Proceedings."

MORTGAGE SERVICES

COMPETITIVE POSITION ... The majority of our mortgage loan applications are submitted through a network of brokers who have relationships with many other mortgage lenders. Unfavorable changes in our pricing, service or other factors could result in a decline in our mortgage origination volume. A decline in our servicer ratings could adversely affect our pricing and origination volume. Increased competition among mortgage lenders can also result in a decline in coupon rates offered to our borrowers, which in turn lowers margins and could adversely affect our gains on sales of mortgage loans.

MARKET 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. See Item 7A, under "Mortgage Services," for discussion of interest rate risk, and Item 7, under "Critical Accounting Policies," for discussion of our valuation methodology.

LEGISLATION AND REGULATION ... Several states and cities are considering or have passed laws, regulations or ordinances aimed at curbing predatory lending and servicing practices. The federal government is also considering legislative and regulatory proposals in this regard. In general, these proposals involve lowering the existing federal HOEPA thresholds for defining a "high-cost" loan and establishing enhanced protections and remedies for borrowers who receive such loans. If unfavorable laws and regulations are passed, it could restrict our ability to originate loans. If rating agencies refuse to rate our loans, loan buyers may not want to purchase loans labeled as "high-cost," and it could restrict our ability to sell our loans in the secondary market. Accordingly, all of these items could adversely affect our results of operations.

In 2002, the Federal Reserve Board adopted changes to Regulation C promulgated under the HMDA. Among other things, the new regulations require lenders to report pricing data on loans with annual percentage rates that exceed the yield on treasury bills with comparable maturities by 3%. The expanded reporting takes effect in 2004 for reports filed in 2005. We anticipate that a majority of our loans would be subject to the expanded reporting requirements. The expanded reporting does not provide for additional loan information such as credit risk, debt-to-income ratio, loan-to-value ratio, documentation level or other salient loan features. However, reported information may lead to increased litigation as the information could be misinterpreted by third parties and could adversely affect our results of operations.

COUNTERPARTY CREDIT RISK ... Derivative instruments involve counterparty credit risk, which is the risk that a counterparty may fail to perform on its contractual obligations. We manage this risk through the use of a policy that includes credit standard guidelines, counterparty diversification, monitoring of counterparty financial condition, use of master netting agreements with counterparties, and exposure limits based on counterparty credit, exposure amount and management risk tolerance. The policy is reviewed on an annual basis and as conditions warrant. See Item 7A, under "Mortgage Services," and Item 8, note 9 to our consolidated financial statements for discussion of our derivative instruments.

REAL ESTATE MARKET ... Our residual interests and beneficial interest in Trusts are secured by mortgage loans, which are in turn secured by residential real estate. Any material decline in real estate values would likely result in higher delinquencies, defaults and foreclosures. Additionally, a significant portion of the mortgage loans we originate or service is secured by properties in California. A decline in the economy or the residential real estate market values, or the occurrence of a natural disaster not covered by standard homeowners' insurance policies, such as an earthquake, hurricane or wildfire, could decrease the value of mortgaged properties in California. Any sustained period of increased delinquencies, foreclosures or losses could harm our ability to originate and sell loans, the prices we receive on our loans, or the values of our mortgage servicing rights and residual interests in securitizations, which could adversely affect our financial condition and results of operations.

BUSINESS SERVICES

ALTERNATIVE PRACTICE STRUCTURE WITH M&P ... Our relationship with M&P requires us to comply with applicable auditor independence rules and requirements. In addition, our relationship with M&P closely links our RSM McGladrey brand with M&P. If M&P were to encounter problems concerning its independence as a result of its relationship with us or if significant litigation arose concerning M&P or its services, our brand reputation and our ability to realize the mutual benefits of our relationship, such as the ability to attract and retain quality professionals, could be impaired.

INVESTMENT SERVICES

REGULATORY ENVIRONMENT ... The broker-dealer industry has recently come under increased scrutiny by federal and state regulators and self-regulatory agencies and, as a result, more focus has been placed on compliance issues. If we do not comply with these regulations, it could result in regulatory actions and negative publicity, which could adversely affect our results of operations and our ability to recruit and retain qualified advisors. Negative public opinion about our industry could damage our reputation even if we are in compliance with such regulations.

INTEGRATION INTO THE H&R BLOCK BRAND ... We are working to foster an advice-based relationship with our tax clients through our retail tax office network. This advice-based relationship is key to the integration of Investment Services into the H&R Block brand and deepening our current client relationships. If we are unable to successfully integrate, it may significantly impact our ability to differentiate our business from other tax providers and grow our client base.

RECRUITING AND RETENTION OF FINANCIAL ADVISORS ... Attracting and retaining experienced financial advisors is extremely competitive in the investment industry. Additionally, in this industry, clients tend to follow their advisors, regardless of their affiliated investment firm. The inability to recruit and retain qualified and productive advisors, may adversely affect our results of operations.

RECURRING OPERATING LOSSES ... Continuing operating losses in our Investment Services segment may impact the valuation of goodwill and intangible assets. Such losses could also necessitate additional capital contributions to comply with regulatory requirements. The inability to operate this segment in a profitable manner may adversely affect our results of operations.

AVAILABILITY OF REPORTS AND OTHER INFORMATION ...

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed with or furnished to the SEC are available, free of charge, through our website at *www.hrblock.com* as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC.

Copies of the following corporate governance documents are posted on our website: (1) The Amended and Restated Articles of Incorporation of H&R Block, Inc., (2) The Amended and Restated Bylaws of H&R Block, Inc., (3) The H&R Block, Inc. Corporate Governance Guidelines, (4) the H&R Block, Inc. Code of Business Ethics and Conduct, (5) the H&R Block, Inc. Audit Committee Charter, (6) the H&R Block, Inc. Governance and Nominating Committee Charter, and (7) the H&R Block, Inc. Compensation Committee Charter. If you would like a printed copy of any of these corporate governance documents, please send your request to the Office of the Secretary, H&R Block, Inc., 4400 Main Street, Kansas City, Missouri 64111.

Information contained on our website does not constitute any part of this report.

ITEM 2. PROPERTIES

We own our corporate headquarters, which are located in Kansas City, Missouri. We have leased additional office space for corporate, Tax Services and Investment Services personnel, as necessary, in Kansas City, Missouri.

Most of our tax offices, except those in shared locations, are operated under leases throughout the U.S. Our Canadian executive offices are located in a leased office in Calgary, Alberta. Our Canadian tax offices are operated under leases throughout Canada.

Option One's executive offices are located in leased offices in Irvine, California. HRBMC is headquartered in leased offices in Lake Forest, California. Option One and HRBMC also lease offices for their loan origination and servicing centers and branch office operations throughout the U.S.

The executive offices of HRBFA are located in leased offices in Detroit, Michigan. Branch offices are operated throughout the U.S., in a combination of leased and owned facilities.

RSM's executive offices are located in leased offices in Bloomington, Minnesota. Its administrative offices are located in leased offices in Davenport, Iowa. RSM also leases office space throughout the U.S.

We began construction of new corporate headquarters during fiscal year 2005, which will allow us to consolidate the majority of our Kansas City-based personnel into one facility. The new building will be located in downtown Kansas City, Missouri and we expect it to be completed in fiscal year 2007.

All current leased and owned facilities are in good repair and adequate to meet our needs.

ITEM 3. LEGAL PROCEEDINGS

The information below should be read in conjunction with the information included in Item 8, note 18 to our consolidated financial statements.

RAL LITIGATION ... We have been named as a defendant in numerous lawsuits throughout the country regarding our refund anticipation loan programs (collectively, "RAL Cases"). Plaintiffs in the RAL Cases have alleged, among other things, that disclosures in the RAL applications were inadequate, misleading and untimely; that the RAL interest rates were usurious and unconscionable; that we did not disclose that we would receive part of the finance charges paid by the customer for such loans; breach of state laws on credit service organizations; breach of contract; unjust enrichment; unfair and deceptive acts or practices; violations of the Racketeer Influenced and Corrupt Organizations Act; violations of the Fair Debt Collection Practices Act; and that we owe, and breached, a fiduciary duty to our customers in connection with the RAL program. In many of the RAL Cases, the plaintiffs seek to proceed on behalf of a class of similarly situated RAL customers, and in certain instances the courts have allowed the cases to proceed as class actions. In other cases, courts have held that plaintiffs must pursue their claims on an individual basis, and may not proceed as a class action. The amounts claimed in the RAL Cases have been very substantial in some instances.

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

We believe we have meritorious defenses to the RAL Cases and we intend to defend the remaining RAL Cases vigorously. There can be no assurances, however, as to the outcome of the pending RAL Cases individually or in the aggregate. Likewise, there can be no assurances regarding the impact of the RAL Cases on our financial statements. We have accrued our best estimate of the probable loss related to the RAL Cases. The following is updated information regarding the pending RAL Cases that are class actions or putative class actions:

Lynne A. Carnegie, et al. v. Household International, Inc., H&R Block, Inc., et al., (formerly Joel E. Zawikowski, et al. v. Beneficial National Bank, H&R Block, Inc., Block Financial Corporation, et al.) Case No. 98 C 2178, United States District Court for the Northern District of Illinois, Eastern Division, instituted on April 18, 1998. In March 2004, the court either dismissed or decertified all of the plaintiffs' claims other than part of one count alleging violations of the racketeering and conspiracy provisions of the Racketeer Influenced and Corrupt Organizations Act. On May 9, 2005, the parties agreed to a settlement, subject to court approval. The settlement agreement provided for (i) the defendants to pay $110 million in cash and $250 million face value in freely transferable rebate coupons and (ii) all persons who applied for and obtained a RAL through an H&R Block office or certain lenders from January 1, 1987 through April 29, 2005 (the "Carnegie Settlement Class") to release all claims against us regarding RALs or certain services provided in

connection with RALs. The settlement agreement also specified required business practices, procedures, disclosures and forms for use in making RALs and barred members of the Carnegie Settlement Class from commencing any other claims or actions against us regarding RALs made pursuant to such practices, procedures, disclosures and forms (the "Forward Looking Protections"). In negotiating the settlement, we ascribed significant value to the Forward-Looking Protections and the expanded class of plaintiffs to be covered by the settlement in determining the amount of consideration we were willing to pay in settling the case. On May 26, 2005, the court denied approval of the proposed settlement. As discussed in our Form 8-K dated May 9, 2005, we initially recorded litigation reserves of approximately $38.0 million, after taxes, based on the May 9, 2005 proposed settlement. As a result of the May 26, 2005 court ruling to deny the settlement, we reversed our legal reserves to amounts representing our assessment of our probable loss. This class action case is scheduled to go to trial on October 17, 2005. We intend to continue defending the case vigorously, but there are no assurances as to its outcome.

Sandra J. Basile, et al. v. H&R Block, Inc., et al, April Term 1992 Civil Action No. 3246 in the Court of Common Pleas, First Judicial District of Pennsylvania, Philadelphia County, instituted on April 23, 1993. The court decertified the class on December 31, 2003. Plaintiffs appealed the decertification, and the Pennsylvania appellate court denied the plaintiff's appeal. The Pennsylvania appellate court subsequently granted plaintiff's motion for *en banc* review of its earlier denial of plaintiff's appeal. Re-argument is expected to occur in September 2005.

Levon and Geral Mitchell, et al. v. H&R Block and Ruth R. Wren, Case No.CV-95-2067, in the Circuit Court of Mobile County, Alabama, instituted on June 13, 1995. Plaintiffs' motion for class certification was granted, and defendants appealed the certification. The appeal is pending before the Alabama Supreme Court.

Deandra D. Cummins, et al. v. H&R Block, Inc., et al., Case No. 03-C-134 in the Circuit Court of Kanawha County, West Virginia, instituted on January 22, 2003. This class action case is scheduled to go to trial on October 17, 2005.

Lynn Becker v. H&R Block, Case No. CV-2004-03-1680 in the Court of Common Pleas, Summit County, Ohio, instituted on April 15, 2004. The case was removed to federal court, and plaintiffs moved to remand the case back to state court. The case currently is stayed pending the U.S. District Court's ruling on plaintiff's motion to remand and defendant's motion to compel arbitration.

Joyce Green, et al. v. H&R Block, Inc., Block Financial Corporation, et al., Case No. 97195023, in the Circuit Court for Baltimore City, Maryland, instituted on July 14, 1997. This case is awaiting trial. No trial date has been set.

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, 2003, 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 Peace of Mind guarantee. This case is being tried before the same judge that presided over the Texas RAL Settlement and involves the same plaintiffs attorneys that are involved in the Marshall litigation in Illinois and substantially similar allegations. No class has been certified in this case.

We believe the claims in the POM action 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.

OTHER CLAIMS AND LITIGATION ... As reported in a current report on Form 8-K dated November 8, 2004, the NASD brought charges against HRBFA regarding the sale by HRBFA of

Enron debentures in 2001. A hearing for this matter is scheduled for May 2006. Two private civil actions subsequently were filed against HRBFA concerning the matter raised in the NASD's charges. Both of these private actions subsequently were dismissed without prejudice, although one of the actions has since been refiled. 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 clients utilized during fiscal years 2000 through 2003. Specifically, the IRS is examining these strategies to determine whether RSM complied with tax shelter registration and listing regulations and whether such strategies were appropriate. If the IRS were to determine that these strategies were inappropriate, clients that utilized the strategies could face penalties and interest for underpayment of taxes. Some of these clients are seeking, or may attempt to seek, recovery from RSM. While there can be no assurance regarding the outcome of this matter, we do not believe its resolution will have a material adverse effect on our operations or consolidated financial statements.

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

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

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

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 2005. Information regarding executive officers is contained in Item 10 of this report.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

H&R Block's common stock is traded principally on the NYSE and is also traded on the Pacific Exchange. The information called for by this item with respect to H&R Block's common stock appears in Item 8, note 21 to our consolidated financial statements. The remaining information called for by this item relating to "Securities Authorized for Issuance under Equity Compensation Plans" is reported in Item 8, note 13 to our consolidated financial statements. On July 5, 2005, there were 30,909 shareholders of record and the closing stock price on the NYSE was $58.73 per share.

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

	Total Number of Shares Purchased(2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	(shares in 000s) Maximum Number of Shares that May Be Purchased Under the Plans or Programs(1)
February 1 – February 28	**1**	**$ 50.82**	**–**	**15,104**
March 1 – March 31	**2**	**$ 51.87**	**–**	**15,104**
April 1 – April 30	**1**	**$ 50.70**	**–**	**15,104**

(1) On June 11, 2003, our Board of Directors approved the repurchase of 20 million shares of H&R Block common stock. This authorization has no expiration date. On June 9, 2004, our Board of Directors approved the additional repurchase of 15 million shares of H&R Block common stock. This authorization has no expiration date.

(2) The total number of shares purchased were purchased in connection with funding employee income tax withholding obligations arising upon the exercise of stock options or the lapse of restrictions on restricted shares.

ITEM 6. SELECTED FINANCIAL DATA

We derived the selected historical consolidated financial data presented below as of and for each of the five years in the period ended April 30, 2005 from our consolidated financial statements. The data for the periods prior to fiscal year 2005 has been restated to reflect corrections to gain on sale accounting, incentive compensation accruals, lease accounting, capitalization of certain branch office costs, acquisition accounting and income taxes as more fully described in Item 8, note 2 to our consolidated financial statements. The data set forth below should be read in conjunction with Item 7 and our consolidated financial statements.

The impact of the restatement on fiscal year 2002 resulted in an increase in net income of $6.9 million, or $.04 per basic and diluted share, and a decrease of $9.5 million in total assets. The impact on fiscal year 2001 resulted in an increase in net income of $1.5 million, or $.01 per basic and diluted share, and an increase of $4.9 million in total assets.

(in 000s, except per share amounts)

April 30,	**2005**	Restated 2004	Restated 2003	Restated 2002	Restated 2001
Revenues	**$ 4,420,019**	$ 4,247,880	$ 3,731,126	$ 3,311,943	$ 2,982,157
Net income before change in accounting principle	**635,857**	715,608	477,615	441,287	278,211
Net income	**635,857**	709,249	477,615	441,287	282,625
Basic earnings per share:					
Net income before change in accounting principle	**$ 3.83**	$ 4.04	$ 2.66	$ 2.41	$ 1.51
Net income	**3.83**	4.01	2.66	2.41	1.54
Diluted earnings per share:					
Net income before change in accounting principle	**$ 3.77**	$ 3.96	$ 2.59	$ 2.34	$ 1.50
Net income	**3.77**	3.92	2.59	2.34	1.53
Total assets	**$ 5,539,283**	$ 5,232,732	$ 4,666,502	$ 4,396,731	$ 4,170,980
Long-term debt	**923,073**	545,811	822,302	868,387	870,974
Dividends per share	**$ .86**	$ .78	$ .70	$ .63	$ .59

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations reflects the restatement of previously issued financial statements, as discussed in Item 8, note 2 to our consolidated financial statements.

We are a diversified company with subsidiaries delivering tax, investment, mortgage and business services and products. We are the only major company offering a full range of software, online and in-office tax preparation solutions, combined with personalized financial advice concerning retirement savings, home ownership and other opportunities to help clients build a better financial future.

Our key strategic priorities can be summarized as follows:

- Tax Services – continue expanding our office network, improve our client service and satisfaction scores, focus on

advice that supports client growth and increased brand loyalty.

- Mortgage Services – continue growing origination volumes while lowering our cost of origination, distinguish our service quality, minimize risk and volatility in performance and optimize value from secondary markets.
- Business Services – continue expansion of our national accounting, tax and consulting business, add extended services to middle-market companies and enhance our client service culture.
- Investment Services – work to align the segment's cost structure with its revenues, attract and retain productive advisors, serve the broad consumer market through advisory relationships and integrate the Tax Services client base into this segment.

OVERVIEW ...

A summary of our fiscal year 2005 results is as follows:

- Revenues grew 4.1% over the prior year, primarily due to our Tax Services and Business Services segments, with this growth somewhat offset by a revenue decline at our Mortgage Services segment.
- Diluted earnings per share declined 3.8% from fiscal year 2004 to $3.77, primarily due to lower profitability in our Mortgage Services segment. Current year results included a non-operating gain of $0.06 per diluted share for legal recoveries.
- Tax Services fell short of its target client levels, although increases in our pricing and the complexity of returns prepared allowed the segment's revenue growth to continue. Segment revenues increased 7.6% over the prior year and segment pretax income increased $25.0 million, or 3.9%.
- Mortgage Services' origination volumes of $31.0 billion were at record levels, but margin compression drove gains on sales of mortgage assets to decline 10.5% to $822.1 million.
- Business Services revenues and pretax income increased 14.8% and 54.7%, respectively, over the prior year. The increase was primarily due to higher demand for traditional accounting, tax and consulting services.
- Investment Services reported a pretax loss of $75.4 million compared to $75.6 million in the prior year. Operating results for the fourth quarter of fiscal year 2005 showed marked improvement, which we hope will continue into the fiscal year 2006.

Consolidated Results of Operations (in 000s, except per share amounts)

Year ended April 30,	2005	Restated 2004	Restated 2003
REVENUES ...			
Tax Services	**$ 2,358,293**	$ 2,191,177	$ 1,946,763
Mortgage Services	**1,246,018**	1,323,709	1,150,080
Business Services	**573,316**	499,210	434,140
Investment Services	**239,244**	229,470	200,794
Corporate	**3,148**	4,314	(651)
	$ 4,420,019	$ 4,247,880	$ 3,731,126
PRETAX INCOME (LOSS) ...			
Tax Services	**$ 663,518**	$ 638,493	$ 556,703
Mortgage Services	**496,093**	688,523	656,324
Business Services	**29,871**	19,312	(16,033)
Investment Services	**(75,370)**	(75,614)	(219,421)
Corporate	**(96,397)**	(107,739)	(122,009)
	1,017,715	1,162,975	855,564
Income taxes	**381,858**	447,367	377,949
Net income before change in accounting principle	**635,857**	715,608	477,615
Cumulative effect of change in accounting principle	**–**	(6,359)	–
Net income	**$ 635,857**	$ 709,249	$ 477,615
Basic earnings per share	**$ 3.83**	$ 4.01	$ 2.66
Diluted earnings per share	**3.77**	3.92	2.59

CRITICAL ACCOUNTING POLICIES ...

We consider the policies discussed below to be critical to securing an understanding of our financial statements, as they require the use of significant judgment and estimation in order to measure, at a specific point in time, matters that are inherently uncertain. Specific risks for these critical accounting policies are described in the following paragraphs. For all of these policies, we caution that future events rarely develop precisely as forecasted, and estimates routinely require adjustment and may require material adjustment.

REVENUE RECOGNITION ... We have many different revenue sources, each governed by specific revenue recognition policies. Our revenue recognition policies can be found in Item 8, note 1 to our consolidated financial statements. Additional discussion of our recognition of gains on sales of mortgage assets follows.

GAINS ON SALES OF MORTGAGE ASSETS ... We sell substantially all of the non-prime mortgage loans we originate to the Trusts, which are qualifying special purpose entities ("QSPEs"), with servicing rights generally retained. Prime mortgage loans are sold in whole loan sales, servicing released, to third-party buyers. Gains on sales of mortgage assets are recognized when control of the assets is surrendered (when loans

are sold to Trusts) and are based on the difference between cash proceeds and the allocated cost of the assets sold.

We determine the allocated cost of assets sold based on the relative fair values of cash proceeds, MSRs and the beneficial interest in Trusts, which represents the ultimate expected outcome from the Trusts' disposition of the loans. The relative fair value of the MSRs and the beneficial interest in Trust is determined using discounted cash flow models, which require various management assumptions, limited by the ultimate expected outcome from the disposition of the loans by the Trusts (see discussion below in "Valuation of Residual Interests" and "Valuation of Mortgage Servicing Rights"). The following is an example of a hypothetical gain on sale calculation:

		(in 000s)
Acquisition cost of underlying mortgage loans	$	1,000,000
Fair values:		
Net proceeds	$	990,000
Beneficial interest in Trusts		20,000
MSRs		9,000
	$	1,019,000
Computation of gain on sale:		
Net proceeds	$	990,000
Less allocated cost ($990,000/$1,019,000 × $1,000,000)		971,541
Recorded gain on sale	$	18,459
Recorded beneficial interest in Trusts ($20,000/$1,019,000 × $1,000,000)	$	19,627
Recorded value of MSRs ($9,000/$1,019,000 × $1,000,000)	$	8,832

Variations in the assumptions we use affect the estimated fair values, which would affect the reported gains on sales. Gains on sales of mortgage loans totaled $772.1 million, $915.6 million and $792.1 million for fiscal years 2005, 2004 and 2003, respectively. See discussion in "Off-Balance Sheet Financing Arrangements" related to the disposition of the loans by the Trusts and subsequent securitization by the Company.

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 losses, prepayment speeds, discount rates and interest rates based on historical experience and third-party market sources. Variations in our assumptions could materially affect the estimated fair values, which may require us to record impairments or unrealized gains. In addition, variations will also affect the amount of residual interest accretion recorded on a monthly basis. Residual interests valued at $205.9 million and $211.0 million were recorded as of April 30, 2005 and 2004, respectively. We recorded $95.9 million in net write-ups in other comprehensive income and $12.2 million in impairments in the income statement related to our residual interests during fiscal year 2005 as actual performance differed from our assumptions. See Item 8, note 1 to our consolidated financial statements for our methodology used in valuing residual interests. See Item 8, note 6 to our consolidated financial statements for current assumptions and a sensitivity analysis of those assumptions. See Item 7A for sensitivity analysis related to interest rates.

VALUATION OF MORTGAGE SERVICING RIGHTS ... MSRs are carried at the lower of cost or fair value. We use discounted cash flow models to determine the estimated fair values of our MSRs. Fair values take into account the historical prepayment activity of the related loans and our estimates of the remaining future cash flows to be generated through servicing the underlying mortgage loans. Variations in our assumptions could materially affect the estimated fair values, which may require us to record impairments.

Prepayment speeds are somewhat correlated with the movement of market interest rates. As market interest rates decline there is a corresponding increase in actual and expected borrower prepayments as customers refinance existing mortgages under more favorable interest rate terms. This in turn reduces the anticipated cash flows associated with servicing resulting in a reduction, or impairment, to the fair value of the capitalized MSR. Prepayment rates are estimated based on historical experience and third-party market sources. Many non-prime loans have a prepayment penalty in place for the first two to three years, which has the effect of making prepayment speeds more predictable, regardless of market interest rate movements. If actual prepayment rates prove to be higher than the estimate made by management, impairment of the MSRs could occur.

MSRs valued at $166.6 million and $113.8 million were recorded as of April 30, 2005 and 2004, respectively. See Item 8, note 1 to our consolidated financial statements for our methodology used in stratifying and valuing MSRs. See Item 8, note 6 to our consolidated financial statements for current assumptions and a sensitivity analysis of those assumptions.

VALUATION OF GOODWILL ... Our goodwill impairment analysis is based on a discounted cash flow approach and market comparables, when available. This analysis, at the reporting unit level, requires significant management judgment with respect to revenue and expense growth rates, changes in working capital, and the selection and application of an appropriate discount rate. Changes in the projections or assumptions could materially affect fair values. The use of different assumptions would increase or decrease estimated discounted future operating cash flows and could increase or decrease any impairment charge.

Our goodwill balance was $1.0 billion as of April 30, 2005 and $993.5 million as of April 30, 2004. No goodwill impairments were identified during fiscal years 2005 or 2004. In fiscal year 2003, a

goodwill impairment charge of $108.8 million was recorded in the Investment Services segment due to unsettled market conditions. Also during 2003, our annual impairment test resulted in an impairment of $13.5 million for a reporting unit within the Business Services segment. No other impairments were identified.

LITIGATION ... Our policy is to routinely assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the reserves required, if any, for these contingencies is made after thoughtful analysis of each known issue and an analysis of historical experience in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," and related pronouncements. Therefore, we have recorded reserves related to certain legal matters for which it is probable that a loss has been incurred and the range of such loss can be estimated. With respect to other matters, we have concluded that a loss is only reasonably possible or remote and, therefore, no liability is recorded.

STOCK-BASED COMPENSATION ... Stock-based compensation expense is determined based on the grant-date fair value and the number of equity instruments that vest. We use the Black-Scholes model to calculate the fair value for stock options and employee stock purchase plan ("ESPP") shares using the following assumptions: stock volatility, expected life, risk-free interest rate and dividend yield. The fair value of restricted shares is the stock price on the date of the grant. We also estimate, based on historical data, the percent of equity instruments expected to vest. Variations in the assumptions used to calculate fair value could either positively or negatively affect the recorded expense. Variations between actual performance and the estimate of vesting could result in timing adjustments recorded at the end of the vesting period. Additionally, changes in accounting rules related to stock-based compensation could result in changes to our assumptions of fair value and expense recognition.

We began expensing all stock-based compensation awards under the prospective transition method beginning on May 1, 2003. Therefore, our income statements do not fully reflect the expense related to all of our stock options and restricted shares outstanding. We recorded $44.1 million, $25.7 million and $2.1 million in stock-based compensation expense during fiscal years 2005, 2004 and 2003, respectively.

INCOME TAXES ... We calculate our current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the applicable calendar year. Adjustments based on filed returns are recorded when identified. We file a consolidated federal tax return on a calendar year basis, generally in the second fiscal quarter of the subsequent year.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered taxable income in carry-back periods, historical and forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate, and tax planning strategies in determining the need for a valuation allowance against our deferred tax assets. In the event we were to determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period in which we make such determination. Likewise, if we later determine that it is more likely than not that the deferred tax assets would be realized, we would reverse the applicable portion of the previously provided valuation allowance.

The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which may result in proposed assessments. Our estimate for the potential outcome for any uncertain tax issue is highly judgmental. We believe we have adequately provided for any reasonably foreseeable outcome related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved or when statutes of limitation on potential assessments expire. As a result, our effective tax rate may fluctuate on a quarterly basis. As discussed in Item 9A, "Controls and Procedures," we reported a material weakness in our internal controls over accounting for income taxes as of April 30, 2005.

OTHER SIGNIFICANT ACCOUNTING POLICIES ... Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. These policies require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance. Certain of these matters are among topics currently under reexamination by accounting standard setters and regulators. Although no specific conclusions reached by these standard setters appear likely to cause a material change in our accounting policies, outcomes cannot be predicted with confidence. Also see Item 8, note 1 to our consolidated financial statements, which discusses accounting policies we have selected when there are acceptable alternatives.

RESULTS OF OPERATIONS ...

Our business is divided into four reportable segments: Tax Services, Mortgage Services, Business Services and Investment Services.

TAX SERVICES

This segment primarily consists of our income tax preparation businesses – retail, online and software. The previously reported U.S. Tax Operations has been aggregated with the International Tax Operations segment in the Tax Services segment.

Tax Services – Operating Statistics			(in 000s, except average fee)
Year ended April 30,	2005	2004(1)	2003(1)
Clients served ...			
United States:			
Company-owned offices	**10,608**	10,627	10,105
Franchise offices	**5,428**	5,460	6,488
	16,036	16,087	16,593
Digital tax solutions:			
Software (2)	**1,804**	2,027	1,963
Online (3)	**1,213**	1,207	920
	19,053	19,321	19,476
International(4)	**2,333**	2,253	2,227
	21,386	21,574	21,703
Average fee per client served (5) ...			
Company-owned offices	**$ 158.19**	$ 146.34	$ 137.16
Franchise offices	**135.98**	127.91	118.05
	$ 150.67	$ 140.09	$ 129.69
RALs (6) ...			
Company-owned offices	**2,667**	2,713	2,768
Franchise offices	**1,499**	1,508	1,790
Digital tax solutions:			
Software	**2**	5	–
Online	**32**	57	75
	4,200	4,283	4,633

(1) Company-owned and franchise data for fiscal years 2004 and 2003 have not been restated for franchise acquisitions.
(2) Includes TaxCut federal units sold.
(3) Includes online completed and paid federal returns, and state returns only when no payment was made for a federal return.
(4) The end of the Canadian tax season was extended from April 30 to May 2, 2005. Clients served in our international operations in fiscal year 2005 includes approximately 47,500 returns in both company-owned and franchise offices which were accepted by the client on May 1 and 2, 2005. The revenues related to these returns will be recognized in fiscal year 2006.
(5) Calculated as gross tax preparation and related fees divided by clients served (U.S. only).
(6) Data is for tax season (January 1 – April 30) only.

Tax Services – Financial Results			(in 000s)
Year ended April 30,	**2005**	Restated 2004	Restated 2003
Service revenues:			
Tax preparation and related fees	**$ 1,718,867**	$ 1,589,439	$ 1,437,835
Online tax services	**49,515**	44,915	25,892
Other service revenues	**143,648**	127,602	97,794
	1,912,030	1,761,956	1,561,521
Royalties	**197,551**	184,882	174,659
RAL participation fees	**182,784**	168,375	896
RAL waiver fees	**–**	6,548	138,242
Software sales	**44,419**	43,823	39,314
Other	**21,509**	25,593	32,131
Total revenues	**2,358,293**	2,191,177	1,946,763
Cost of services:			
Compensation and benefits	**726,654**	672,066	591,556
Occupancy	**281,772**	255,516	225,045
Depreciation and amortization	**54,579**	48,808	42,505
Supplies	**47,703**	40,792	40,992
Bad debt	**33,046**	27,328	32,653
Other	**103,560**	92,137	125,653
	1,247,314	1,136,647	1,058,404
Cost of software sales	**37,819**	41,895	34,842
Selling, general and administrative	**409,642**	374,142	296,814
Total expenses	**1,694,775**	1,552,684	1,390,060
Pretax income	**$ 663,518**	$ 638,493	$ 556,703

FISCAL 2005 COMPARED TO FISCAL 2004 ...

Tax Services' revenues increased $167.1 million, or 7.6%, compared to the prior year. Fiscal year 2005 was the first year of a multi-year strategy to expand our retail distribution network, to increase client growth by providing more convenient access to our services and to react to increased competition in the tax preparation market. In the U.S., we opened a net 1,252 new offices, 609 of which were part of the expansion of our company-owned retail distribution network. This expansion contributed incremental revenues of $24.9 million and pretax

losses of $18.9 million. Clients served in our U.S. company-owned offices declined 0.2% from the prior year.

Tax preparation and related fees increased $129.4 million, or 8.1%. This increase is primarily due to an 8.1% increase in the average fee per U.S. client served, resulting from increases in our pricing and the complexity of returns prepared.

Online service revenues increased $4.6 million, or 10.2%, primarily as a result of a shift in the mix of services to those with higher prices. Increased competition in the online market, including national marketing campaigns and lower pricing by our competitors, coupled with a 46% increase in returns prepared through the FFA, limited our growth in online paid clients.

Other service revenues increased $16.0 million, or 12.6%, primarily as a result of additional revenues associated with RACs and Express IRAs.

Royalty revenues increased $12.7 million, or 6.9%, primarily due to a 6.3% increase in the average fee per client served at our franchise offices.

Revenues earned during the current year in connection with RAL participations increased $14.4 million, or 8.6%, over the prior year. This increase is primarily due to an increase in the dollar amount of loans in which we purchased participation interests, resulting from an increase in the fee charged by the lender, an increase in our clients' average refund size and the maximum loan amount allowed by the lender.

A total of 3.3 million software units were sold during fiscal year 2005, a decrease of 13.5% compared to the prior year. Software units include TaxCut Federal, TaxCut State, DeductionPro, WillPower and Legal Advisor. The decline in unit sales was due to increased competition, but was offset by pricing increases and a shift to our premium product lines, which resulted in a 1.4% increase in revenues from software sales.

Cost of services for fiscal year 2005 increased $110.7 million, or 9.7%, over the prior year. Compensation and benefits increased $54.6 million primarily due to increased revenues and an increase in the number of tax professionals and support staff needed in new office locations. Stock-based compensation related to our seasonal associates also increased $4.1 million. Occupancy expenses increased $26.3 million, or 10.3%, as a result of an 11.4% increase in U.S. company-owned offices under lease, which also drove increases in depreciation and amortization and supply costs. Of the total increase in occupancy expenses, $10.7 million was due to our real estate expansion. Other cost of services increased $11.4 million primarily due to additional expenses associated with our POM guarantee and Express IRAs.

Selling, general and administrative expenses increased $35.5 million over the prior year primarily due to increased spending related to an $18.8 million increase in allocations from support departments and additional legal expenses of $10.2 million.

Pretax income of $663.5 million for fiscal year 2005 represents a 3.9% increase from the prior year. The segment's operating margin declined 100 basis points to 28.1% in fiscal year 2005.

FISCAL 2006 OUTLOOK ... In fiscal year 2006, we plan to continue our office expansion initiative by adding between 500 and 700 more offices across our company-owned and franchise network. We believe by investing in our office network, we will attract potential clients who are primarily motivated by convenience. Although we expect the additional tax offices to result in incremental clients and revenues during fiscal year 2006, due to the cost of expansion we expect incremental pretax losses from these newly added offices. We expect the performance of offices added during fiscal year 2005 to improve in the upcoming year.

We also plan to be more aggressive in our digital tax solutions marketing efforts to better compete in the market. We believe our multi-channel strategy not only allows clients to choose how they want to be served, but also allows us to appeal to a different client base than we do through our offices.

We expect overall revenue growth in this segment to be less than ten percent in the upcoming year, and we will continue to focus on cost containment to improve the segment's operating margin.

FISCAL 2004 COMPARED TO FISCAL 2003 ... Tax Services' revenues increased $244.4 million, or 12.6%, for fiscal year 2004.

Tax preparation and related fees increased $151.6 million, or 10.5%, compared to fiscal year 2003. This increase is due to a 6.7% increase in the average fee per client served in U.S. offices, coupled with a 5.2% increase in clients served. The average fee per client served increased due to increases in our pricing and the complexity of returns prepared. Clients served in company-owned offices increased to 10.6 million as a result of the acquisition of businesses in former major franchise territories. Excluding the impact of our acquisitions of former major franchises, clients served declined 2.5%.

Online tax preparation revenues increased $19.0 million, or 73.5%, as a result of an increase in the average price and an increase in clients served.

Other service revenues for fiscal year 2004 increased $29.8 million, or 30.5%, primarily due to a change in accounting principle relating to our POM guarantee.

The average fee per client at our franchise offices increased 8.4%, while clients served declined 15.9%. The decline is due to the former major franchise territories being operated as company-owned for the majority of fiscal year 2004. This, coupled with the re-franchising of certain former major franchise territories at higher royalty rates, resulted in a 5.9% increase in royalty revenue.

Revenues earned during fiscal year 2004 in connection with RAL participations totaled $168.4 million. These revenues are approximately $30.1 million higher than waiver fees earned during fiscal year 2003. See discussion of the waiver below. Our RAL participation revenues benefited from the new company-owned operations in former major franchise territories. We participate in RALs at a rate of nearly 50% for company-owned offices compared to 25% in major franchise offices. This increased participation rate caused our revenues to increase, although the number of RALs declined.

During fiscal year 2003, we entered into an agreement with Household, whereby we waived our right to purchase any participation interests in and receive license fees for RALs during the period January 1 through April 30, 2003. In consideration for waiving these rights we received a series of payments from Household in fiscal year 2003, subject to certain adjustments in fiscal year 2004 based on delinquency rates. See discussion in Item 1, “RAL Participations and 2003 Tax Season Waiver.”

A total of 3.8 million software units were sold during fiscal year 2004, an increase of 11.2% compared to 3.4 million units in 2003. Revenues from software sales in fiscal year 2004 increased 11.5% as a result of the higher sales volume.

Cost of services for fiscal year 2004 increased $78.2 million, or 7.4%, from 2003. This increase was partially attributable to the operation of former major franchise territories as company-owned. Compensation and benefits increased $80.5 million as a result of the former major franchise acquisitions, increased field wages during the later part of the tax season and $13.7 million in expenses for stock options awarded to seasonal tax associates. Occupancy and equipment costs increased $30.5 million due primarily to a 5.7% increase in the average rent and a 3.4% increase in the number of U.S. offices under lease. Depreciation and amortization increased as a result of additional equipment purchased for new office locations opened during the period.

Selling, general and administrative expenses increased $77.3 million over 2003 due to $33.3 million in bad debt expense associated with RAL participations, which was not incurred in the prior year due to the waiver agreement. Intangible amortization increased $9.0 million from the acquisition of assets of former major franchisees. Marketing costs increased $20.7 million as a result of additional brand advertising campaigns. Allocated information technology costs increased $13.9 million as a result of additional technology projects. These increases were partially offset by a $62.4 million decrease in legal expenses, which is primarily a result of the Texas RAL litigation settlement and other cases in the prior year. See discussion in “RAL Litigation” below.

Pretax income for fiscal year 2004 increased $81.8 million, or 14.7%, over 2003. The segment’s operating margin improved fifty basis points to 29.1% in fiscal year 2004. Excluding the 2003 RAL litigation reserve, pretax income increased 6.7% and our operating margin declined 160 basis points.

RAL LITIGATION ... In fiscal year 2003, we announced a settlement had been reached in the cases *Ronnie and Nancy Haese, et al. v. H&R Block, Inc., et al.*, Case No. CV96-4213, District Court of Kleberg County, Texas (Haese I) and *Ronnie and Nancy Haese, et al. v. H&R Block, Inc., et al*., Case No. CV-99-314-D, District Court of Kleberg County, Texas (Haese II), filed originally as one action on July 30, 1996. As a result of that settlement, we recorded a liability and pretax expense of $43.5 million during fiscal year 2003. This represented our best estimate of our share of the settlement, plaintiff class legal fees and expenses, tax products and associated mailing expenses. Our share of the settlement is less than the total amount awarded due to amounts recoverable from a co-defendant in the case.

We have been named as a defendant in a number of lawsuits alleging that we engaged in wrongdoing with respect to the RAL program. We believe we have strong defenses to the various RAL Cases and will vigorously defend our position. Nevertheless, the amounts claimed by the plaintiffs are, in some instances, very substantial, and there can be no assurances as to the ultimate outcome of the pending RAL Cases, or as to the impact of the RAL Cases on our financial statements. See Item 3, “Legal Proceedings,” for additional information.

MORTGAGE SERVICES

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

Mortgage Services – Operating Statistics			(dollars in 000s)
Year Ended April 30,	**2005**	2004	2003
Volume of loans originated ...			
Wholesale (non-prime)	**$ 26,977,810**	$ 20,150,992	$ 13,659,243
Retail: Non-prime	**3,005,168**	1,846,674	1,220,563
Prime	**1,018,746**	1,258,347	1,697,815
	$ 31,001,724	$ 23,256,013	$ 16,577,621
Loan Characteristics ...			
Weighted average FICO score (1)	**614**	608	604
Weighted average interest rate for borrowers ("WAC") (1)	**7.36%**	7.39%	8.15%
Weighted average loan-to-value (1)	**78.9%**	78.1%	78.7%
Percentage of first mortgage loans owner-occupied	**92.6%**	92.9%	93.0%
Percentage with prepayment penalty	**70.8%**	73.7%	79.9%
Percentage of fixed-rate mortgages	**22.1%**	30.4%	24.4%
Percentage of adjustable-rate mortgages	**77.9%**	69.6%	75.6%
Origination margin (% of origination volume) (2) ...			
Loan sale premium	**2.77%**	4.21%	4.87%
Accretion on beneficial interest in Trusts	**0.63%**	0.72%	0.65%
Gain (loss) on derivatives	**0.15%**	(0.05%)	(0.02%)
Loan sale repurchase reserves	**(0.13%)**	(0.20%)	(0.13%)
MSR gain on sale	**0.44%**	0.36%	0.36%
	3.86%	5.04%	5.73%
Cost of acquisition	**(0.54%)**	(0.50%)	(0.36%)
Direct origination expenses	**(0.68%)**	(0.65%)	(0.62%)
Net gain on sale – gross margin (3) ...	**2.64%**	3.89%	4.75%
Other revenues	**0.03%**	0.01%	(0.01%)
Other cost of origination	**(1.55%)**	(1.68%)	(1.91%)
Net margin	**1.12%**	2.22%	2.83%
Total cost of origination	**2.23%**	2.33%	2.53%
Total cost of origination and acquisition	**2.77%**	2.83%	2.89%
Loan delivery ...			
Loan sales	**$ 30,975,523**	$ 23,234,935	$ 17,225,774
Execution price: (4) ...			
Loans originated and sold	**3.01%**	4.09%	4.63%
Loans acquired and sold	**–**	–	.18%
	3.01%	4.09%	4.46%

(1) Represents non-prime production.

(2) As restated. See "Reconciliation of Non-GAAP Financial Information" at the end of Item 7.

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

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

Mortgage Services – Financial Results			(in 000s)
Year Ended April 30,	2005	Restated 2004	Restated 2003
Components of gains on sales:			
Gain on mortgage loans	$ 772,061	$ 915,628	$ 792,072
Gain (loss) on derivatives	46,853	(11,957)	(4,141)
Gain on sales of residual interests	15,396	40,689	93,307
Impairment of residual interests	(12,235)	(26,063)	(54,111)
	822,075	918,297	827,127
Interest income:			
Accretion-residual interests	137,610	186,466	146,343
Other	11,850	5,064	5,421
	149,460	191,530	151,764
Loan-servicing revenue	273,056	211,710	168,351
Other	1,427	2,172	2,838
Total revenues	1,246,018	1,323,709	1,150,080
Cost of services	221,300	193,018	141,419
Cost of non-service revenues:			
Compensation and benefits	218,544	190,499	146,907
Occupancy	33,155	25,635	22,701
Other	72,803	71,634	74,332
	324,502	287,768	243,940
Selling, general and administrative	204,123	154,400	108,397
Total expenses	749,925	635,186	493,756
Pretax income	$ 496,093	$ 688,523	$ 656,324

FISCAL 2005 COMPARED TO FISCAL 2004 ... Mortgage Services' revenues decreased $77.7 million, or 5.9%, compared to the prior year. Revenues decreased primarily as a result of a decline in gains on sales of mortgage loans.

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

	(dollars in 000s)	
Year Ended April 30,	2005	2004
Application process:		
Total number of applications	335,203	269,267
Number of sales associates (1)	3,526	2,812
Closing ratio (2)	58.3%	57.7%
Originations:		
Total number of originations	195,392	155,339
WAC	7.36%	7.39%
Average loan size (all loans)	$ 159	$ 150
Total originations	$ 31,001,724	$ 23,256,013
Non-prime origination ratio	96.7%	94.6%
Direct origination and acquisition expenses, net	$ 378,674	$ 278,785
Revenue (loan value):		
Net gain on sale – gross margin	2.64%	3.89%

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

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

Although origination volumes increased 33.3% over the prior year, gains on sales of mortgage loans declined $143.6 million as a result of increased price competition and poorer execution in the secondary market. As a result, our net margin declined to 1.12% from 2.22% in the prior year.

The average market interest rate for a 2-year swap increased to 3.32% in fiscal year 2005 from 1.97% in 2004, while our WAC decreased to 7.36% from 7.39% for the same periods. Because our WAC did not increase as quickly as market rates, our gross margin declined 125 basis points from last year. To mitigate the risk of short-term changes in market interest rates, we use interest rate swaps, interest rate caps and forward loan sale commitments. During the current year, we recorded $46.9 million in net gains, compared to a net loss of $12.0 million in the prior year, related to derivative instruments. See Item 8, note 9 to the consolidated financial statements.

For the year ended April 30, 2004, we reclassified $167.7 million from interest income to gains on sales of mortgage assets representing excess cash received from our beneficial interest in Trusts. The beneficial interest in Trusts is reported at fair value at each balance sheet date. Changes in its fair value are included in current period earnings. The excess cash received together with the and mark-to-market adjustment for each period have been classified as gain on sale of mortgage loans. This change had no impact on our net income as previously reported.

In fiscal year 2005, we completed a sale of residual interests and recorded a gain of $15.4 million. This sale accelerated cash flows from these residual interests, effectively realizing previously recorded unrealized gains included in other

comprehensive income. We recorded a gain of $40.7 million in the prior year on similar transactions.

Impairments of residual interests in securitizations of $12.2 million were recognized during the year compared with $26.1 million in the prior year. The prior year impairments were due primarily to loan performance of older residuals and changes in assumptions to more closely align with the economic and interest rate environment.

Total accretion of residual interests decreased $48.9 million from the prior year. This decrease is primarily due to the sale of previously securitized residual interests during fiscal year 2004, which eliminated future accretion on those residual interests.

During fiscal year 2005, our residual interests continued to perform better than expected compared to internal valuation models. As a result of this performance, our residuals have produced, or are expected to produce, more cash proceeds than projected in previous valuation models. We recorded favorable pretax mark-to-market adjustments, which increased the fair value of our residual interests $154.3 million during the year. These adjustments were recorded, net of write-downs of $58.3 million and deferred taxes of $36.6 million, in other comprehensive income and will be accreted into income throughout the remaining life of the residual interests. Future changes in interest rates, actual loan pool performance or other assumptions could cause additional favorable or unfavorable adjustments to the fair value of the residual interests and could cause changes to the accretion of these residual interests in future periods. Additionally, sales of residual interests results in decreases to accretion income in future periods.

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

		(dollars in 000s)
Year Ended April 30,	**2005**	2004
Average servicing portfolio:		
With related MSRs	**$ 41,021,448**	$ 32,039,811
Without related MSRs	**13,838,769**	6,481,069
	$ 54,860,217	$ 38,520,880
Number of loans serviced	**435,290**	324,364
Average delinquency rate	**4.85%**	6.04%
Weighted average FICO score	**610**	596
Value of MSRs	**$ 166,614**	$ 113,821

Loan-servicing revenues increased $61.3 million, or 29.0%, over the prior year. The increase reflects a higher average loan-servicing portfolio. The average servicing portfolio for fiscal year 2005 increased 42.4%.

Cost of services increased $28.3 million, or 14.7%, as a result of a higher average servicing portfolio, particularly loans with MSRs, which also resulted in an increase in MSR amortization.

Cost of non-service revenues increased $36.7 million, or 12.8%, over the prior year. Compensation and benefits increased $28.0 million as a result of a 25.4% increase in the number of employees, reflecting resources needed to support higher loan production volumes.

Selling, general and administrative expenses increased $49.7 million, or 32.2%, due to $12.1 million in increased retail marketing expenses and $7.4 million in additional consulting expenses.

Pretax income decreased $192.4 million, or 27.9%, for fiscal year 2005.

FISCAL 2006 OUTLOOK ...

We believe we can continue to grow our origination volumes in fiscal year 2006. Lowering our cost of origination will be a key priority for the upcoming year and we have begun to implement new technologies to enhance the underwriting and origination processes.

Based upon these assumptions, we expect loan origination growth to exceed 20% at net margins in the range of .90% to 1.15% in fiscal year 2006.

Based on these assumptions, we expect loan origination growth of at least 15% at net margins in the range of 1.00% to 1.25% in fiscal year 2006.

FISCAL 2004 COMPARED TO FISCAL 2003 ...

Mortgage Services' revenues increased $173.6 million, or 15.1%, compared to fiscal year 2003. This increase was primarily a result of increased production volumes, higher servicing income and accretion.

Gains on sales of mortgage loans increased $123.6 million, or 15.6%, for the year ended April 30, 2004. The increase over the prior year is a result of a significant increase in loan origination volume, an increase in the average loan size and the closing ratio, partially offset by a decrease in our gross margin and increased loan sale repurchase reserves. During 2004, we originated $23.3 billion in mortgage loans compared to $16.6 billion in 2003, an increase of 40.3%. Our gross margin decreased primarily due to lower WACs. The loan sale repurchase reserves, which are netted against gains on sales, increased $25.5 million over 2003. This increase is primarily a result of an increase in loan sales coupled with the increase in whole loan sales compared to securitizations, for which higher reserves are provided at the time of sale for estimated repurchases. As previously discussed, we reclassified $103.3 million from interest income to gains on sales for fiscal year 2003.

In November 2002, we completed the sale of previously securitized residual interests and recorded a gain of $93.3 million. Two smaller transactions were completed in fiscal year 2004, which resulted in gains of $40.7 million

Impairments of residual interests in securitizations of $26.1 million were recognized during 2004 compared with $54.1 million in 2003. The impairments were due primarily to loan performance of older residuals and changes in assumptions to more closely align with the current economic and interest rate environment.

Total accretion of residual interests increased $40.1 million over 2003. This improvement is the result of write-ups in the related asset values in fiscal years 2003 and 2004. Increases in fair value are realized in income through accretion over the remaining expected life of the residual interest.

We recorded favorable pretax mark-to-market adjustments, which increased the fair value of our residual interests $199.7 million during 2004. These adjustments were recorded, net of write-downs of $32.6 million and deferred taxes of $63.8 million, in other comprehensive income.

Loan-servicing revenues increased $43.4 million, or 25.8%, in fiscal year 2004. The increase reflects a higher average loan-servicing portfolio, which was partially offset by the reduction of certain of our ancillary fees previously charged to borrowers. The average servicing portfolio for fiscal year 2004 increased 38.9%.

Cost of services increased $51.6 million, or 36.5%, as a result of a higher average servicing portfolio and the acceleration of amortization of certain MSRs.

Cost of non-service revenues increased $43.8 million, or 18.0%, over the prior year. Compensation and benefits increased $43.6 million as a result of a 22.9% increase in the number of employees, reflecting resources needed to support higher loan production volumes. Occupancy expenses increased due to nine additional branch offices opened since October 2002.

Selling, general and administrative expenses increased $46.0 million, primarily due to $10.4 million in increased marketing expenses for retail mortgage direct mail advertising, $13.5 million in increased allocated corporate and shared costs and $7.2 million in increased consulting expenses. Allocated costs increased due to higher insurance costs and the expensing of stock-based compensation.

Pretax income increased $32.2 million, or 4.9%, for fiscal year 2004.

BUSINESS SERVICES

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

Business Services – Operating Statistics			
Year ended April 30,	**2005**	2004	2003
Accounting, tax and consulting ...			
Chargeable hours (000s)	**2,898**	2,598	2,584
Chargeable hours per person	**1,430**	1,414	1,388
Net collected rate per hour	**$ 133**	$ 124	$ 120
Average margin per person	**$ 112,573**	$ 102,496	$ 97,117

Business Services – Financial Results			(in 000s)
Year ended April 30,	**2005**	Restated 2004	Restated 2003
Service revenues:			
Accounting, tax and consulting	**$ 412,473**	$ 353,750	$ 337,903
Capital markets	**67,922**	73,860	35,629
Payroll, benefits and retirement services	**27,331**	21,172	20,745
Other services	**31,170**	19,390	7,912
	538,896	468,172	402,189
Other	**34,420**	31,038	31,951
Total revenues	**573,316**	499,210	434,140
Cost of services:			
Compensation and benefits	**310,950**	256,640	233,303
Occupancy	**24,699**	20,498	20,873
Other	**36,672**	33,080	32,562
	372,321	310,218	286,738
Impairment of goodwill	**–**	–	13,459
Selling, general and administrative	**171,124**	169,680	149,976
Total expenses	**543,445**	479,898	450,173
Pretax income (loss)	**$ 29,871**	$ 19,312	$ (16,033)

FISCAL 2005 COMPARED TO FISCAL 2004 ...

Business Services' revenues for fiscal year 2005 increased $74.1 million, or 14.8%, from the prior year. This increase was primarily due to a $58.7 million increase in accounting, tax and consulting revenues resulting from an 11.5% increase in chargeable hours and a 7.3% increase in the net collected rate per hour. The increase in chargeable hours is primarily due to strong demand for our tax and accounting services as well as our consulting and risk management services. This demand stems from the current business environment and the emphasis placed on the accounting industry.

Capital markets revenues declined $5.9 million as a result of an 11.2% decrease in the number of business valuation projects. Payroll, benefits and retirement services revenues increased as a result of three acquisitions completed during the last half of the current year.

Other service revenues increased $11.8 million due to the acquisition of our financial process outsourcing business in the second quarter of last year, coupled with overall growth in this business. Increases in reimbursable expenses and contractor revenues also contributed to higher revenues.

Cost of services increased $62.1 million, or 20.0%, for fiscal year 2005 compared to the prior year. Compensation and benefits related to our services increased $54.3 million, primarily as a result of increases in the number of personnel and the average wage per employee. The increase in the average wage is being driven by marketplace competition for professional staff. Higher expenses are also attributable to investments we are making in early-stage businesses within this segment.

Pretax income for the year ended April 30, 2005 was $29.9 million compared to $19.3 million in fiscal year 2004.

FISCAL 2006 OUTLOOK ...

Our focus for fiscal year 2006 is growing the business within our current markets by expanding our services to existing clients. We will continue to support our national business development strategy and we expect the demand for risk management services and financial process outsourcing to continue. We also believe the demand and competition for qualified professional staff will continue.

We expect this segment's pretax income for fiscal year 2006 to increase by approximately 30%.

FISCAL 2004 COMPARED TO FISCAL 2003 ...

Business Services' revenues for fiscal year 2004 improved $65.1 million, or 15.0%, over the prior year. This increase was primarily due to a $38.2 million increase in capital markets revenue resulting from a 38.3% increase in the number of business valuation projects. Revenues in accounting, tax and consulting increased $15.8 million over the prior year as a result of newly acquired tax businesses and increased productivity. The acquisition of Tax Services' former major franchises allowed us to acquire certain tax businesses associated with the original M&P acquisition. We were previously unable to acquire and operate these businesses in direct competition with major franchise territories. The acquired tax businesses contributed $13.0 million in revenues in 2004. The remainder of the increase

was driven primarily by a 3.3% increase in the net collected rate per hour.

Cost of services increased $23.5 million, or 8.2%, over the prior year. Compensation and benefits increased $23.3 million, primarily as a result of increased activity in the capital markets business and increased costs in our accounting, tax and consulting business. A goodwill impairment charge of $13.5 million was recorded in the prior year. No such impairment was recorded in fiscal year 2004.

Pretax income for the year ended April 30, 2004 was $19.3 million compared to a loss of $16.0 million in fiscal year 2003.

INVESTMENT SERVICES

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

Investment Services – Operating Statistics

Year ended April 30,	2005	2004	2003
Customer trades (1)	**885,796**	1,004,235	860,784
Customer daily average trades	**3,529**	3,923	3,429
Average revenue per trade (2)	**$ 123.33**	$ 119.36	$ 120.15
Customer accounts: (3)			
Traditional brokerage	**431,749**	463,736	501,001
Express IRAs	**380,539**	366,040	216,351
	812,288	829,776	717,352
Ending balance of assets under administration (billions)	**$ 27.8**	$ 26.7	$ 22.3
Average assets per traditional brokerage account	**$ 63,755**	$ 57,204	$ 43,991
Average margin balances (millions)	**$ 597**	$ 545	$ 577
Average customer payables balances (millions)	**$ 975**	$ 984	$ 819
Number of advisors	**1,010**	1,009	984
Included in the numbers above are the following relating to fee-based accounts:			
Customer accounts	**7,668**	6,964	4,680
Average revenue per account	**$ 2,301**	$ 1,572	$ 1,442
Assets under administration (millions)	**$ 1,975**	$ 1,494	$ 789
Average assets per active account	**$ 260,238**	$ 214,537	$ 168,522

(1) Includes only trades on which revenues are earned ("revenue trades"). Revenues are earned on both transactional and annuitized trades.
(2) Calculated as total trade revenues divided by revenue trades.
(3) Includes only accounts with a positive balance.

Investment Services – Financial Results (in 000s)

Year ended April 30,	2005	Restated 2004	Restated 2003
Service revenues:			
Transactional revenue	**$ 88,516**	$ 99,559	$ 91,587
Annuitized revenue	**77,386**	60,950	38,507
Production revenue	**165,902**	160,509	130,094
Other service revenue	**29,206**	35,619	34,311
	195,108	196,128	164,405
Margin interest revenue	**43,698**	33,408	37,300
Less: interest expense	**(3,114)**	(1,358)	(4,830)
Net interest revenue	**40,584**	32,050	32,470
Other	**438**	(66)	(911)
Total revenues (1)	**236,130**	228,112	195,964
Cost of services:			
Compensation and benefits	**116,552**	108,956	89,473
Occupancy	**22,178**	21,571	24,299
Other	**19,555**	24,091	25,604
	158,285	154,618	139,376
Impairment of goodwill	**–**	–	108,792
Selling, general and administrative	**153,215**	149,108	167,217
Total expenses	**311,500**	303,726	415,385
Pretax loss	**$ (75,370)**	$ (75,614)	$ (219,421)

(1) Total revenues, less interest expense

FISCAL 2005 COMPARED TO FISCAL 2004 ...

Investment Services' revenues, net of interest expense, for fiscal year 2005 increased $8.0 million, or 3.5%. The increase is primarily due to higher margin interest revenue.

Production revenue increased $5.4 million, or 3.4% over the prior year. Transactional revenue, which is based on individual securities transactions, decreased $11.0 million, or 11.1%, from the prior year due primarily to an 18.7% decline in transactional trading volume. This decline was partially offset by an increase in the average revenue per trade. Annuitized revenue, which consists of sales of mutual funds, insurance, fee-based products and unit investment trusts, increased $16.4 million, or 27.0%, due to increased sales of annuities, mutual funds and our fee-based wealth management accounts. Annuitized revenues represent

46.6% of total production revenues for fiscal year 2005, compared to 38.0% in the prior year. Advisor productivity averaged approximately $166,000 in the current year, essentially flat compared to the prior year.

Other service revenue declined $6.4 million, or 18.0%, from the prior year due to fewer fixed income underwriting offerings and Express IRA revenues now being recorded as part of Tax Services.

Margin interest revenue increased $10.3 million, or 30.8%, from the prior year, which is primarily a result of higher interest rates earned, coupled with a 9.5% increase in average margin balances. Margin balances have increased from an average of $545.0 million in fiscal year 2004 to $597.0 million in the current year.

Cost of services increased $3.7 million, or 2.4%, primarily due to $7.6 million of additional compensation and benefits resulting from a higher average commission rate than the prior year and other financial incentives for attracting new advisors. This increase was partially offset by declines in depreciation and other expenses.

Selling, general and administrative expenses increased $4.1 million, or 2.8%, over the prior year primarily as the result of $6.8 million in additional legal expenses, partially offset by gains of $4.6 million on the disposition of certain assets.

The pretax loss for Investment Services for fiscal year 2005 was $75.4 million compared to a loss of $75.6 million last year.

FISCAL 2006 OUTLOOK ...

We believe the key to this segment's profitability in the near-term is aligning the segment's cost structure with its revenue. Our focus in the upcoming fiscal year will be on reducing costs and attracting productive advisors. In the fourth quarter of fiscal year 2005, we implemented a series of actions, which are not production dependent, to reduce costs and enhance performance. We have also implemented strict advisor production standards.

Although we still expect to report an operating loss for fiscal year 2006, we anticipate that loss will be approximately $25 to $35 million less than the loss recorded in 2005.

FISCAL 2004 COMPARED TO FISCAL 2003 ...

Investment Services' revenues, net of interest expense, for fiscal year 2004 increased $32.1 million, or 16.4%, over fiscal year 2003. The improvement is primarily due to the increase in annuitized revenues.

Production revenue increased $30.4 million, or 23.4% over fiscal year 2003. Transactional revenue increased $8.0 million, or 8.7%, from 2003 due to an increase in transactional trading activity, partially offset by a slight decline in average revenue per trade. Annuitized revenues increased $22.4 million, or 58.3%, due to increased sales of annuities and mutual funds and an increase in advisor productivity. Productivity averaged approximately $166,000 per advisor in fiscal year 2004 compared to $122,000 in 2003.

Margin interest revenue declined $3.9 million, or 10.4%, from 2003 primarily as a result of a 5.5% decline in average margin balances coupled with lower interest rates. Margin balances declined from an average of $577.0 million in fiscal year 2003 to $545.0 million in 2004. Accordingly, interest expense for fiscal year 2004 declined $3.5 million, or 71.9%, from fiscal year 2003.

Cost of services increased $15.2 million over 2003 primarily due to a $19.5 million increase in compensation and benefits, resulting from an increase in customer trading and higher average commissions.

A goodwill impairment charge of $108.8 million was recorded in fiscal year 2003 due to unsettled market conditions. This charge includes an additional impairment of $84.8 million as a result of the restatement of previously issued financial statements.

Selling, general and administrative expenses decreased $18.1 million primarily as a result of a reduction in consulting and legal expenses.

The pretax loss for Investment Services for fiscal year 2004 was $75.6 million compared to a loss of $219.4 million in 2003.

CORPORATE

This segment consists primarily of corporate support departments, which provide services to our operating segments. These support departments consist of marketing, information technology, facilities, human resources, executive, legal, finance, government relations and corporate communications. Support department costs are generally allocated to our operating segments. Our captive insurance and franchise financing subsidiaries are also included within this segment, as was our small business initiatives subsidiary in fiscal years 2004 and 2003.

Corporate – Financial Results (in 000s)

Year Ended April 30,	2005	Restated 2004	Restated 2003
Operating revenues	**$ 13,592**	$ 12,532	$ 6,448
Eliminations	**(10,444)**	(8,218)	(7,099)
Total revenues	**3,148**	4,314	(651)
Corporate expenses:			
Interest expense	**72,701**	69,300	74,482
Other	**51,262**	50,476	56,008
	123,963	119,776	130,490
Support departments:			
Marketing	**117,303**	110,507	88,819
Information technology	**107,306**	110,569	92,899
Finance	**34,498**	33,829	30,232
Other	**107,562**	78,593	65,734
	366,669	333,498	277,684
Allocation of support departments	**(366,742)**	(336,639)	(280,677)
Other income, net	**24,345**	4,582	6,139
Pretax loss	**$ (96,397)**	$ (107,739)	$ (122,009)

FISCAL 2005 COMPARED TO FISCAL 2004 ...

Corporate expenses increased $4.2 million primarily due to higher interest expense, resulting from higher interest rates and higher average debt balances.

Marketing department expenses increased $6.8 million, or 6.1%, primarily due to additional marketing efforts in the current year. Other support department expenses increased $29.0 million, primarily due to $15.1 million of additional stock-based compensation expenses, increases in the cost of employee insurance and supplies.

Other income increased $19.8 million primarily as a result of $17.3 million in legal recoveries.

The pretax loss was $96.4 million, compared with last year's loss of $107.7 million.

Our effective income tax rate for fiscal year 2005 decreased to 37.5% compared to 38.5% in fiscal year 2004. The decrease is due to tax benefits realized on net operating loss carryforwards and their related benefits.

FISCAL 2004 COMPARED TO FISCAL 2003 ...

Corporate revenues increased $5.0 million primarily as a result of operating capital gains of $1.0 million in 2004 compared to a $2.0 million write-off of investments at our captive insurance subsidiary and improved results from our small business subsidiary.

Corporate expenses declined $10.7 million, or 8.2%, due primarily to lower interest expense. Interest expense declined as a result of lower financing costs and a scheduled debt payment of $45.1 million in August 2003.

Marketing department expenses increased $21.7 million, or 24.4%, primarily as a result of marketing initiatives for Tax Services directed toward our brand repositioning and raising consumer awareness of our advice offerings. Information technology department expenses increased $17.7 million, or 19.0%, primarily due to additional resources needed to support additional projects on behalf of the operating segments and other support departments.

The pretax loss was $107.7 million, compared with a loss of $122.0 million in fiscal year 2003.

Our effective income tax rate for fiscal year 2004 decreased to 38.5% compared to 44.2% in fiscal year 2003, primarily as a result of non-deductible goodwill impairment charges recorded in the prior year.

FINANCIAL CONDITION ...

CAPITAL RESOURCES & LIQUIDITY BY SEGMENT

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

CASH FROM OPERATIONS ... Operating cash flows totaled $513.8 million, $852.5 million and $689.7 million in fiscal years 2005, 2004 and 2003, respectively. Operating cash flows in fiscal year 2005 decreased from fiscal year 2004 due to decreased cash flows from both Mortgage Services and Tax Services and increased income tax payments. Tax Services and Mortgage Services contributed $529.0 million and $98.3 million, respectively, to cash from operations in the current year. Income

tax payments totaled $437.4 million this year, compared to $331.6 million in fiscal year 2004.

ISSUANCES OF COMMON STOCK ... We issue shares of our common stock in accordance with our stock-based compensation plans out of our treasury shares. Proceeds from the issuance of common stock totaled $136.1 million, $120.0 million and $126.3 million in fiscal years 2005, 2004 and 2003, respectively.

DEBT ... In August 2004 we filed an additional shelf registration statement with the SEC for up to $1.0 billion in debt securities. On October 26, 2004, we issued $400.0 million of 5.125% Senior Notes under our shelf registration statements. The proceeds from the notes were used to repay our $250.0 million in 6¾% Senior Notes, which were due on November 1, 2004. The remaining proceeds were used for working capital, capital expenditures, repayment of other debt and other general corporate purposes.

DIVIDENDS ... We have consistently paid quarterly dividends. Dividends paid totaled $143.0 million, $138.4 million and $125.9 million in fiscal years 2005, 2004 and 2003, respectively.

SHARE REPURCHASES ... On June 9, 2004, our Board of Directors approved an authorization to repurchase an additional 15 million shares. This authorization is in addition to the authorization of 20 million shares on June 11, 2003. During fiscal year 2005, we repurchased 11.2 million shares pursuant to these authorizations at an aggregate price of $527.5 million or an average price of $46.98 per share. There were 15.0 million shares remaining under the 2004 authorization and 0.1 million shares remaining under the 2003 authorization at the end of fiscal year 2005.

We plan to continue to purchase shares on the open market in accordance with the existing authorizations, subject to various factors including the price of the stock, the availability of excess cash, our ability to maintain liquidity and financial flexibility, securities laws restrictions, targeted capital levels and other investment opportunities available.

ACQUISITIONS ... From time to time we acquire businesses that are viewed to be a good strategic fit to our organization. Total cash paid for acquisitions was $37.6 million, $280.9 million and $26.4 million during fiscal years 2005, 2004 and 2003, respectively. Significant acquisitions during fiscal year 2004 were the former major franchise territories we now operate as company-owned. Cash paid in fiscal year 2004 related to the acquisition of these territories totaled $243.2 million.

RESTRICTED CASH ... We hold certain cash balances that are restricted as to use. Cash and cash equivalents – restricted totaled $516.9 million at fiscal year end. Investment Services held $465.0 million of this total segregated in a special reserve account for the exclusive benefit of customers pursuant to Rule 15c3-3 of the Securities Exchange Act of 1934. Restricted cash of $28.1 million at April 30, 2005 held by Business Services is related to funds held to pay payroll taxes on behalf of its customers. Restricted cash held by Mortgage Services totaled $23.8 million at April 30, 2005 for outstanding commitments to fund mortgage loans.

FISCAL YEAR 2006 OUTLOOK ... We began construction on a new world headquarters facility during fiscal year 2005. Estimated construction costs during fiscal year 2006 of $103.5 million will be financed from operating cash flows.

Our Board of Directors approved an increase of the quarterly cash dividend from 22 cents to 25 cents per share, a 13.6% increase, effective with the quarterly dividend payment on October 3, 2005 to shareholders of record on September 12, 2005.

A condensed consolidating statement of cash flows by segment for the fiscal year ended April 30, 2005 follows. Generally, interest is not charged on intercompany activities between segments. Detailed consolidated statements of cash flows are located in Item 8.

(in 000s)

Fiscal Year 2005	Tax Services	Mortgage Services	Business Services	Investment Services	Corporate	Consolidated H&R Block
Cash provided by (used in):						
Operations	$ 528,990	$ 98,303	$ 44,657	$ (32,408)	$ (125,749)	$ (513,793)
Investing	(83,534)	99,906	(37,816)	7,618	(44,584)	(58,410)
Financing	3,482	(15,126)	(23,223)	(1,686)	(391,362)	(427,915)
Net intercompany	(448,912)	(184,156)	13,725	19,965	599,378	–

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 generated $529.0 million in operating cash flows primarily related to net income, as cash is generally collected from clients at the time services are rendered. Prior year cash requirements for investing activities included $243.2 million paid to acquire former major franchisees.

HSBC and its designated bank provide funding of all RALs offered pursuant to a contract that expires in June 2006. If HSBC and its designated bank do not continue to provide funding for RALs, we could seek other RAL lenders to continue offering RALs to our clients or consider alternative funding strategies. We believe that a number of suitable lenders would be available to replace HSBC should the need arise.

We also believe that the RAL program is productive for the Company and a useful service for our customers. The RAL program is regularly reviewed both from a business perspective and to ensure compliance with applicable state and federal laws. It is our intention to continue to offer the RAL program in the foreseeable future.

Loss of the RAL program could adversely affect our operating results. In addition to the loss of revenues and income directly attributable to the RAL program, the inability to offer RALs could indirectly result in the loss of retail tax clients and associated tax preparation revenues, unless we were able to take mitigating actions. Total revenues related to the RAL program (including revenues from participation interests) were $182.6 million for the year ended April 30, 2005, representing 4.1% of consolidated revenues and contributed $101.3 million to the segment's pretax results. Revenues related to the RAL program totaled $174.2 million for the year ended April 30, 2004, representing 4.1% of consolidated revenues.

Our international operations are generally self-funded. Cash balances are held in Canada, Australia and the United Kingdom independently in local currencies. H&R Block Canada, Inc. ("Block Canada") has a commercial paper program for up to $125.0 million (Canadian). At April 30, 2005, there was no commercial paper outstanding. The peak borrowing during fiscal year 2005 was $124.0 million (Canadian).

MORTGAGE SERVICES ... This segment primarily generates cash as a result of the sale and securitization of mortgage loans and residual interests and as its residual interests mature. Mortgage Services provided $98.3 million in cash from operating activities primarily due to the sale of mortgage loans. This segment also generated $99.9 million in cash from investing activities primarily related to cash received from the maturity and sales of residual interests. We regularly sell loans as a source of liquidity. Loan sales in fiscal year 2005 were $31.0 billion compared with $23.2 billion in fiscal year 2004. Additionally, Block Financial Corporation ("BFC") provides a line of credit of at least $150 million for working capital needs. At the end of fiscal year 2005 there was no outstanding balance on this facility.

GAINS ON SALES ... Gains on sales of mortgage assets totaled $822.1 million, which was primarily recorded as operating activities. The percentage of cash proceeds we receive from our capital market transactions is calculated as follows:

(in 000s)

Year ended April 30,	2005	Restated 2004	Restated 2003
Cash proceeds:			
Whole loans sold by the Trusts	**$ 737,417**	$ 741,233	$ 368,305
Residual cash flows from Beneficial interest in Trusts	**193,639**	167,705	103,294
Loans securitized	**69,665**	198,226	389,449
Sale of previously securitized residuals	**15,396**	40,689	93,307
Gain (loss) on derivative instruments	**45,298**	(2,578)	(2,056)
	1,061,415	1,145,275	952,299
Non-cash:			
Retained mortgage servicing rights	**137,510**	84,274	60,078
Additions (reductions) to balance sheet [1]	**15,885**	11,490	(10,829)
	153,395	95,764	49,249
Portion of gain on sale from capital market transactions	**$ 1,214,810**	$ 1,241,039	$ 1,001,548
Other items included in gain on sale:			
Changes in beneficial interest in Trusts	**36,281**	37,918	74,987
Impairments to fair value of residual interests	**(12,235)**	(26,063)	(54,111)
Net change in fair value of derivative instruments	**1,555**	(9,379)	(2,085)
Direct origination and acquisition expenses, net	**(378,674)**	(278,785)	(182,216)
Loan sale repurchase reserves	**(39,662)**	(46,820)	(21,295)
Other	**–**	387	10,299
	(392,735)	(322,742)	(174,421)
Reported gains on sales of mortgage assets	**$ 822,075**	$ 918,297	$ 827,127
% of gain on sale from capital market transactions received as cash [2]	**87%**	92%	95%

[1] Includes residual interests and interest rate caps.

[2] Cash proceeds divided by portion of gain on sale related to capital market transactions.

WAREHOUSE FUNDING ... To finance our prime originations, we use a warehouse facility with capacity up to $25 million. This annual facility bears interest at one-month LIBOR plus 140 to 200 basis points. As of April 30, 2005 and 2004, the balance outstanding under this facility was $4.4 million and $4.0 million, respectively, and is included in accounts payable, accrued expenses and other on the consolidated balance sheets.

See discussion of our non-prime warehouse facilities below in "Off-Balance Sheet Financing Arrangements."

We believe the sources of liquidity available to the Mortgage Services segment are sufficient for its needs. Risks to the stability of these sources include, but are not limited to, adverse changes in the perception of the non-prime industry, adverse changes in the regulation of non-prime lending, changes in the rating criteria of non-prime lending by third-party rating agencies and, to a lesser degree, reduction in the availability of third parties that provide credit enhancement. Past performance of the securitizations will also impact the segment's future participation in these markets. The off-balance sheet warehouse facilities used by the Trusts are subject to annual renewal, each at a different time during the year, and any of the above events could lead to difficulty in renewing the lines. These risks are mitigated by a staggering of the renewal dates related to these warehouse lines and through the use of multiple lending institutions to secure these lines.

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. Business Services also has future obligations and commitments, which are summarized in the tables below under "Contractual Obligations and Commercial Commitments."

This segment generated $44.7 million in operating cash flows primarily related to net income. Additionally, Business Services used $37.8 million in investing activities primarily related to contingent payments on prior acquisitions, and $23.2 million in financing activities as a result of payments on acquisition debt.

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

HRBFA is required to maintain minimum net capital as defined under Rule 15c3-1 of the Securities Exchange Act of 1934 and complies with the alternative capital requirement, which requires a broker-dealer to maintain net capital equal to the greater of $250,000 or 2% of the combined aggregate debit balances arising from customer transactions. The net capital rule also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than the greater of 5% of combined aggregate debit items or 120% of the minimum required net capital. At the end of fiscal year 2005, HRBFA's net capital of $121.2 million, which was 19.2% of aggregate debit items, exceeded its minimum required net capital of $12.6 million by $108.6 million. During fiscal year 2005 and 2004, we contributed additional capital of $27.0 million and $32.0 million, respectively, even though HRBFA was in excess of the minimum net capital requirement, and we may continue to do so in the future.

In fiscal year 2005, Investment Services used $32.4 million in its operating activities primarily due to operating losses.

To manage short-term liquidity, BFC provides HRBFA a $300 million unsecured credit facility. At the end of fiscal year 2005 there was no outstanding balance on this facility.

HRBFA has letters of credit with a financial institution with a credit limit of $125.0 million. There were no commitments outstanding on these letters of credit at any time during fiscal year 2005 or 2004.

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

Securities borrowed and securities loaned transactions are generally reported as collateralized financings. These transactions require us to deposit cash and/or collateral with the lender. Securities loaned consist of securities owned by customers, which were purchased on margin. When loaning securities, we receive cash collateral approximately equal to the value of the securities loaned. The amount of cash collateral is adjusted, as required, for market fluctuations in the value of the securities loaned. Interest rates paid on the cash collateral fluctuate as short-term interest rates change.

To satisfy the margin deposit requirement of client option transactions with the Options Clearing Corporation ("OCC"), Investment Services pledges customers' margined securities. Pledged securities at the end of fiscal year 2005 totaled $44.6 million, an excess of $7.9 million over the margin requirement. Pledged securities at the end of fiscal year 2004 totaled $46.3 million, an excess of $7.9 million over the margin requirement.

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

OFF-BALANCE SHEET FINANCING ARRANGEMENTS

We are party to various transactions with an off-balance sheet component, including loan commitments and QSPEs, or Trusts.

We have commitments to fund mortgage loans in our pipeline of $3.9 billion at April 30, 2005, which are subject to conditions and loan contract verification. There is no commitment on the part of the borrower to close on the mortgage loan at this stage of the lending process and external market forces impact the probability of these loan commitments being closed. Therefore, total commitments outstanding do not necessarily represent future cash requirements. If the loan commitments are exercised, they will be funded as described below.

Our relationships with the Trusts serve to reduce our capital investment in our non-prime mortgage operations. These arrangements are primarily used to sell mortgage loans, but a portion may also be used to sell servicing advances and finance residual interests. Additionally, these arrangements have freed up cash and short-term borrowing capacity, improved liquidity and flexibility, and reduced balance sheet risk, while providing stability and access to liquidity in the secondary market for mortgage loans.

Substantially all non-prime mortgage loans we originate are sold daily to the Trusts. The Trusts purchase the loans from us using five warehouse facilities, arranged by us, totaling $9.0 billion. These facilities are subject to various Option One performance triggers, limits and financial covenants, including tangible net worth and leverage ratios. In addition, these facilities contain cross-default features in which a default in one facility would trigger a default under the other facilities as well. These various facilities bear interest at one-month LIBOR plus 50 to 400 basis points and expire on various dates during the year. In addition, some of the facilities provide for the payment of minimum usage fees.

Subsequent to April 30, 2005, we increased the Trusts' warehouse capacity by adding an additional $1.0 billion facility. This facility bears interest at one-month LIBOR plus 45 to 345 basis points.

When we sell loans to the Trusts, we remove the mortgage loans from our balance sheet and record the gain on the sale, cash and a beneficial interest in Trusts, which represents the ultimate expected outcome from the disposition of the loans. Our beneficial interest in Trusts totaled $215.4 million and $153.8 million at April 30, 2005 and 2004, respectively.

Subsequently, the Trusts, as directed by their third-party beneficial interest holders, either sell the loans directly to third-party investors or back to us to pool the loans for securitization. The decision to complete a whole loan sale or a securitization is dependent on market conditions.

For fiscal year 2005, the final disposition of loans sold to the Trusts was 92% whole loan sales and 8% securitizations. For fiscal year 2004, the final disposition was 76% whole loan sales and 24% securitizations. The current year shift to whole loan sales is due to the more favorable pricing in the whole loan market. Increased whole loan sale transactions result in cash being received earlier. Additionally, whole loan sales do not add residual interests to our balance sheet, and therefore, we do not retain balance sheet risk.

If the Trusts sell the mortgage loans in a whole loan sale, we receive cash for our beneficial interest in Trusts. In a securitization transaction, the Trusts transfer the loans and the corresponding right to receive all payments on the loans to our consolidated special purpose entity, after which we transfer our beneficial interest in Trusts and the loans to a securitization trust. The securitization trust meets the definition of a QSPE and is therefore not consolidated. The securitization trust issues bonds, which are supported by the cash flows from the pooled loans, to third-party investors. We retain an interest in the loans in the form of a residual interest and, therefore, usually assume the first risk of loss for credit losses in the loan pool. As the cash flows of the underlying loans and market conditions change, the value of our residual interests may also change, resulting in potential write-ups or impairment of our residual interests.

At the settlement of each securitization, we record cash received and our residual interests. Additionally, we reverse the beneficial interest in Trusts. These residual interests are classified as trading securities. See Item 8, note 1 to our consolidated financial statements for our methodology used in valuing our residual interests.

To accelerate the cash flows from our residual interests, we securitize the majority of our residual interests in net interest margin ("NIM") transactions. In a NIM transaction, the residual interests are transferred to another QSPE ("NIM trust"), which then issues bonds to third-party investors. The proceeds from the bonds are returned to us as payment for the residual interests. The bonds are secured by the pooled residual interests and are obligations of the NIM trust. We retain a subordinated interest in the NIM trust, and receive cash flows on our residual interest generally after the NIM bonds issued to the third-party investors are paid in full.

At the settlement of each NIM transaction, we remove the residual interests sold from our consolidated balance sheet and record the cash received and the new residual interest retained.

These residual interests are classified as available-for-sale securities.

Residual interests retained from NIM securitizations may also be sold in a subsequent securitization or sale transaction.

Loans totaling $6.7 billion and $3.2 billion were held by the Trusts as of April 30, 2005 and 2004, respectively, and were not recorded on our consolidated balance sheets.

In connection with the sale of mortgage loans, we provide certain representations and warranties allowing the purchaser the option of returning the purchased loans to us under certain conditions. We may recognize losses as a result of the repurchase of loans under these arrangements. We maintain reserves for the repurchase of loans based on historical trends. See Item 8, note 17 to our consolidated financial statements.

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

Provisions in the first exposure draft, as well as tentative decisions reached by the FASB during its deliberations, may require us to consolidate our current QSPEs (the Trusts) established in our Mortgage Services segment. As of April 30, 2005, the Trusts had both assets and liabilities of $6.7 billion. The provisions of the exposure draft are subject to FASB due process and are subject to change. We will continue to monitor the status of the exposure draft, and consider changes, if any, to current structures as a result of the proposed rules.

COMMERCIAL PAPER ISSUANCE

We participate in the U.S. and Canadian commercial paper ("CP") markets to meet daily cash needs and fund mortgage loans. CP is issued by BFC and Block Canada, wholly-owned subsidiaries of the Company. The following chart provides the debt ratings for BFC as of April 30, 2005 and 2004:

	Short-term	Long-term
Fitch	F1	A
Moody's	P2	A3
S&P	A2	BBB+

The following chart provides the debt ratings for Block Canada as of April 30, 2005 and 2004:

	Short-term	Corporate	Trend
DBRS	R-1 (low)	A	Stable
Moody's	P2		

We use capital primarily to fund working capital requirements, pay dividends, repurchase our shares and acquire businesses. Commercial paper borrowings peaked at $2.1 billion in February 2005 related to funding of our participation interests in RALs. No CP was outstanding at April 30, 2005 or 2004.

U.S. CP issuances are supported by unsecured committed lines of credit ("CLOCs"). During fiscal year 2005, we replaced our single $2.0 billion CLOC with two $1.0 billion CLOCs. The two CLOCs are from a consortium of thirty-one banks. The first $1.0 billion CLOC is subject to annual renewal in August 2005, has a one-year term-out provision with a maturity date in August 2006 and has an annual facility fee of ten basis points per annum. The second $1.0 billion CLOC has a maturity date of August 2009 and has an annual facility fee of twelve basis points per annum. These lines are subject to various affirmative and negative covenants, including a minimum net worth covenant.

An additional line of credit of $750.0 million was put into place for the period of January 26 to February 25, 2005 as an alternative to CP issuance during the peak RAL season. This line is subject to various covenants, substantially similar to the primary CLOCs.

These CLOCs were undrawn at April 30, 2005. There are no rating contingencies under the CLOCs.

The Canadian issuances are supported by a credit facility provided by one bank in an amount not to exceed $125.0 million (Canadian). The Canadian CLOC is subject to annual renewal in December 2005. This CLOC was undrawn at April 30, 2005.

We believe the CP market to be stable. Risks to the stability of our CP market participation would be a short-term rating downgrade, adverse changes in our financial performance, non-renewal or termination of the CLOCs, adverse publicity and operational risk within the CP market. We believe if any of these events were to occur, the CLOCs, to the extent available, could be used for an orderly exit from the CP market, though at a higher cost to us. Additionally, we could turn to other sources of liquidity, including cash, debt issuance under the existing shelf registration and asset sales or securitizations.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

A summary of our obligations to make future payments as of April 30, 2005 is as follows:

(in 000s)

	Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Debt	$ 897,046	$ 45	$ 498,916	$ 91	$ 397,994
Long-term obligation to government	213,360	106,680	106,680	–	–
Acquisition payments	38,022	25,159	12,863	–	–
Pension obligation assumed	15,929	2,625	4,545	3,698	5,061
Capital lease obligation	13,550	341	730	997	11,482
Operating leases	708,611	229,768	313,264	124,945	40,634
Total contractual cash obligations	$ 1,886,518	$ 364,618	$ 936,998	$ 129,731	$ 455,171

In October 2004, we issued $400.0 million of 5.125% Senior Notes, due 2014. The Senior Notes are not redeemable by the bondholders prior to maturity. The net proceeds of this transaction were used to repay the $250.0 million in 6¾% Senior Notes, which were due November 1, 2004. The remaining proceeds were used for working capital, capital expenditures, repayment of other debt and other general corporate purposes.

In April 2000, we issued $500.0 million of 8½% Senior Notes, due 2007. The Senior Notes are not redeemable prior to maturity. The net proceeds of this transaction were used to repay a portion of the short-term borrowings that initially funded the acquisition of OLDE.

Future payments related to Business Services acquisitions and capital lease obligations are included in long-term debt on our consolidated balance sheets. Our debt to total capital ratio was 32.4% at April 30, 2005, compared with 31.1% at April 30, 2004.

As of April 30, 2005, we had $850.0 million remaining under our shelf registration available for additional debt issuance.

In connection with our acquisition of the non-attest assets of M&P in August 1999, we assumed certain pension liabilities related to M&P's retired partners. We make payments in varying amounts on a monthly basis, which are included in other noncurrent liabilities.

Operating leases, although requiring future cash payments, are not included in our consolidated balance sheets.

A summary of our commitments as of April 30, 2005, which may or may not require future payments, expire as follows:

(in 000s)

	Total	Less Than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Commitments to fund mortgage loans	$ 3,931,926	$ 3,931,926	$ –	$ –	$ –
Commitments to sell mortgage loans	8,707,000	8,707,000	–	–	–
Pledged securities	44,609	44,609	–	–	–
Commitment to fund M&P	75,000	75,000	–	–	–
Franchise Equity Lines of Credit	68,949	20,122	20,476	28,351	–
Mortgage loan repurchase obligations	41,233	41,233	–	–	–
Construction of new building	143,116	103,505	39,611	–	–
Other commercial commitments	8,219	5,221	2,500	458	40
Total commercial commitments	$ 13,020,052	$ 12,928,616	$ 62,587	$ 28,809	$ 40

See discussion of commitments in Item 8, note 17 to our consolidated financial statements.

REGULATORY ENVIRONMENT

The U.S., various state, local, provincial and foreign governments and some self-regulatory organizations have enacted statutes and ordinances, and/or adopted rules and regulations, regulating aspects of our business. These aspects include, but are not limited to, commercial income tax return preparers, income tax courses, the electronic filing of income tax returns, the

facilitation of RALs, loan originations and assistance in loan originations, mortgage lending, privacy, consumer protection, franchising, sales methods, brokers, broker-dealers and various aspects of securities transactions, financial planners, investment advisors, accountants and the accounting practice. We seek to determine the applicability of such statutes, ordinances, rules and regulations (collectively, "Laws") and comply with those Laws.

From time to time in the ordinary course of business, we receive inquiries from governmental and self-regulatory agencies regarding the applicability of Laws to our services and products. In response to past inquiries, we have agreed to comply with such Laws, convinced the authorities that such Laws were not applicable or that compliance already exists, and/or modified our activities in the applicable jurisdiction to avoid the application of all or certain parts of such Laws. We believe that the past resolution of such inquiries and our ongoing compliance with Laws have not had a material adverse effect on our consolidated financial statements. We cannot predict what effect future Laws, changes in interpretations of existing Laws, or the results of future regulator inquiries with respect to the applicability of Laws may have on our consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

See Item 8, note 1 to our consolidated financial statements for a discussion of recently issued accounting pronouncements.

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, by excluding certain items that do not represent results from our basic operations. 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.

Origination Margin (in 000s)

Year Ended April 30,	2005	Restated 2004	Restated 2003
Total expenses	$ 749,925	$ 635,186	$ 493,756
Add: Expenses netted against gain on sale revenues	378,304	267,780	162,332
Less:			
Cost of services	221,300	193,018	141,419
Cost of acquisition	169,621	114,707	59,637
Allocated support departments	24,161	21,124	7,630
Other	20,323	31,378	28,238
	$ 692,824	$ 542,739	$ 419,164
Divided by origination volume	$ 31,001,724	$ 23,256,013	$ 16,577,621
Total cost of origination	2.23%	2.33%	2.53%

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

GENERAL

INTEREST RATE RISK ... We have established a formal investment policy to help minimize the market risk exposure of our cash equivalents and available-for-sale securities, which are primarily affected by credit quality and movements in interest rates. These guidelines focus on managing liquidity and preserving principal and earnings. Most of our interest rate-sensitive assets and liabilities are managed at the subsidiary level.

Our cash equivalents are primarily held for liquidity purposes and are comprised of high quality, short-term investments, including qualified money market funds. As of April 30, 2005, our non-restricted cash and cash equivalents had an average maturity

of less than three months with an average credit quality of AAA. With such a short maturity, our portfolio's market value is relatively insensitive to interest rate changes. We hold investments in fixed income securities at our captive insurance subsidiary. See the table below for sensitivities to changes in interest rates. See additional discussion of interest rate risk included below in Mortgage Services and Investment Services.

At April 30, 2005, no commercial paper was outstanding. For fiscal year 2005, the average issuance term was 29 days and the average outstanding balance was $388.2 million. As commercial paper and bank borrowings are seasonal, interest rate risk typically increases through our third fiscal quarter and declines to zero by fiscal year-end. See Item 7, "Financial Condition" for additional information.

Our current portion of long-term debt and long-term debt at April 30, 2005 consists primarily of fixed-rate Senior Notes; therefore, a change in interest rates would have no impact on consolidated pretax earnings. See Item 8, note 10 to our consolidated financial statements.

EQUITY PRICE RISK ... We have exposure to the equity markets in several ways. The largest exposures are through our deferred compensation plans and equity investments at our captive insurance subsidiary. Within the deferred compensation plans we have mismatches in asset and liability amounts and investment choices (both fixed-income and equity). At April 30, 2005 and 2004, the impact of a 10% market value change in the combined equity assets held by our deferred compensation plans and our captive insurance subsidiary would be approximately $9.3 million and $8.9 million, respectively, assuming no offset for the liabilities.

TAX SERVICES

FOREIGN EXCHANGE RATE RISK ... Our operations in international markets are exposed to movements in currency exchange rates. The currencies involved are the Canadian dollar, the Australian dollar and the British pound. We translate revenues and expenses related to these operations at the average of exchange rates in effect during the period. Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates prevailing at the end of the year. Translation adjustments are recorded as a separate component of other comprehensive income in stockholders' equity. Translation of financial results into U.S. dollars does not presently materially affect, and has not historically materially affected, our consolidated financial results, although such changes do affect the year-to-year comparability of the operating results in U.S. dollars of our international businesses. We estimate a 10% change in foreign exchange rates by itself would impact consolidated pretax income in fiscal years 2005 and 2004 by approximately $1.3 million and cash balances at April 30, 2005 and 2004 by $4.7 million and $6.1 million, respectively.

MORTGAGE SERVICES

INTEREST RATE RISK – PRIME ORIGINATIONS ... We regularly enter into rate-lock commitments with our customers to fund prime mortgage loans within specified periods of time. The fair value of rate-lock commitments is calculated based on the current market pricing of short sales of FNMA, FHLMC and GNMA mortgage-backed securities and the coupon rates of the eligible loans. At April 30, 2005, we recorded an asset of $0.8 million related to rate-lock commitments.

We sell short FNMA, FHLMC and GNMA mortgage-backed securities to reduce the risk related to our prime commitments to fund fixed-rate prime loans. The position on certain, or all, of the fixed-rate mortgage loans is closed approximately 10-15 days prior to standard Public Securities Association ("PSA") settlement dates. At April 30, 2005 we recorded a liability of $0.8 million related to these instruments.

To finance our prime originations, we use a warehouse facility with capacity up to $25 million, which bears interest at one-month LIBOR plus 140 to 200 basis points. As of April 30, 2005, the balance outstanding under this facility was $4.4 million.

INTEREST RATE RISK – NON-PRIME ORIGINATIONS ... Interest rate changes impact the value of the loans in our origination pipeline, the beneficial interest in Trusts and forward loan sale commitments.

We are exposed to interest rate risk associated with loans in our origination pipeline, consisting of fixed-and adjustable-rate loans, which are generally sold through whole loan sales or securitizations. We have binding and non-binding commitments to fund mortgage loans of $0.9 billion and $3.0 billion, respectively, at April 30, 2005, subject to conditions and loan contract verification. Of these commitments, we estimate only $2.0 billion will likely be originated.

As a result of whole loan sales to the Trusts, we remove the mortgage loans from our balance sheet and record the gain on sale, cash and a beneficial interest in Trusts, which represents the ultimate expected outcome from the disposition of the loans. See Item 7, "Off-Balance Sheet Financing Arrangements." At April 30, 2005, there were $6.7 billion of loans held in the Trusts and the value of our beneficial interest in Trusts was $215.4 million. Changes in interest rates and other market factors may result in a change in value of our beneficial interest in Trusts.

We use forward loan sale commitments to reduce risk associated with loans in the pipeline. These commitments, which represent an obligation to sell a non-prime loan at a specific price in the future, increase in value as interest rates rise and decrease as rates fall. At April 30, 2005, there were $8.7 billion in forward

loan sale commitments, and most of them give us the option to under- or over-deliver by five to ten percent. Forward loan sale commitments for non-prime loans are not considered derivative instruments and are therefore not recorded in our financial statements. Forward loan sale commitments lock in the execution price on the loans that will ultimately be delivered into a whole loan sale. With $8.7 billion of forward loan sale commitments at April 30, 2005 (and the option to adjust the commitment amount to between $7.8 billion and $9.6 billion), net of pipeline loans estimated at $2.0 billion and the anticipated sale of $6.7 billion in loans by the Trusts, we believe changes in interest rates will not have a material impact on the gains or losses we record on our commitments to fund and sell mortgage loans.

We use interest rate swaps to reduce interest rate risk associated with non-prime loans. We generally enter into interest rate swap arrangements related to existing loan applications with rate-lock commitments and, beginning at the end of our second quarter, for rate-lock commitments we expect to make in the next 30 days. Interest rate swaps represent an agreement to exchange interest rate payments, effectively converting our fixed financing costs into a floating rate. These contracts increase in value as rates rise and decrease in value as rates fall. At April 30, 2005, we had a liability of $1.3 million on our balance sheet related to interest rate swaps. See table below for sensitivities to changes in interest rates for swaps.

DELIVERY RISK ... We have exposure to delivery risk in our non-prime origination operations, which regularly enter into forward loan sale commitments prior to loans being originated. It is possible that we will be unable to originate the loans or that the loans originated will not meet the required characteristics of the forward loan sale commitments. Several remedies are available, although use of the remedies could reduce the execution price or the effectiveness of the forward loan sale commitment in reducing interest rate risk.

RESIDUAL INTERESTS ... Relative to modeled assumptions, an increase or decrease in interest rates would impact the value of our residual interests and could affect accretion income related to 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 on-going risk that the floating interest rate earned on the mortgage loans is different from the floating interest rate on the bonds sold in the securitization.

We enter into interest rate caps 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 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 is based on LIBOR. At April 30, 2005 we recorded an asset totaling $12.5 million related to interest rate caps.

See table below for sensitivities to changes in interest rates for residual interests and caps. See Item 8, note 6 to the consolidated financial statements for additional analysis of interest rate risk and other financial risks impacting residual interests.

It is our policy to use derivative instruments only for the purpose of offsetting or reducing the risk of loss associated with a defined or quantified exposure.

MORTGAGE SERVICING RIGHTS ... Declining interest rates may cause increased refinancing activity, which reduces the life of the loans underlying the residual interests and MSRs, thereby reducing their fair value. The fair value of MSRs generally increases in a rising rate environment, although MSRs are recorded at the lower of cost or market value. Reductions in the fair value of these assets impact earnings through impairment charges. See Item 8, note 6 to our consolidated financial statements for further sensitivity analysis of other MSR valuation assumptions.

INVESTMENT SERVICES

INTEREST RATE RISK ... HRBFA holds interest bearing receivables from customers, brokers, dealers and clearing organizations, which consist primarily of amounts due on margin transactions and are generally short-term in nature. We fund these short-term assets with short-term variable rate liabilities from customers, brokers and dealers, including stock loan activity. Although there may be differences in the timing of the re-pricing related to these assets and liabilities, we believe we are not significantly exposed to interest rate risk in this area. As a result, any change in interest rates would not materially impact our consolidated earnings.

Our fixed-income trading portfolio is affected by changes in market rates and prices. The risk is the loss of income arising from adverse changes in the value of the trading portfolio. We value the trading portfolio at quoted market prices and the market value of our trading portfolio at April 30, 2005 was approximately $6.3 million, net of $4.8 million in securities sold short. See table below for sensitivities to changes in interest rates. With respect to our fixed-income securities portfolio, we manage our market price risk exposure by limiting concentration risk, maintaining minimum credit quality and limiting inventory to anticipated retail demand and current market conditions.

The sensitivities of certain financial instruments to changes in interest rates as of April 30, 2005 and 2004 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)

	Fair Value at April 30, 2005	Basis Point Change						
		- 200	- 100	- 50	+ 50	+ 100	+ 200	+ 300
Residual interests in securitizations – available-for-sale	**$ 205,936**	**$ 84,845**	**$ 30,417**	**$ 13,637**	**$ (13,520)**	**$ (28,174)**	**$ (51,466)**	**$ (75,296)**
Interest rate caps	**12,458**	**–**	**205**	**4,580**	**20,746**	**29,262**	**46,751**	**64,195**
Investments at captive insurance subsidiary	**9,968**	**1,079**	**522**	**256**	**(248)**	**(487)**	**(942)**	**(1,368)**
Fixed income – trading (net)	**6,252**	**1,958**	**893**	**426**	**(390)**	**(749)**	**(1,383)**	**(1,921)**
Interest rate swaps	**(1,325)**	**(84,723)**	**(43,024)**	**(19,524)**	**19,524**	**43,024**	**84,723**	**123,771**

	Fair Value at April 30, 2004	Basis Point Change				
		- 50	+ 50	+ 100	+ 200	+ 300
Residual interests in securitizations – available-for-sale	$ 210,973	$ 45,449	$ (18,563)	$ (32,709)	$ (46,527)	$ (48,090)
Investments at captive insurance subsidiary	44,667	1,079	(1,069)	(1,591)	(3,146)	(4,667)
Fixed income – trading (net)	13,639	677	(637)	(1,228)	(2,271)	(3,164)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DISCUSSION OF FINANCIAL RESPONSIBILITY ...

We at H&R Block are guided by our core values of client focus, integrity, excellence, respect and teamwork. These values govern the manner in which we serve clients and each other, and are embedded in the execution and delivery of our responsibilities to our shareholders. H&R Block's Management is responsible for the integrity and objectivity of the information contained in this document. Management is responsible for the consistency of reporting this information and for ensuring that accounting principles generally accepted in the United States are used. In discharging this responsibility, Management maintains an extensive program of internal audits and require the management teams of our individual subsidiaries to certify their respective financial information. Our system of internal control over financial reporting also includes formal policies and procedures, including a Code of Business Ethics and Conduct program designed to encourage and assist all employees and directors in living up to high standards of integrity.

The Audit Committee of the Board of Directors, composed solely of outside and independent directors, meets periodically with management, the independent auditors and the chief internal auditor to review matters relating to our financial statements, internal audit activities, internal accounting controls and non-audit services provided by the independent auditors. The independent auditors and the chief internal auditor have full access to the Audit Committee and meet, both with and without management present, to discuss the scope and results of their audits, including internal control, audit and financial matters.

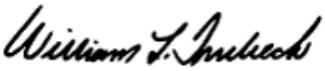
KPMG LLP audited our 2005 and 2004 consolidated financial statements and PricewaterhouseCoopers LLP audited our 2003 consolidated financial statements. Their audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (U.S.).

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ...

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as of April 30, 2005.

Based on our assessment, management determined that a material weakness existed in the Company's internal controls over accounting for income taxes as of April 30, 2005. Specifically, the Company did not maintain sufficient resources in the corporate tax function to accurately identify, evaluate and report, in a timely manner, non-routine and complex transactions. In addition, the Company had not completed the requisite historical analysis and related reconciliations to ensure tax balances were appropriately stated prior to the completion of the Company's internal control activities. These deficiencies resulted in errors in the Company's accounting for income taxes. These errors were corrected prior to issuance of the consolidated financial statements as of and for the year ended April 30, 2005. In the aggregate, these deficiencies represent a material weakness in internal control over financial reporting on the basis that there is a more than remote likelihood that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected by its internal control over financial reporting. Because of this material weakness in internal control over financial reporting, management concluded that, as of April 30, 2005, the Company's internal control over financial reporting was not effective based on the criteria set forth by COSO.

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



William L. Trubeck
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ...

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

We have audited the accompanying consolidated balance sheets of H&R Block, Inc. and its subsidiaries (the Company) as of April 30, 2005 and 2004, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended April 30, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of H&R Block, Inc. and its subsidiaries as of April 30, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the two-year period ended April 30, 2005, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting to adopt Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," and Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" during the year ended April 30, 2004.

As discussed in Note 2 to the consolidated financial statements, the Company restated its financial statements for its fiscal year ended April 30, 2004.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of April 30, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the

Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated July 29, 2005 expressed an unqualified opinion on management's assessment of, and an adverse opinion on the effective operation of, internal control over financial reporting.

KPMG LLP
Kansas City, Missouri
July 29, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM …

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

We have audited management's assessment, included in the accompanying *Management's Report On Internal Control Over Financial Reporting (Item 9A(b)),* that H&R Block, Inc. and subsidiaries (the Company) did not maintain effective internal control over financial reporting as of April 30, 2005, because of the effect of the material weakness identified in management's assessment that the Company's controls and procedures over accounting for income taxes were ineffective, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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 principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment: The Company did not maintain sufficient resources in the corporate tax function to accurately identify, evaluate and report, in a timely manner, nonroutine and complex transactions. In addition, the Company had not completed the requisite historical analysis and related reconciliations to ensure tax balances were appropriately stated prior to the completion of the Company's internal control activities. These deficiencies resulted in errors in the Company's accounting for income taxes. Because of these deficiencies, there is more than a remote likelihood that a material misstatement in the Company's annual or interim financial statements due to errors in accounting for income taxes could occur and not be prevented or detected by its internal control over financial reporting.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of H&R Block, Inc. and subsidiaries as of April 30, 2005 and 2004, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended April 30, 2005. The aforementioned material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the fiscal year 2005 consolidated financial statements, and this report does not affect our report dated July 29, 2005, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, management's assessment that H&R Block, Inc. and subsidiaries did not maintain effective internal control over financial reporting as of April 30, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of April 30, 2005, based on criteria established in *Internal Control – Integrated Framework issued* by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

KPMG LLP
Kansas City, Missouri
July 29, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM …

To the Board of Directors and Shareholders of H&R Block, Inc.:

In our opinion, the accompanying consolidated statements of income and comprehensive income, of cash flows and of stockholders' equity present fairly, in all material respects, the results of operations and cash flows of H&R Block, Inc. and its subsidiaries (the "Company") for the year ended April 30, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the financial statements have been restated for the year ended April 30, 2003.

PricewaterhouseCoopers LLP
June 10, 2003, except for Note 2
as to which the date is July 29, 2005
Kansas City, Missouri

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Amounts in 000s, except per share amounts)

Year ended April 30,	2005	Restated(1) 2004	Restated(1) 2003
REVENUES ...			
Service revenues	**$ 2,920,586**	$ 2,639,367	$ 2,295,936
Other revenues:			
Gains on sales of mortgage assets, net	**822,075**	918,297	827,127
Product and other revenues	**478,443**	460,421	412,995
Interest income	**198,915**	229,795	195,068
	4,420,019	4,247,880	3,731,126
OPERATING EXPENSES ...			
Cost of service revenues	**1,999,220**	1,794,501	1,625,937
Cost of other revenues	**416,421**	380,365	300,749
Impairment of goodwill	**–**	–	122,251
Selling, general and administrative	**952,125**	848,675	760,864
	3,367,766	3,023,541	2,809,801
Operating income	**1,052,253**	1,224,339	921,325
Interest expense	**62,367**	71,218	76,723
Other income, net	**27,829**	9,854	10,962
Income before taxes	**1,017,715**	1,162,975	855,564
Income taxes	**381,858**	447,367	377,949
Net income before change in accounting principle	**635,857**	715,608	477,615
Cumulative effect of change in accounting principle for multiple deliverable revenue arrangements, less tax benefit of $4,031	**–**	(6,359)	–
NET INCOME	**$ 635,857**	$ 709,249	$ 477,615
BASIC EARNINGS PER SHARE ...			
Before change in accounting principle	**$ 3.83**	$ 4.04	$ 2.66
Cumulative effect of change in accounting principle	**–**	(.03)	–
Net income	**$ 3.83**	$ 4.01	$ 2.66
DILUTED EARNINGS PER SHARE ...			
Before change in accounting principle	**$ 3.77**	$ 3.96	$ 2.59
Cumulative effect of change in accounting principle	**–**	(.04)	–
Net income	**$ 3.77**	$ 3.92	$ 2.59
COMPREHENSIVE INCOME ...			
Net income	**$ 635,857**	$ 709,249	$ 477,615
Unrealized gains on securities, net of taxes:			
Unrealized holding gains arising during the period, less taxes of $36,670, $64,174, and $70,983	**59,409**	103,886	114,885
Reclassification adjustment for gains included in income, less taxes of $40,661, $67,561 and $72,370	**(65,848)**	(109,385)	(117,073)
Change in foreign currency translation adjustments	**8,946**	12,355	17,415
	$ 638,364	$ 716,105	$ 492,842

See accompanying notes to consolidated financial statements.

(1) See note 2.

CONSOLIDATED BALANCE SHEETS

(Amounts in 000s, except share and per share amounts)

April 30,	2005	Restated(1) 2004
ASSETS		
CURRENT ASSETS …		
Cash and cash equivalents	$ 1,100,213	$ 1,072,745
Cash and cash equivalents – restricted	516,909	545,428
Receivables from customers, brokers, dealers and clearing organizations, less allowance for doubtful accounts of $1,151 and $1,103	590,226	625,076
Receivables, less allowance for doubtful accounts of $38,879 and $53,418	418,788	329,219
Prepaid expenses and other current assets	444,498	381,024
Total current assets	3,070,634	2,953,492
Residual interests in securitizations – available-for-sale	205,936	210,973
Beneficial interest in Trusts – trading	215,367	153,818
Mortgage servicing rights	166,614	113,821
Property and equipment, net	330,150	273,303
Intangible assets, net	247,092	293,477
Goodwill, net	1,015,947	993,467
Other assets	287,543	240,381
Total assets	$ 5,539,283	$ 5,232,732
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES …		
Current portion of long-term debt	$ 25,545	$ 275,669
Accounts payable to customers, brokers and dealers	950,684	1,065,793
Accounts payable, accrued expenses and other	564,749	461,640
Accrued salaries, wages and payroll taxes	318,644	280,367
Accrued income taxes	349,298	413,868
Total current liabilities	2,208,920	2,497,337
Long-term debt	923,073	545,811
Other noncurrent liabilities	430,919	369,769
Total liabilities	3,562,912	3,412,917
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY …		
Common stock, no par, stated value $.01 per share, 800,000,000 shares authorized, 217,945,398 shares issued at April 30, 2005 and 2004	2,179	2,179
Convertible preferred stock, no par, stated value $.01 per share, 500,000 shares authorized	–	–
Additional paid-in capital	600,568	545,065
Accumulated other comprehensive income	68,718	66,211
Retained earnings	3,188,785	2,695,916
Less treasury shares, at cost	(1,883,879)	(1,489,556)
Total stockholders' equity	1,976,371	1,819,815
Total liabilities and stockholders' equity	$ 5,539,283	$ 5,232,732

See accompanying notes to consolidated financial statements.

(1) See note 2.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in 000s)

Year Ended April 30,	2005	Restated(1) 2004	Restated(1) 2003
CASH FLOWS FROM OPERATING ACTIVITIES ...			
Net income	$ 635,857	$ 709,249	$ 477,615
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	183,867	179,131	169,092
Provision for bad debt	52,221	53,663	49,748
Provision for deferred taxes on income	(42,345)	(986)	(29,944)
Accretion of residual interests in securitizations	(137,610)	(186,466)	(146,343)
Impairment of residual interests in securitizations	12,235	26,063	54,111
Realized gain on sale of previously securitized residual interests	(15,396)	(40,689)	(93,307)
Additions to trading securities – residual interests in securitizations	(115,657)	(327,996)	(542,544)
Proceeds from net interest margin transactions	98,743	310,358	541,791
Additions to mortgage servicing rights	(137,510)	(84,274)	(65,345)
Amortization of mortgage servicing rights	84,191	69,718	47,107
Net change in beneficial interest in Trusts	(61,549)	(17,222)	(84,655)
Impairment of goodwill	–	–	122,251
Tax benefit from stock option exercises	10,961	23,957	37,304
Stock-based compensation	44,139	25,718	2,079
Cumulative effect of change in accounting principle	–	6,359	–
Changes in assets and liabilities, net of acquisitions:			
Cash and cash equivalents – restricted	28,519	(107,186)	(286,069)
Receivables for customers, brokers dealers and clearing organizations	33,892	(108,846)	326,824
Receivables	(121,177)	26,294	(72,423)
Mortgage loans held for sale:			
Originations and purchases	(31,003,456)	(23,255,483)	(17,827,828)
Sales and principal repayments	30,990,566	23,246,815	17,837,323
Prepaid expenses and other current assets	(53,858)	26,978	43,818
Accounts payable to customers, brokers and dealers	(115,109)	203,099	(40,507)
Accounts payable, accrued expenses and other	113,419	(104,563)	60,454
Accrued salaries, wages and payroll taxes	38,277	70,521	(42,911)
Accrued income taxes	(29,906)	93,770	111,822
Other, net	20,479	14,481	40,272
Net cash provided by operating activities	513,793	852,463	689,735
CASH FLOWS FROM INVESTING ACTIVITIES ...			
Available-for-sale securities:			
Purchases of available-for-sale securities	(10,175)	(11,434)	(14,614)
Cash received from residual interests in securitizations	136,045	193,606	140,795
Cash proceeds from sale of previously securitized residuals	16,485	53,391	142,486
Sales of other available-for-sale securities	9,752	15,410	14,081
Purchases of property and equipment, net	(209,458)	(123,826)	(148,706)
Payments made for business acquisitions, net of cash acquired	(37,621)	(280,865)	(26,408)
Other, net	36,562	26,332	19,895
Net cash provided by (used in) investing activities	(58,410)	(127,386)	127,529
CASH FLOWS FROM FINANCING ACTIVITIES ...			
Repayments of commercial paper	(5,191,623)	(4,618,853)	(9,925,516)
Proceeds from issuance of commercial paper	5,191,623	4,618,853	9,925,516
Repayments of Senior Notes	(250,000)	–	–
Proceeds from issuance of Senior Notes	395,221	–	–
Payments on acquisition debt	(25,664)	(59,003)	(57,469)
Dividends paid	(142,988)	(138,397)	(125,898)
Acquisition of treasury shares	(530,022)	(519,862)	(317,570)
Proceeds from issuance of common stock	136,102	119,956	126,325
Other, net	(10,564)	31,681	(2,572)
Net cash used in financing activities	(427,915)	(565,625)	(377,184)
Net increase in cash and cash equivalents	27,468	159,452	440,080
Cash and cash equivalents at beginning of the year	1,072,745	913,293	473,213
Cash and cash equivalents at end of the year	$ 1,100,213	$ 1,072,745	$ 913,293

See accompanying notes to consolidated financial statements.

(1) See note 2.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(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, 2002 (1)	217,945	$2,179	–	$ –	$ 468,052	$ 44,128	$ 1,767,702	(36,820)	$ (912,641)	$ 1,369,420
Prior year adjustment (2)	–	–	–	–	–	–	5,645	–	–	5,645
Balances at April 30, 2002 (2)	217,945	2,179	–	–	468,052	44,128	1,773,347	(36,820)	(912,641)	1,375,065
Net income (2)	–	–	–	–	–	–	477,615	–	–	477,615
Unrealized translation gain	–	–	–	–	–	17,415	–	–	–	17,415
Change in net unrealized gain on marketable securities (2)	–	–	–	–	–	(2,188)	–	–	–	(2,188)
Shares issued for:										
Stock options	–	–	–	–	27,241	–	–	5,070	135,409	162,650
Restricted shares	–	–	–	–	5	–	–	(64)	(1,306)	(1,301)
ESPP	–	–	–	–	1,095	–	–	94	2,515	3,610
Acquisition of treasury shares	–	–	–	–	–	–	–	(6,624)	(317,570)	(317,570)
Cash dividends paid – $.70 per share	–	–	–	–	–	–	(125,898)	–	–	(125,898)
Balances at April 30, 2003 (2)	217,945	2,179	–	–	496,393	59,355	2,125,064	(38,344)	(1,093,593)	1,589,398
Net income (2)	–	–	–	–	–	–	709,249	–	–	709,249
Unrealized translation gain	–	–	–	–	–	12,355	–	–	–	12,355
Change in net unrealized gain on marketable securities (2)	–	–	–	–	–	(5,499)	–	–	–	(5,499)
Stock-based compensation expense	–	–	–	–	25,718	–	–	–	–	25,718
Shares issued for:										
Stock options	–	–	–	–	21,585	–	–	3,928	117,975	139,560
Restricted shares	–	–	–	–	385	–	–	72	2,103	2,488
ESPP	–	–	–	–	984	–	–	127	3,821	4,805
Acquisition of treasury shares	–	–	–	–	–	–	–	(10,633)	(519,862)	(519,862)
Cash dividends paid – $.78 per share	–	–	–	–	–	–	(138,397)	–	–	(138,397)
Balances at April 30, 2004 (2)	217,945	2,179	–	–	545,065	66,211	2,695,916	(44,850)	(1,489,556)	1,819,815
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**635,857**	**–**	**–**	**635,857**
Unrealized translation gain	–	–	–	–	–	**8,946**	–	–	–	**8,946**
Change in net unrealized gain on marketable securities	–	–	–	–	–	**(6,439)**	–	–	–	**(6,439)**
Stock-based compensation expense	–	–	–	–	**44,139**	–	–	–	–	**44,139**
Shares issued for:										
Stock options	–	–	–	–	**15,892**	–	–	**3,479**	**124,263**	**140,155**
Restricted shares	–	–	–	–	**(5,718)**	–	–	**176**	**6,098**	**380**
ESPP	–	–	–	–	**1,190**	–	–	**151**	**5,338**	**6,528**
Acquisition of treasury shares	–	–	–	–	–	–	–	**(11,281)**	**(530,022)**	**(530,022)**
Cash dividends paid – $.86 per share	–	–	–	–	–	–	**(142,988)**	–	–	**(142,988)**
Balances at										

April 30, 2005	**217,945**	**$ 2,179**	**–**	**$ –**	**$ 600,568**	**$ 68,718**	**$ 3,188,785**	**(52,325)**	**$ (1,883,879)**	**$ 1,976,371**

See accompanying notes to consolidated financial statements.

(1) As previously reported.
(2) As restated, see note 2.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS ... Our operating subsidiaries provide a variety of financial services to the general public, principally in the U.S. Specifically, we offer tax return preparation; origination, sale and servicing of non-prime and prime mortgages; investment services through a broker-dealer; tax preparation and related software; refund anticipation loans offered by a third-party lending institution; and accounting, tax and consulting services to business clients. Tax preparation services are also provided in Canada, Australia and the United Kingdom.

PRINCIPLES OF CONSOLIDATION ... The consolidated financial statements include the accounts of the Company and our wholly-owned and majority-owned subsidiaries. All material intercompany transactions and balances have been eliminated.

Some of our subsidiaries operate in regulated industries, and their underlying accounting records reflect the policies and requirements of these industries.

RECLASSIFICATIONS ... Certain reclassifications have been made to prior year amounts to conform to the current year presentation. The previously reported International Tax Operations segment has been aggregated with U.S. Tax Operations in the Tax Services segment.

We have modified our income statement to present aggregate costs related to our revenue categories, rather than presenting operating expenses by their natural classification. All direct costs, both fixed and variable, of revenues are included in these categories.

We reclassified $167.7 million and $103.3 million for fiscal years 2004 and 2003, respectively, from interest income to gain on sale, representing excess cash received from our beneficial interest in Trusts. The beneficial interest in Trusts is reported at fair value at each balance sheet date. Changes in its fair value are included in current period earnings. The excess cash received together with the and mark-to-market adjustment for each period have been classified as gain on sale of mortgage loans. We also increased gains on sales of mortgage for fiscal years 2004 and 2003, related to the reclassification of certain compensation and benefits expenses previously presented net in revenues.

Deferred taxes and taxes payable have been reclassified for a change in method of income tax reporting we initiated during fiscal year 2004 resulting in a decrease to total assets and liabilities of $101.3 million at April 30, 2004.

These reclassifications had no effect on the results of operations or stockholders' equity as previously reported. Adjustments related to the restatement of previously issued financial statements are detailed in note 2.

MANAGEMENT ESTIMATES ... 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.

CASH AND CASH EQUIVALENTS ... Cash and cash equivalents include cash on hand, cash due from banks and securities purchased under agreements to resell. For purposes of the consolidated balance sheets and consolidated statements of cash flows, all non-restricted highly liquid instruments purchased with an original maturity of three months or less are considered to be cash equivalents. Book overdrafts included in accounts payable totaled $92.7 million and $104.8 million at April 30, 2005 and 2004, respectively.

Our broker-dealer purchases securities under agreements to resell and accounts for them as collateralized financings. The securities are carried at the amounts at which the securities will be subsequently resold, as specified in the respective agreements. It is our policy to take possession of securities, subject to resale agreements. The securities are revalued daily and collateral added whenever necessary to bring market value of the underlying collateral to a level equal to or greater than the repurchase amount specified in the contracts.

CASH AND CASH EQUIVALENTS – RESTRICTED ... Cash and cash equivalents – restricted consists primarily of securities purchased under agreements to resell and cash which has been segregated in a special reserve account for the exclusive benefit of customers pursuant to federal regulations under Rule 15c3-3 of the Securities Exchange Act of 1934. Also included are cash balances held for outstanding commitments to fund mortgage loans and funds held to pay payroll taxes on behalf of customers.

MARKETABLE SECURITIES – TRADING ... Certain marketable debt securities held by our broker-dealer are classified as trading, carried at market value based on quoted prices and marked to market through the consolidated income statements. Certain residual interests in securitizations of

mortgage loans are classified as trading based on management's intentions, carried at market value based on discounted cash flow models and marked to market through the consolidated income statements. These securities are included in prepaid expenses and other current assets on the consolidated balance sheets.

RECEIVABLES FROM CUSTOMERS, BROKERS, DEALERS AND CLEARING ORGANIZATIONS AND ACCOUNTS PAYABLE TOCUSTOMERS, BROKERS AND DEALERS ... Customer receivables and payables consist primarily of amounts due on margin and cash transactions. These receivables are collateralized by customers' securities held, which are not reflected in the accompanying consolidated financial statements.

Receivables from brokers are collateralized by securities in our physical possession, or on deposit with us, or receivables from customers or other brokers. The allowance for doubtful accounts represents an amount considered by management to be adequate to cover potential losses.

Securities borrowed and securities loaned transactions are generally reported as collateralized financing. These transactions require deposits of cash and/or collateral with the lender. Securities loaned consist of securities owned by customers that were purchased on margin. When loaning securities, cash collateral approximately equal to the value of the securities loaned is received. The amount of cash collateral is adjusted, as required, for market fluctuations in the value of the securities loaned. Interest rates paid on the cash collateral fluctuate as short-term interest rates change.

RECEIVABLES ... Receivables consist primarily of Business Services' accounts receivable and mortgage loans held for sale. Mortgage loans held for sale are carried at the lower of aggregate cost or market value as determined by outstanding commitments from investors or current investor-yield requirements calculated on an aggregate basis. The allowance for doubtful accounts requires management's judgment regarding current market indicators concerning general economic trends to establish an amount considered by management to be adequate to cover potential losses related to our non-mortgage loan receivable balance.

RESIDUAL INTERESTS IN SECURITIZATIONS ... Residual interests classified as available-for-sale securities are carried at market value based on discounted cash flow models with unrealized gains included in other comprehensive income. The residual interests are accreted over the estimated life of the securitization structure. If the carrying value exceeds market value, the residual is written down to market value with the realized loss, net of any unrealized gain previously recorded in other comprehensive income, included in gains on sales of mortgage assets in the consolidated income statements.

We estimate future cash flows from these residuals and value them using assumptions we believe to be consistent with those of unaffiliated third-party purchasers. We estimate the fair value of residuals by computing the present value of the excess of the weighted-average interest rate on the loans sold plus estimated collection of prepayment penalty fee income over the sum of (1) the coupon on the securitization bonds, (2) a contractual servicing fee paid to the servicer of the loans, which is usually Option One, (3) expected losses to be incurred on the portfolio of the loans sold, as projected to occur, over the lives of the loans, (4) fees payable to the trustee and insurer, if applicable, and (5) payments made to investors on NIM bonds, if applicable. The residual valuation takes into consideration the current and expected interest rate environment, including projected changes in future interest rates and the timing of such changes. Prepayment and loss assumptions used in estimating the cash flows are based on evaluation of the actual experience of the servicing portfolio, the characteristics of the applicable loan portfolio, as well as also taking into consideration the current and expected economic and interest rate environment and its expected impact. The estimated cash flows are discounted at an interest rate we believe an unaffiliated third-party purchaser would require as a rate of return on a financial instrument with a similar risk profile. We evaluate, and adjust if necessary, the fair values of residual interests quarterly by updating the actual performance and expected assumptions in the discounted cash flow models based on current information and events and by estimating, or validating with third-party experts, if necessary, what a market participant would use in determining the current fair value. To the extent that actual excess cash flows are different from estimated excess cash flows, the fair value of the residual would increase or decrease.

BENEFICIAL INTEREST IN TRUSTS – TRADING ... The beneficial interest in Trusts is recorded as a result of daily non-prime whole loan sales to Trusts. The beneficial interest is classified as a trading security, based on management's intentions, is carried at market value and is marked to market through the consolidated income statements. Market value is calculated as the present value of future cash flows, limited by the ultimate expected outcome from the disposition of the loans by the Trusts.

MORTGAGE SERVICING RIGHTS ... MSRs retained in the sale of mortgage loans are recorded at allocated carrying amounts based on relative fair values at the time of the sale. The MSRs are carried at the lower of cost or fair value. Fair values of MSRs are determined based on the present value of estimated future cash flows related to servicing loans. Assumptions used in estimating the value of MSRs include market discount rates and

anticipated prepayment speeds including default, estimated ancillary fee income and other economic factors. The prepayment speeds are estimated using our historical experience and third-party market sources. The MSRs are amortized to earnings in proportion to, and over the period of, estimated net future servicing income. MSRs are reviewed quarterly for potential impairment. Impairment is assessed based on the fair value of each risk stratum. MSRs are stratified by the fiscal year of the loan sale date, which approximates date of origination, and loan type, usually 6-month adjustable, 2- to 3-year adjustable and fixed rate.

PROPERTY AND EQUIPMENT ... Buildings and equipment are initially recorded at cost and are depreciated over the estimated useful life of the assets using the straight-line method. Leasehold improvements are initially recorded at cost and are amortized over the lesser of the term of the respective lease or the estimated useful life, using the straight-line method. Estimated useful lives are 15 to 40 years for buildings, 3 to 5 years for computers and other equipment and up to 8 years for leasehold improvements.

We capitalize certain allowable costs associated with software developed or purchased for internal use. These costs are amortized over 36 months using the straight-line method.

INTANGIBLE ASSETS AND GOODWILL ... We account for intangible assets and goodwill in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142"). We test goodwill and other indefinite life intangible assets for impairment annually or more frequently, whenever events occur or circumstances change which would, more likely than not, reduce the fair value of a reporting unit below its carrying value. We have defined our reporting units as our operating segments or one level below. The first step of the impairment test is to compare the estimated fair value of the reporting unit to its carrying value. If the carrying value is less than fair value, no impairment exists. If the carrying value is greater than fair value, a second step is performed to determine the fair value of goodwill and the amount of impairment loss, if any. These tests were completed and no indications of goodwill impairment were found during fiscal year 2005 or 2004. During fiscal year 2003, impairment charges of $108.8 million and $13.5 million were recorded in the Investment Services and Business Services segments, respectively.

In addition, long-lived assets, including intangible assets with finite lives, are assessed for impairment whenever events or circumstances indicate the carrying value may not be fully recoverable by comparing the carrying value to future undiscounted cash flows. To the extent there is impairment, an analysis is performed based on several criteria, including, but not limited to, revenue trends, discounted operating cash flows and other operating factors to determine the impairment amount. No material impairment adjustments to other intangible assets or other long-lived assets were made during the three-year period ended April 30, 2005. The weighted-average life of intangible assets with finite lives is nine years.

COMMERCIAL PAPER ... Short-term borrowings are used to finance temporary liquidity needs and various financial activities. There was no commercial paper outstanding at April 30, 2005 and 2004.

LITIGATION ... Our policy is to routinely assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the reserves required, if any, for these contingencies is made after thoughtful analysis of each known issue and an analysis of historical experience in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," and related pronouncements. We record reserves related to certain legal matters for which it is probable that a loss has been incurred and the range of such loss can be estimated. With respect to other matters, management has concluded that a loss is only reasonably possible or remote and, therefore, no liability is recorded.

INCOME TAXES ... We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires us to record deferred income tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Our deferred tax assets include tax loss and credit carryforwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Our current deferred tax assets are included in prepaid expenses and other current assets on the consolidated balance sheets. Noncurrent deferred tax assets are included in other assets on our consolidated balance sheets.

We file a consolidated Federal tax return on a calendar year basis.

REVENUE RECOGNITION ... Service revenues consist primarily of fees for preparation and filing of tax returns, both in offices and through our online programs, fees associated with our POM guarantee program, mortgage loan-servicing fees, fees for consulting services and brokerage commissions. Generally, service revenues are recorded in the period in which the service is performed. Retail and online tax preparation revenues are recorded when a completed return is filed or accepted by the customer. POM revenues are deferred and recognized over the

term of the guarantee based upon historic and actual payment of claims. Revenues for services rendered in connection with the Business Services segment are recognized on a time and materials basis. Investment Services' production revenue is recognized on a trade-date basis.

Gains on sales of mortgage assets are recognized when control of the assets is surrendered (when loans are sold to Trusts) and are based on the difference between cash proceeds and the allocated cost of the assets sold.

Interest income consists primarily of interest earned on customer margin loan balances and mortgage loans, and accretion income. Interest income on customer margin loan balances is recognized daily as earned based on current rates charged to customers for their margin balance. Accretion income represents interest earned over the life of residual interests using the effective interest method.

Product and other revenues include royalties, RAL participation revenues and sales of software products. Franchise royalties, which are based upon the contractual percentages of franchise revenues, are recorded in the period in which the franchise provides the service. RAL participation revenue is recorded when we purchase our participation interest in the RAL. Software revenues consist mainly of tax preparation software and other personal productivity software. Sales of software are recognized when the product is sold to the end user.

Revenue recognition is evaluated separately for each unit in multiple-deliverable arrangements.

ADVERTISING EXPENSE ... Advertising costs are expensed the first time the advertisement is run. Total advertising costs recorded in fiscal year 2005, 2004 and 2003 totaled $195.4 million, $188.3 million and $150.8 million, respectively.

FOREIGN CURRENCY TRANSLATION ... Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates prevailing at the end of the year. Translation adjustments are recorded as a separate component of other comprehensive income in stockholders' equity. Revenue and expense transactions are translated at the average of exchange rates in effect during the period.

COMPREHENSIVE INCOME ... Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," establishes standards for reporting and displaying comprehensive income and its components in stockholders' equity. Our comprehensive income is comprised of net income, foreign currency translation adjustments and the change in net unrealized gains or losses on available-for-sale marketable securities. Included in stockholders' equity at April 30, 2005 and 2004, the net unrealized holding gain on available-for-sale securities was $71.6 million and $78.0 million, respectively, and the foreign currency translation adjustment was $(2.8) million and $(11.8) million, respectively. The net unrealized holding gain on available-for-sale securities relates primarily to residual interests in securitizations.

STOCK-BASED COMPENSATION PLANS ... Effective May 1, 2003, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), under the prospective transition method as described in Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" ("SFAS 148"). We recognize stock-based compensation expense for the issuance of stock options, restricted shares and our ESPP on a straight-line basis over the vesting period. Had compensation cost for all stock-based compensation plan awards been determined in accordance with the fair value accounting method prescribed under SFAS 123, our net income and earnings per share would have been as follows:

	(in 000s, except per share amounts)		
Year Ended April 30,	**2005**	Restated 2004	Restated 2003
Net income	**$ 635,857**	$ 709,249	$ 477,615
Add: Stock-based compensation expense included in reported net income, net of taxes	**28,819**	18,029	1,223
Deduct: Total stock-based compensation expense determined under fair value method for all awards, net of taxes	**(39,544)**	(30,662)	(21,025)
Pro forma net income	**$ 625,132**	$ 696,616	$ 457,813
Basic earnings per share:			
As presented	**$ 3.83**	$ 4.01	$ 2.66
Pro forma	**3.77**	3.93	2.55
Diluted earnings per share:			
As presented	**$ 3.77**	$ 3.92	$ 2.59
Pro forma	**3.71**	3.86	2.50

DERIVATIVE ACTIVITIES ... We record derivative instruments as assets or liabilities, measured at fair value. The recognition of gains or losses resulting from changes in the values of those derivative instruments is based on the use of each derivative instrument and whether it qualifies for hedge accounting.

We use financial instruments to mitigate interest rate risk and loan commitments related to mortgage loans which will be held for sale. We use forward loan sale commitments, interest rate swaps and interest rate caps throughout the year to manage our interest rate risk. We do not enter into derivative transactions for speculative or trading purposes. None of our derivative

instruments qualify for hedge accounting treatment as of April 30, 2005 and 2004.

DISCLOSURE REGARDING CERTAIN FINANCIAL INSTRUMENTS ... The carrying values reported in the balance sheet for cash equivalents, receivables, accounts payable, accrued liabilities and the current portion of long-term debt approximate fair market value due to the relative short-term nature of the respective instruments. Residual interests and beneficial interests in Trusts are recorded at estimated fair value as discussed above. See note 6 for the fair value of MSRs and note 10 for fair value of long-term debt.

NEW ACCOUNTING STANDARDS ... In December 2004, Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123R") was issued. SFAS 123R requires all entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. Compensation expense must be recognized for the unvested portions of all awards outstanding as of the date of adoption. The provisions of this standard were delayed by the SEC and will be effective as of the beginning of our fiscal year 2007. We are currently evaluating what effect the adoption of SFAS 123R will have on our consolidated financial statements.

In August 2003, we adopted Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). EITF 00-21 requires consideration received in connection with arrangements involving multiple revenue generating activities be measured and allocated to each separate unit of accounting. Revenue recognition is determined separately for each unit of accounting within the arrangement. EITF 00-21 impacts revenue recognition related to tax preparation in our premium tax offices where POM guarantees are included in the price of a completed tax return. Prior to the adoption of EITF 00-21, revenues related to POM guarantees at premium offices were recorded in the same period as tax preparation revenues. Beginning May 1, 2003, revenues related to POM guarantees are now initially deferred and recognized over the guarantee period in proportion to POM claims paid. As a result of the adoption of EITF 00-21, we recorded a cumulative effect of a change in accounting principle of $6.4 million, net of a tax benefit of $4.0 million, as of May 1, 2003.

Revenues recognized during fiscal year 2004, which were initially recognized in prior periods and recorded as part of the cumulative effect of a change in accounting principle, totaled $36.3 million.

Pro forma results, as if EITF 00-21 had been applied during fiscal year 2003, are as follows:

	(in 000s, except per share amounts)	
Net income	$ 477,615	$ 475,969
Earnings per share:		
Basic	$ 2.66	$ 2.65
Diluted	2.59	2.59

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

Provisions in the first exposure draft, as well as tentative decisions reached by the FASB during its deliberations, may require us to consolidate our current QSPEs (the Trusts) established in our Mortgage Services segment. As of April 30, 2005, the Trusts had both assets and liabilities of $6.7 billion. The provisions of the exposure draft are subject to FASB due process and are subject to change. We will continue to monitor the status of the exposure draft, and consider changes, if any, to current structures as a result of the proposed rules.

The estimated impact of these new accounting standards reflects current views. There may be material differences between these estimates and the actual impact of these standards.

NOTE 2: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

On June 7, 2005, management and the Audit Committee of the Board of Directors determined that restatement of our previously issued consolidated financial statements, including financial statements for the nine months ended January 31, 2005 and for the fiscal years ended April 30, 2004 and 2003 and all related interim periods, was appropriate as a result of the errors noted below.

The restatements did not have any impact on our previously reported service revenues or on our compliance with any financial covenant under our lines of credit or other debt instruments.

The restatement is a result of the following items. All amounts listed are pretax, unless otherwise noted.

- An error in calculating the gain on sale of residual interests in fiscal year 2003, resulting in an overstatement in gain on sales of mortgage assets for that year of $37.6 million. This error was corrected by deferring a portion of the gain on sale of residual interests as of the transaction date in fiscal year

2003 and recognizing revenue from the sale as interest income from accretion of residual interests in subsequent periods. Interest income from accretion increased $18.4 million and $1.2 million in fiscal years 2004 and 2003, respectively. This correction also decreased impairments of residual interests $4.6 million and increased comprehensive income $14.2 million in fiscal year 2004.

- An error in the calculation of an incentive compensation accrual at our Mortgage Services segment as of April 30, 2004. This error resulted in an understatement of compensation expense in fiscal year 2004 of $12.1 million.
- An error in accounting for leased properties related to rent holidays and mandatory rent escalation in our Tax Services, Mortgage Services and Investment Services segments. We historically recognized rent expense on a cash basis. We determined that the lease term should have commenced on the date we took possession of the leased space and the expense calculated on a straight-line basis over the lease term. Rent expense was understated in fiscal years 2004 and 2003 by $1.3 million and $3.3 million, respectively. The cumulative overstatement of retained earnings prior to fiscal year 2003 arising from this error was $4.9 million.
- An error from the capitalization of certain branch office costs at our Investment Services segment, which should have been expensed as incurred. This error resulted in an understatement of occupancy expenses and an overstatement of depreciation expense and capital expenditures of a net understatement of operating expenses of $3.5 million in fiscal year 2004 and a net $2.1 million in fiscal year 2003, which is included in selling, general and administrative expenses. The cumulative overstatement of retained earnings prior to fiscal year 2003 arising from this error was $0.2 million.
- Errors related to accounting for acquisitions at our Business Services and Investment Services segments, the largest of which was the acquisition of OLDE in fiscal year 2000. Deferred taxes were not provided on the dates of acquisition for the book/tax basis differences for certain intangible assets. Additionally, an incorrect life has been used to amortize customer relationships for OLDE since the date of acquisition. As a result of these errors, goodwill was understated by $34.0 million at April 30, 2004 and intangible assets were overstated by $32.4 million. Additionally, deferred tax liabilities were understated by $55.7 million at April 30, 2004. Amortization of customer relationships was understated by $7.3 million in fiscal years 2004 and 2003, which is included in selling, general and administrative expenses. Our provision for income taxes was overstated by $15.2 million and $13.4 million in fiscal years 2004 and 2003, respectively, related to this error.

The cumulative understatement of retained earnings prior to fiscal year 2003 arising from this error was $14.3 million.

Upon determining the understatement of goodwill and the resulting change in the carrying values of the affected reporting units, we revisited each of the periods in which goodwill impairment testing was performed. This resulted in additional nondeductible impairment charges of $84.8 million related to the acquisition of OLDE and $1.7 million related to a reporting unit within the Business Services segment in fiscal year 2003.

- Restatement adjustments pertaining to income taxes relate primarily to purchase accounting restatement adjustments described above.

Notes 4, 5, 6, 7, 8, 11, 15, 16, 17, 20, 21 and 22 have been restated to reflect the above described adjustments.

The following is a summary of the impact of the restatement on our consolidated statements of income and comprehensive income for the fiscal years ended April 30, 2004 and 2003:

(in 000s, except per share amounts)

Year Ended April 30,	2004			2003		
	As Previously Reported(1)	Adjustments	Restated	As Previously Reported(1)	Adjustments	Restated
Gains on sales of mortgage assets, net	$ 913,699	$ 4,598	$ 918,297	$ 864,701	$ (37,574)	$ 827,127
Interest income	211,359	18,436	229,795	193,889	1,179	195,068
Total revenues	4,224,846	23,034	4,247,880	3,767,521	(36,395)	3,731,126
Cost of service revenues	1,787,089	7,412	1,794,501	1,623,601	2,336	1,625,937
Cost of other revenues	375,713	4,652	380,365	295,975	4,774	300,749
Impairment of goodwill	–	–	–	35,777	86,474	122,251
Selling, general and administrative	836,523	12,152	848,675	755,203	5,661	760,864
Total operating expenses	2,999,325	24,216	3,023,541	2,710,556	99,245	2,809,801
Operating income	1,225,521	(1,182)	1,224,339	1,056,965	(135,640)	921,325
Income before taxes	1,164,157	(1,182)	1,162,975	987,077	(131,513)	855,564
Income taxes	459,901	(12,534)	447,367	407,013	(29,064)	377,949
Net income	697,897	11,352	709,249	580,064	(102,449)	477,615
Basic earnings per share	$ 3.94	$ 0.07	$ 4.01	$ 3.23	$ (0.57)	$ 2.66
Diluted earnings per share	3.86	0.06	3.92	3.15	(0.56)	2.59
Reclassification adjustment for gains included in income	$ (95,150)	$ (14,235)	$ (109,385)	$ (139,566)	$ 22,493	$ (117,073)
Comprehensive income	718,988	(2,883)	716,105	572,798	(79,956)	492,842

(1) Amounts presented "as previously reported" have been reclassified to conform with current year presentation. See discussion of reclassifications in note 1.

The following is a summary of the impact of the restatement on our consolidated balance sheet as of April 30, 2004:

(in 000s)

April 30,	2004		
	As Previously Reported(1)	Adjustments	Restated
Intangible assets, net	$ 325,829	$ (32,352)	$ 293,477
Goodwill, net	959,418	34,049	993,467
Property and equipment, net	279,220	(5,917)	273,303
Other assets	308,714	(68,333)	240,381
Total assets	5,295,468	(62,736)	5,232,732
Accrued salaries, wages and payroll taxes	268,747	11,620	280,367
Accrued income taxes	405,668	8,200	413,868
Other noncurrent liabilities	382,168	(12,399)	369,769
Total liabilities	3,398,459	14,458	3,412,917
Accumulated other comprehensive income	57,953	8,258	66,211
Retained earnings	2,781,368	(85,452)	2,695,916
Total stockholders' equity	1,897,009	(77,194)	1,819,815
Total liabilities and stockholders' equity	5,295,468	(62,736)	5,232,732

(1) Amounts presented "as previously reported" have been reclassified to conform with current year presentation. See discussion of reclassifications in note 1.

The following is a summary of the impact of the restatement on our consolidated statements of cash flows for fiscal years ended April 30, 2004 and 2003:

(in 000s)

Year Ended April 30,	2004			2003		
	As Previously Reported(1)	Adjustments	Restated	As Previously Reported(1)	Adjustments	Restated
Net income	$ 697,897	$ 11,352	$ 709,249	$ 580,064	$ (102,449)	$ 477,615
Depreciation and amortization	172,038	7,093	179,131	161,821	7,271	169,092
Provision for deferred taxes on income	11,459	(12,445)	(986)	10,574	(40,518)	(29,944)
Accretion of residual interests in securitizations	(168,029)	(18,436)	(186,465)	(145,165)	(1,178)	(146,343)
Impairment of residual interests in securitizations	30,661	(4,598)	26,063	54,111	–	54,111
Realized gain on sale of previously securitized residual interests	(40,689)	–	(40,689)	(130,881)	37,574	(93,307)
Impairment of goodwill	–	–	–	35,777	86,474	122,251
Accounts payable, accrued expenses and deposits	(105,737)	1,174	(104,563)	57,658	2,796	60,454
Accrued salaries, wages and payroll taxes	58,468	12,053	70,521	(42,772)	(139)	(42,911)
Accrued income taxes	93,710	60	93,770	99,715	12,107	111,822
Net cash provided by operating activities	856,210	(3,747)	852,463	691,926	(2,191)	689,735
Purchases of property and equipment, net	(127,573)	3,747	(123,826)	(150,897)	2,191	(148,706)
Net cash provided by (used in) investing activities	(131,133)	3,747	(127,386)	125,338	2,191	127,529

(1) Amounts presented “as previously reported” have been reclassified to conform with current year presentation. See discussion of reclassifications in note 1.

The restatement of our consolidated statement of stockholders’ equity resulted in an increase of $5.6 million to retained earnings as of April 30, 2002.

NOTE 3: BUSINESS COMBINATIONS AND DISPOSALS

Significant acquisitions during fiscal years 2005, 2004 and 2003 are as follows. Results for each acquisition are included since the date of acquisition.

Business	Asset Acquired	Estimated Life	(in 000s) Asset Value at Acquisition
Fiscal year 2005 ...			
Non-accounting firm Business Services acquisitions	Property and equipment		**$ 2,497**
	Goodwill		**9,666**
	Customer relationships	10 years	**7,730**
	Noncompete agreements	15 years	**100**
	Weighted average life	10 years	**$ 19,993**
Fiscal year 2004 ...			
Former major franchise territories	Property and equipment		$ 2,697
	Goodwill		205,313
	Customer relationships	10 years	18,167
	Noncompete agreements	3 years	17,069
	Weighted average life	7 years	$ 243,246
Accounting firms	Goodwill		$ 3,923
	Customer relationships	10 years	1,794
	Noncompete agreements	15 years	747
	Weighted average life	11 years	$ 6,464
Fiscal year 2003 ...			
Accounting firms	Goodwill		$ 2,404
	Customer relationships	10 years	2,242
	Noncompete agreements	15 years	728
	Weighted average life	11 years	$ 5,374

During fiscal year 2005, our Business Services segment acquired six businesses. Cash payments related to these acquisitions totaled $19.5 million, with additional cash payments of $0.1 million over the next five years. Goodwill recognized in these transactions is included in the Business Services segment and all but $3.8 million is deductible for tax purposes.

During fiscal year 2004, we made payments of $243.2 million related to the acquisition of primarily assets and stock in the franchise territories of ten former major franchisees. The customer relationships will be amortized based on estimated customer retention over ten years. The noncompete agreements will be amortized on a straight-line basis over three years. Goodwill recognized in these transactions is included in the Tax Services segment and all but $3.9 million is deductible for tax purposes.

During fiscal year 2004, we acquired three accounting firms. Cash payments related to these acquisitions totaled $6.2 million, with additional cash payments of $1.0 million over the next five years. The purchase agreements also provide for possible future contingent consideration of approximately $3.0 million. Goodwill recognized in these transactions is deductible for tax purposes and is included in the Business Services segment.

During fiscal year 2003, we acquired two accounting firms. Cash payments related to these acquisitions totaled $2.6 million, with additional cash payments of $2.8 million over the next five years. The purchase agreements also provide for possible future contingent consideration of approximately $0.3 million. Goodwill recognized in these transactions was $2.4 million, which is deductible for tax purposes and is included in the Business Services segment.

During fiscal years 2005, 2004 and 2003, we made other acquisitions which were accounted for as purchases with cash payments totaling $14.4 million, $7.9 million and $3.0 million, respectively. Their operations, which are not material, are included in the consolidated income statements since the date of acquisition.

NOTE 4: EARNINGS PER SHARE

Basic earnings per share is computed using the weighted-average number of common shares outstanding. The dilutive effect of potential common shares outstanding is included in diluted earnings per share. The computations of basic and diluted earnings per share before change in accounting principle are as follows:

(in 000s, except per share amounts)

Year ended April 30,	2005	Restated 2004	Restated 2003
Net income before change in accounting	$ 635,857	$ 715,608	$ 477,615
Basic weighted average common shares	165,806	177,076	179,638
Dilutive potential shares from stock options and restricted stock	3,006	3,725	4,439
Convertible preferred stock	1	1	1
Dilutive weighted average common shares	168,813	180,802	184,078
Earnings per share:			
Basic	$ 3.83	$ 4.04	$ 2.66
Diluted	3.77	3.96	2.59

Diluted earnings per share excludes the impact of common shares issuable upon the lapse of certain restrictions or the exercise of options to purchase 0.6 million, 2.4 million, and 2.6 million shares of stock for 2005, 2004 and 2003, respectively, because the options' exercise prices were greater than the average market price of the common shares and therefore, the effect would be antidilutive.

NOTE 5: MARKETABLE SECURITIES AVAILABLE-FOR-SALE

The amortized cost and market value of marketable securities classified as available-for-sale at April 30, 2005 and 2004 are summarized below:

(in 000s)

	2005				2004 (Restated)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses(1)	Market Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses(1)	Market Value
Municipal bonds	$ 9,797	$ 172	$ (1)	$ 9,968	$ 8,846	$ 27	$ (78)	$ 8,795
Common stock	4,250	308	(129)	4,429	4,661	450	(82)	5,029
Residual interests	90,525	115,411	–	205,936	85,100	125,873	–	210,973
	$ 104,572	$ 115,891	$ (130)	$ 220,333	$ 98,607	$ 126,350	$ (160)	$ 224,797

(1) Gross unrealized losses have been in a continuous loss position for less than 12 months.

We monitor our available-for-sale investment portfolio for impairment and consider many factors in determining whether the impairment is deemed to be other-than-temporary. These factors include, but are not limited to, the length of time the security has had a market value less than the cost basis, the severity of the loss, our intent and ability to hold the security for a period of time sufficient for a recovery in value, recent events specific to the issuer or industry, external credit ratings and recent downgrades in such ratings.

Proceeds from the sales of available-for-sale securities were $26.2 million, $68.8 million and $156.6 million during fiscal years 2005, 2004 and 2003, respectively. Gross realized gains on those sales during fiscal years 2005, 2004 and 2003 were $15.8 million, $41.8 million and $93.9 million, respectively; gross realized losses were $0.3 million, $0.1 million and $0.7 million, respectively.

Contractual maturities of available-for-sale debt securities at April 30, 2005 occur at varying dates over the next five to ten years. Because expected maturities differ from contractual maturities due to the issuers' rights to prepay certain obligations

or the seller's rights to call certain obligations, the first call date, put date or auction date for municipal bonds and notes is considered the contractual maturity date.

NOTE 6: MORTGAGE BANKING ACTIVITIES

We originate mortgage loans and sell most non-prime loans the same day the loans are funded to Trusts. These Trusts meet the criteria of QSPEs and are therefore not consolidated. The sale is recorded in accordance with Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 140"). The Trusts purchase the loans from us using five warehouse facilities we arrange. As a result of the whole loan sales to the Trusts, we remove the mortgage loans from our balance sheet and record the gain on the sale, cash and a beneficial interest in Trusts, which represents the ultimate expected outcome from the disposition of the loans. The beneficial interest in Trusts was $215.4 million and $153.8 million at April 30, 2005 and 2004, respectively.

The Trusts, as directed by their third-party beneficial interest holders, either sell the loans directly to third-party investors or back to us to pool the loans for securitization. The decision to complete a whole loan sale or a securitization is dependent on market conditions. If the Trusts choose to sell the mortgage loans, we receive cash for our beneficial interest in Trusts. In a securitization transaction, the Trusts transfer the loans to one of our consolidated subsidiaries, and we transfer our beneficial interest in Trusts and the loans to a securitization trust. The securitization trust meets the definition of a QSPE and is therefore not consolidated. The securitization trust issues bonds, which are supported by the cash flows from the pooled loans, to third-party investors. We retain an interest in the loans in the form of a residual interest and usually assume the first risk of loss for credit losses in the loan pool. As the cash flows of the underlying loans and market conditions change, the value of our residual interest may also change, resulting in either additional unrealized gains or impairment of the value of the residual interests. These residual interests are classified as trading securities. We held no trading residual interests as of April 30, 2005 and 2004, as all trading residuals had been securitized.

To accelerate the cash flows from our residual interests, we securitize the majority of our residual interests in NIM transactions. In a NIM transaction, the residual interests are transferred to another QSPE ("NIM trust"), which then issues bonds to third-party investors. The proceeds from the bonds are returned to us as payment for the residual interests. The bonds are secured by the pooled residual interests and are obligations of the NIM trust. We retain a subordinated interest in the NIM trust, and receive cash flows on our residual interest generally after the bonds issued to the third-party investors are paid in full. Residual interests retained from NIM securitizations may also be bundled and sold in a subsequent securitization. These residual interests are classified as available-for-sale securities. See note 5.

Prime mortgage loans are sold in whole loan sales, servicing released, to third-party buyers.

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

		(in 000s)
April 30,	**2005**	Restated 2004
Balance, beginning of year	**$ 210,973**	$ 264,337
Additions (resulting from NIM transactions)	**16,914**	9,007
Cash received	**(136,045)**	(193,606)
Cash received on sales of residual interests	**(16,485)**	(53,391)
Accretion	**137,610**	184,253
Impairments of fair value	**(12,235)**	(26,063)
Other	**–**	(6,203)
Change in unrealized holding gains arising during the period	**5,204**	32,639
Balance, end of year	**$ 205,936**	$ 210,973

We sold $31.0 billion and $23.2 billion of mortgage loans in whole loan sales to the Trusts and other buyers during the years ended April 30, 2005 and 2004, respectively. Gains totaling $772.1 million and $915.6 million were recorded on these sales, respectively.

Residual interests initially valued at $115.7 million and $328.0 million were securitized in NIM transactions during the years ended April 30, 2005 and 2004, respectively. Net cash proceeds of $98.7 million and $310.4 million were received from the NIM transactions for the years ended April 30, 2005 and 2004, respectively. Total net additions to residual interests for the years ended April 30, 2005 and 2004 were $16.9 million and $9.0 million, respectively.

Cash flows from the residual interests of $136.0 million and $193.6 million were received from the securitization trusts for the years ended April 30, 2005 and 2004, respectively. An additional $16.5 million and $53.4 million was received during fiscal years 2005 and 2004, respectively, as a result of the sale of previously securitized residuals, as discussed below. Cash received on the residual interests is included in investing activities on the consolidated statements of cash flows.

During fiscal year 2005, we completed sales of previously securitized residual interests and recorded gains of $15.4 million. We received cash proceeds of $16.5 million from the transactions and retained a $21.5 million residual interest. These sales accelerate cash flows from the residual interests, effectively realizing previously recorded unrealized gains included in other comprehensive income.

During fiscal year 2004, we completed sales of previously securitized residual interests and recorded gains of $40.7 million. We received cash proceeds of $53.4 million from the transaction and retained a residual interest of $1.5 million.

Residual interests are classified as available-for-sale securities and are therefore reported at fair value. Gross unrealized holding gains represent the write-up of residual interests as a result of lower interest rates, loan losses or loan prepayments to date than most recently projected in our valuation models.

Aggregate net unrealized gains on residual interests, which had not yet been accreted into income, totaled $115.4 million and $125.9 million at April 30, 2005 and 2004, respectively. These unrealized gains are recorded net of deferred taxes in other comprehensive income, and may be recognized in income in future periods either through accretion or upon further securitization of the related residual interest.

Included in prepaid expenses and other current assets on our consolidated balance sheets as of April 30, 2005 and 2004, is $231.0 million and $212.3 million, respectively, in default advances, escrow advances and principal and interest advances related to the servicing of non-prime loans.

Activity related to mortgage servicing rights consists of the following:

		(in 000s)
April 30,	**2005**	2004
Balance, beginning of year	**$ 113,821**	$ 99,265
Additions	**137,510**	84,274
Amortization	**(84,191)**	(69,718)
Impairments of fair value	**(526)**	–
Balance, end of year	**$ 166,614**	$ 113,821

Estimated amortization of MSRs for fiscal years 2006, 2007, 2008, 2009 and 2010 is $89.7 million, $49.8 million, $20.0 million, $5.8 million and $1.3 million, respectively. The carrying value of MSRs approximates fair value at April 30, 2005 and 2004.

The key assumptions we used to originally estimate the cash flows and values of our residual interests are as follows:

	2005	2004	2003
Estimated credit losses	**2.72%**	3.63%	3.60%
Discount rate	**25.00%**	16.25%	13.03%
Variable returns to third-party beneficial interest holders	**LIBOR forward curve at valuation date**		

The key assumptions we used to estimate the cash flows and values of our residual interests and MSRs at April 30 are as follows:

April 30,	**2005**	2004
Estimated credit losses – residual interests	**3.03%**	4.16%
Discount rate – residual interests	**21.01%**	19.09%
Discount rate – MSRs	**12.80%**	12.80%
Variable returns to third-party beneficial interest holders	**LIBOR forward curve at valuation date**	

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

		Months Outstanding Without Prepayment Penalty	
	Prior to Penalty Expiration	Zero – 3	**Remaining Life**
Adjustable rate mortgage loans:			
With prepayment penalties	30%	70%	**44%**
Without prepayment penalties	36%	53%	**40%**
Fixed rate mortgage loans:			
With prepayment penalties	29%	46%	**42%**

For fixed rate mortgages without prepayment penalties, we use an average prepayment rate of 35% over the life of the loans. Prepayment rate is projected based on actual paydown including voluntary, involuntary and scheduled principal payments.

Expected static pool credit losses are as follows:

	Mortgage Loans Securitized in				
	2005	2004	2003	2002	Prior
As of:					
April 30, 2005	**2.83%**	**2.30%**	**2.08%**	**2.53%**	**4.52%**
April 30, 2004	–	3.92%	4.35%	3.58%	4.46%

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 April 30, 2005, the sensitivities of the current fair value of the residual interests and MSRs to 10% and 20% adverse changes in the above key assumptions are 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.

(in 000s)

	Residential Mortgage Loans		
	NIM Residuals	Beneficial interest in Trusts	MSRs
Carrying amount/fair value of residuals	**$ 205,936**	**$ 215,367**	**$ 166,614**
Weighted average life (in years)	**1.3**	**2.3**	**1.2**
$ impact on fair value:			
Prepayments (including defaults):			
Adverse 10%	**$ (2,458)**	**$ (12,950)**	**$ (23,801)**
Adverse 20%	**8,293**	**(20,572)**	**(40,525)**
Credit losses:			
Adverse 10%	**$ (32,731)**	**$ (6,962)**	**Not applicable**
Adverse 20%	**(64,368)**	**(13,917)**	**Not applicable**
Discount rate:			
Adverse 10%	**$ (5,158)**	**$ (5,492)**	**$ (2,175)**
Adverse 20%	**(10,023)**	**(10,730)**	**(4,301)**
Variable interest rates:			
Adverse 10%	**$ (9,991)**	**$ (36,552)**	**Not applicable**
Adverse 20%	**(20,700)**	**(73,646)**	**Not applicable**

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

(in 000s)

	Total Principal Amount of Loans Outstanding April 30,		Principal Amount of Loans 60 Days or More Past Due April 30,		Net Credit Losses (net of recoveries) Year Ended April 30,	
	2005	2004	**2005**	2004	**2005**	2004
Residual mortgage loans	**$ 10,300,805**	$ 15,732,953	**$ 1,128,376**	$ 1,286,069	**$ 132,015**	$ 159,253
Warehouse	**6,742,387**	3,244,141	**–**	–	**–**	–
Total loans	**$ 17,043,192**	$ 18,977,094	**$ 1,128,376**	$ 1,286,069	**$ 132,015**	$ 159,253

NOTE 7: GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill by segment for the year ended April 30, 2005, are as follows:

(in 000s)

	Restated 2004	Additions	Other	**2005**
Tax Services	$ 350,044	$ 10,175	$ 562	**$ 360,781**
Mortgage Services	152,467	–	–	**152,467**
Business Services	317,002	11,513	230	**328,745**
Investment Services	173,954	–	–	**173,954**
	$ 993,467	$ 21,688	$ 792	**$ 1,015,947**

Goodwill and other indefinite life intangible assets were tested for impairment in the fourth quarter of fiscal year 2005. An independent valuation firm was engaged to assist in the test for selected reporting units. No impairment existed at any of our reporting units during fiscal year 2005 or 2004. In light of unsettled market conditions and the severe decline of comparable business valuations in the investment industry, we engaged an independent valuation firm in fiscal year 2003 to perform the goodwill impairment test on the Investment Services segment in accordance with SFAS 142. Based on this valuation, a goodwill impairment charge of $108.8 million was recorded during fiscal year 2003. Also during 2003, our annual impairment test resulted in an impairment of $13.5 million for a reporting unit within the Business Services segment. No other impairments were identified.

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

The components of intangible assets are as follows:

April 30,	2005			2004 (Restated)			(in-000s)
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net	
Tax Services:							
Customer relationships	**$ 23,717**	**$ (7,207)**	**$ 16,510**	$ 19,011	$ (3,377)	$ 15,634	
Noncompete agreements	**17,677**	**(11,608)**	**6,069**	17,364	(5,724)	11,640	
Business Services:							
Customer relationships	**130,585**	**(68,433)**	**62,152**	121,229	(56,313)	64,916	
Noncompete agreements	**27,796**	**(11,274)**	**16,522**	27,424	(8,670)	18,754	
Trade name – amortizing	**1,450**	**(995)**	**455**	1,450	(926)	524	
Trade name – non-amortizing	**55,637**	**(4,868)**	**50,769**	55,637	(4,868)	50,769	
Investment Services:							
Customer relationships	**293,000**	**(198,385)**	**94,615**	293,000	(161,760)	131,240	
	$ 549,862	**$ (302,770)**	**$ 247,092**	$ 535,115	$ (241,638)	$ 293,477	

Amortization of intangible assets for the years ended April 30, 2005, 2004 and 2003 was $61.4 million, $61.5 million and $51.8 million, respectively. Estimated amortization of intangible assets for fiscal years 2006, 2007, 2008, 2009 and 2010 is $60.6 million, $51.6 million, $34.4 million, $11.7 million and $9.8 million, respectively.

NOTE 8: PROPERTY AND EQUIPMENT

The components of property and equipment are as follows:

April 30,	2005	(in 000s) Restated 2004
Land	**$ 23,716**	$ 29,925
Buildings	**67,031**	71,923
Computers and other equipment	**568,986**	498,373
Capitalized software	**153,794**	137,784
Leasehold improvements	**175,048**	114,537
	988,575	852,542
Less: Accumulated depreciation and amortization	**658,425**	579,239
	$ 330,150	$ 273,303

Depreciation and amortization expense for 2005, 2004 and 2003 was $122.5 million, $117.6 million and $117.3 million, respectively. Included in depreciation and amortization expense is amortization of capitalized software of $23.6 million, $28.2 million and $29.9 million, respectively.

As of April 30, 2005 and 2004, we have property and equipment under capital lease with a cost of $16.8 million and $14.1 million, respectively, and accumulated depreciation of $4.2 million and $2.5 million, respectively. We have an agreement to lease real estate and buildings under a noncancelable capital lease for the next 16 years with an option to purchase after three years.

NOTE 9: DERIVATIVE INSTRUMENTS

A summary of our derivative instruments as of April 30, 2005 is as follows:

(in 000s)

	Asset (Liability) Balance at April 30,		Gain (Loss) in the Year Ended April 30,		
	2005	2004	**2005**	2004	2003
Interest rate swaps	**$ (1,325)**	$ –	**$ 47,192**	$ (2,703)	$ (5,194)
Interest rate caps	**12,458**	–	**(106)**	–	–
Rate-lock equivalents	**801**	(1,386)	**2,187**	(13,917)	6,158
Prime short sales	**(805)**	2,080	**(2,420)**	4,663	(5,105)
	$ 11,129	$ 694	**$ 46,853**	$ (11,957)	$ (4,141)

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

We enter into interest rate caps 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 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 is based on LIBOR.

We enter into forward loan commitments to sell our non-prime mortgage loans to manage interest rate risk. Forward loan sale commitments for non-prime loans are not considered derivative instruments and are therefore not recorded in our financial statements. The notional value and the contract value of the forward commitments at April 30, 2005 were $8.7 billion and $8.9 billion, respectively. Most of our forward commitments give us the option to under- or over-deliver by five to ten percent.

We, in the normal course of business, enter into commitments with our customers to fund both non-prime and prime mortgage loans for specified periods of time at “locked-in” interest rates. These derivative instruments represent commitments to fund loans (“rate-lock equivalents”). The fair value of non-prime loan commitments is calculated using a binomial option model. We adopted SEC Staff Accounting Bulletin No. 105, “Application of Accounting Principles to Loan Commitments,” as of March 31, 2004. Upon adoption, we no longer record an asset for non-prime commitments to fund loans. The fair value of prime loan commitments is calculated based on the current market pricing of short sales of FNMA, FHLMC and GNMA mortgage-backed securities and the coupon rates of the eligible loans.

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

We entered into an agreement with Household (subsequently acquired by HSBC) during fiscal year 2003, whereby we waived our right to purchase any participation interests in and receive license fees relating to RALs during the period January 1 through April 30, 2004. In consideration for waiving these rights, we received a series of payments from Household, subject to certain adjustments based on delinquency rates on RALs made by Household through December 31, 2003. This adjustment provision was accounted for as a derivative and was marked-to-market monthly through December 31, 2003. Accordingly, during fiscal year 2004, we recognized $6.5 million of revenues related to this instrument. The final settlement in accordance with this agreement was received in January 2004.

None of our derivative instruments qualify for hedge accounting treatment as of April 30, 2005 and 2004.

NOTE 10: LONG-TERM DEBT

The components of long-term debt and capital lease obligations are as follows:

		(in 000s)
April 30,	**2005**	2004
Senior Notes, 8 1/2%, due April 2007	**$ 498,825**	$ 498,225
Senior Notes, 5.125%, due October 2014	**397,766**	–
Business Services acquisition obligations, due from May 2005 to January 2008	**38,022**	60,768
Capital lease obligations	**13,550**	12,512
Other obligations	**455**	–
Senior Notes, 6 3/4%, due November 2004	**–**	249,975
	948,618	821,480
Less: Current portion	**25,545**	275,669
	$ 923,073	$ 545,811

On October 26, 2004, we issued $400.0 million of 5.125% Senior Notes under a shelf registration statement. The Senior Notes are due October 30, 2014, and are not redeemable by the bondholders prior to maturity. The net proceeds of this transaction were used to repay the $250.0 million in 6 3/4% Senior Notes. The remaining proceeds were used for working capital, capital expenditures, repayment of other debt and other general corporate purposes.

On April 13, 2000, we issued $500.0 million of 8 1/2% Senior Notes under a shelf registration statement. The Senior Notes are due April 15, 2007, and are not redeemable prior to maturity. The net proceeds of this transaction were used to repay a portion of the short-term borrowings that initially funded the acquisition of OLDE Financial Corporation and Financial Marketing Services, Inc.

On October 21, 1997, we issued $250.0 million of 6 3/4% Senior Notes under a shelf registration statement. The Senior Notes were due November 1, 2004, and the net proceeds were used to repay short-term borrowings, which initially funded the acquisition of Option One.

We have obligations related to Business Services acquisitions of $38.0 million and $60.8 million at April 30, 2005 and 2004, respectively. The current portion of these amounts is included in the current portion of long-term debt on the consolidated balance sheet. The long-term portions are due from May 2006 to January 2008.

We have a capitalized lease obligation of $13.6 million at April 30, 2005 that is collateralized by land and buildings. The obligation is due in 16 years.

The aggregate payments required to retire long-term debt are $25.5 million, $511.5 million, $1.0 million, $0.5 million, $0.6 million and $409.5 million in 2006, 2007, 2008, 2009, 2010 and beyond, respectively.

Based upon borrowing rates currently available for indebtedness with similar terms, the fair value of long-term debt was approximately $981.8 million and $893.5 million at April 30, 2005 and 2004, respectively.

NOTE 11: OTHER NONCURRENT LIABILITIES

We have deferred compensation plans that permit directors and certain employees to defer portions of their compensation and accrue income on the deferred amounts. Their deferred compensation and our matching amounts have been accrued. Included in other noncurrent liabilities are $115.4 million and $93.4 million at April 30, 2005 and 2004, respectively, reflecting the liability under these plans. We purchase whole-life insurance contracts on certain director and employee participants to recover distributions made or to be made under the plans and record the cash surrender value of the policies in other noncurrent assets.

We have recorded $213.4 million and $178.7 million for obligations to certain government agencies at April 30, 2005 and 2004, respectively.

In connection with our acquisition of the non-attest assets of McGladrey & Pullen, LLP (“M&P”) in August 1999, we assumed certain pension liabilities related to M&P’s retired partners. We make payments in varying amounts on a monthly basis. Included in other noncurrent liabilities at April 30, 2005 and 2004 are $15.9 million and $17.5 million, respectively, related to this liability.

NOTE 12: STOCKHOLDERS’ EQUITY

We are authorized to issue 6.0 million shares of Preferred Stock, without par value. At April 30, 2005, we had 5.6 million shares of authorized but unissued Preferred Stock. Of the unissued shares, 0.6 million shares have been designated as Participating Preferred Stock in connection with our shareholder rights plan.

On March 8, 1995, our Board of Directors authorized the issuance of a series of 0.5 million shares of nonvoting Preferred Stock designated as Convertible Preferred Stock, without par value. In April 1995, 0.4 million shares of Convertible Preferred Stock were issued in connection with an acquisition. In addition,

options to purchase 51,828 shares of Convertible Preferred Stock were issued as a part of the acquisition and 37,399 shares of Convertible Preferred Stock were issued in connection with these options. Each share of Convertible Preferred Stock became convertible on April 5, 1998 into four shares of Common Stock of the Company (eight shares after a two-for-one stock split in August 2001), subject to adjustment upon certain events. The holders of the Convertible Preferred Stock are not entitled to receive dividends paid in cash, property or securities and, in the event of any dissolution, liquidation or wind-up of the Company, will share ratably with the holders of Common Stock then outstanding in the assets of the Company after any distribution or payments are made to the holders of Participating Preferred Stock or the holders of any other class or series of stock of the Company with preference over the Common Stock.

We grant restricted shares to selected employees under our stock-based compensation plans. Upon the grant of restricted shares, unearned compensation is recorded as an offset to additional paid in capital and is amortized as compensation expense over the restricted period. The balance of unearned compensation related to restricted shares at April 30, 2005 and 2004 was $23.7 million and $15.0 million, respectively.

NOTE 13: STOCK-BASED COMPENSATION AND RETIREMENT BENEFITS

We have four stock-based compensation plans: the 2003 Long-Term Executive Compensation Plan, the 1989 Stock Option Plan for Outside Directors, the 1999 Stock Option Plan for Seasonal Employees, and the 2000 ESPP. The shareholders have approved all of our stock-based compensation plans.

The 2003 Plan replaced the 1993 Long-Term Executive Compensation Plan, effective July 1, 2003. The 1993 Plan terminated at that time, except with respect to outstanding awards thereunder. The shareholders had approved the 1993 Plan in September 1993 to replace the 1984 Long-Term Executive Compensation Plan, which terminated at that time except with respect to outstanding awards thereunder. Under the 2003 and 1989 plans, options may be granted to selected employees and outside directors to purchase our Common Stock for periods not exceeding 10 years at a price that is not less than 100% of fair market value on the date of the grant.

Options granted under the 2003 Plan are exercisable either (1) starting one year after the date of the grant, (2) starting one, two or three years after the date of the grant on a cumulative basis at the annual rate of 33 1/3% of the total number of option shares, or (3) starting three years after the date of the grant on a cumulative basis at the rate of 40%, 30%, and 30% over the following three years. In addition, certain option grants have accelerated vesting provisions based on our stock price reaching specified levels.

Options granted under the 1989 Plan for Outside Directors prior to June 30, 2004 are exercisable starting one year after the date of grant on a cumulative basis at an annual rate of 33 1/3% of the total number of option shares. Beginning with the grant on June 30, 2004, options granted under this Plan are fully vested and immediately exercisable as of the date of grant.

Under the 2003 and 1989 plans, restricted shares of our common stock may be granted to selected employees. Restricted shares granted vest either (1) starting one or three years after the grant on a cumulative basis at an annual rate of 33 1/3% of the total number of shares, or (2) at the end of three years.

The 1999 Stock Option Plan for Seasonal Employees provided for the grant of options on June 30, 2004, 2003 and 2002 at the market price on the date of the grant. The options are exercisable during September through November in each of the two years following the calendar year of the grant, subject to certain conditions.

Changes during the years ended April 30, 2005, 2004 and 2003 under the stock-based compensation plans were as follows:

(shares in 000s)

	2005		2004		2003	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Options outstanding, beginning of year	**14,482**	**$ 35.86**	15,772	**$ 32.14**	15,910	**$ 26.33**
Options granted	**3,802**	**47.73**	3,744	**44.05**	5,364	**44.32**
Options exercised	**(3,479)**	**37.24**	(3,927)	**29.11**	(5,098)	**24.65**
Options expired/cancelled	**(1,253)**	**44.42**	(1,107)	**34.51**	(404)	**34.53**
Options outstanding, end of year	**13,552**	**38.04**	14,482	**35.86**	15,772	**32.14**
Shares exercisable, end of year	**6,634**	**31.78**	6,668	**30.78**	6,836	**25.21**
Restricted shares granted	**490**	**47.78**	514	**43.93**	45	**44.64**
Restricted shares vested	**175**	**43.31**	72	**23.79**	63	**21.02**
Restricted shares outstanding, end of year	**777**	**46.40**	510	**43.92**	100	**29.15**
Shares reserved for future option or restricted stock grants, end of year	**9,889**		9,880		14,563	

A summary of stock options outstanding and exercisable at April 30, 2005 follows:

(shares in 000s)

	Outstanding			Exercisable	
	Number Outstanding at April 30	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at April 30	Weighted-Average Exercise Price
$ 16.13 – 21.91	**1,740**	**4 years**	**$ 18.15**	1,713	**$ 18.16**
$ 22.13 – 27.81	**1,231**	**4 years**	**25.98**	1,228	**25.97**
$ 32.10 – 39.96	**2,925**	**7 years**	**33.34**	1,503	**33.46**
$ 40.00 – 46.26	**3,983**	**8 years**	**44.45**	2,081	**44.03**
$ 47.00 – 58.95	**3,673**	**9 years**	**48.30**	109	**54.07**
	13,552			6,634	

The ESPP provides the option to purchase shares of our Common Stock through payroll deductions to a majority of the employees of our subsidiaries. The purchase price of the stock is 90% of the lower of either the fair market value of our Common Stock on the first trading day within the Option Period or on the last trading day within the Option Period. The Option Periods are six-month periods beginning January 1 and July 1 each year. During fiscal years 2005 and 2004, 150,488 and 127,246 shares, respectively, were purchased under the ESPP out of a total authorized 6.0 million shares.

During fiscal years 2005 and 2004, we recorded compensation expense under the fair value method using the Black-Scholes option-pricing model on the date of the grant. The pro forma effect on fiscal year 2003 is disclosed in note 1. The following weighted-average assumptions and fair values were used for

stock option grants and ESPP options during the following periods:

Year ended April 30,	2005	2004	2003
Stock option grants – management:			
Risk-free interest rate	**3.86%**	2.64%	3.82%
Expected life	**5 years**	5 years	5 years
Expected volatility	**32.07%**	31.13%	29.30%
Dividend yield	**1.84%**	1.63%	1.59%
Weighted average fair value	**$ 11.73**	$ 10.01	$ 10.24
Stock option grants – seasonal:			
Risk-free interest rate	**2.60%**	1.21%	2.82%
Expected life	**2 years**	2 years	2 years
Expected volatility	**27.65%**	31.97%	28.71%
Dividend yield	**1.85%**	1.66%	1.39%
Weighted average fair value	**$ 6.58**	$ 6.06	$ 5.91
ESPP options:			
Risk-free interest rate	**2.17%**	.97%	1.45%
Expected life	**6 months**	6 months	6 months
Expected volatility	**21.18%**	38.14%	44.38%
Dividend yield	**1.82%**	1.55%	1.60%
Weighted average fair value	**$ 7.67**	$ 9.96	$ 9.02

We have 401(k) defined contribution plans covering all full-time employees following the completion of an eligibility period. Our contributions to these plans are discretionary and totaled $33.4 million, $28.9 million and $20.7 million for fiscal years 2005, 2004 and 2003, respectively.

NOTE 14: SHAREHOLDER RIGHTS PLAN

On July 25, 1998, the rights under a shareholder rights plan, adopted by our Board of Directors on March 25, 1998, became effective. The 1998 plan was adopted to deter coercive or unfair takeover tactics and to prevent a potential acquirer from gaining control of the Company without offering a fair price to all of our stockholders. Under the 1998 plan, a dividend of one right (a "Right") per share was declared and paid on each share of our Common Stock outstanding on July 25, 1998. Rights automatically attach to shares issued after such date.

Under the 1998 plan, a Right becomes exercisable when a person or group of persons acquires beneficial ownership of 15% or more of the outstanding shares of our Common Stock without the prior written approval of our Board of Directors (an "Unapproved Stock Acquisition"), and at the close of business on the tenth business day following the commencement of, or the public announcement of an intent to commence, a tender offer that would result in an Unapproved Stock Acquisition. We may, prior to any Unapproved Stock Acquisition, amend the plan to lower such 15% threshold to not less than the greater of (1) any percentage greater than the largest percentage of beneficial ownership by any person or group of persons then known by the Company, and (2) 10% (in which case the acquisition of such lower percentage of beneficial ownership then constitutes an Unapproved Stock Acquisition and the Rights become exercisable). When exercisable, the registered holder of each Right may purchase from the Company one two-hundredth of a share of a class of our Participating Preferred Stock, without par value, at a price of $107.50, subject to adjustment. The registered holder of each Right then also has the right (the "Subscription Right") to purchase for the exercise price of the Right, in lieu of shares of Participating Preferred Stock, a number of shares of our Common Stock having a market value equal to twice the exercise price of the Right. Following an Unapproved Stock Acquisition, if we are involved in a merger, or 50% or more of our assets or earning power are sold, the registered holder of each Right has the right (the "Merger Right") to purchase for the exercise price of the Right a number of shares of the common stock of the surviving or purchasing company having a market value equal to twice the exercise price of the Right.

After an Unapproved Stock Acquisition, but before any person or group of persons acquires 50% or more of the outstanding shares of our Common Stock, the Board of Directors may exchange all or part of the then outstanding and exercisable Rights for Common Stock at an exchange ratio of one share of Common Stock per Right (the "Exchange"). Upon any such Exchange, the right of any holder to exercise a Right terminates. Upon the occurrence of any of the events giving rise to the exercisability of the Subscription Right or the Merger Right or the ability of the Board of Directors to effect the Exchange, the Rights held by the acquiring person or group under the new plan will become void as they relate to the Subscription Right, the Merger Right or the Exchange.

We may redeem the Rights at a price of $.000625 per Right at any time prior to the earlier of (1) an Unapproved Stock

Acquisition, or (2) the expiration of the rights. The Rights under the plan will expire on March 25, 2008, unless extended by the Board of Directors. Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including the right to vote or to receive dividends. The issuance of the Rights alone has no dilutive effect and does not affect reported earnings per share.

NOTE 15: INCOME TAXES

The components of income upon which domestic and foreign income taxes have been provided are as follows:

			(in 000s)
Year Ended April 30,	**2005**	Restated 2004	Restated 2003
Domestic	**$ 1,013,844**	$ 1,150,450	$ 844,565
Foreign	**3,871**	12,525	10,999
	$ 1,017,715	$ 1,162,975	$ 855,564

Deferred income tax provisions (benefits) reflect the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The current and deferred components of taxes on income are as follows:

			(in 000s)
Year Ended April 30,	**2005**	Restated 2004	Restated 2003
Current:			
Federal	**$ 384,735**	$ 389,557	$ 361,676
State	**37,192**	54,169	40,964
Foreign	**2,276**	4,627	5,253
	424,203	448,353	407,893
Deferred:			
Federal	**(39,770)**	(895)	(27,610)
State	**(1,666)**	(87)	(1,646)
Foreign	**(909)**	(4)	(688)
	(42,345)	(986)	(29,944)
Total provision for income taxes before change in accounting principle	**381,858**	447,367	377,949
Income tax on cumulative effect of change in accounting principle	**–**	(4,031)	–
Income tax included in comprehensive income	**(3,991)**	(3,387)	(1,387)
Total income taxes	**$ 377,867**	$ 439,949	$ 376,562

The following table reconciles the provision for income taxes at the federal statutory rate of 35% to income tax expense:

			(dollars in 000s)
Year Ended April 30,	**2005**	Restated 2004	Restated 2003
Statutory tax	**$ 356,200**	$ 407,041	$ 299,447
Increases in income taxes resulting from:			
State income taxes, net of Federal income tax benefit	**25,552**	26,652	24,093
Impairment of non-deductible goodwill	**–**	–	42,788
Other	**106**	13,674	11,621
Total income tax expense	**$ 381,858**	$ 447,367	$ 377,949
Effective tax rate	**37.5%**	38.5%	44.2%

The components of deferred taxes are as follows:

		(in 000s)
April 30,	**2005**	Restated 2004
Gross deferred tax assets:		
Accrued expenses	**$ 53,006**	$ 55,643
Allowance for credit losses and related reserves	**35,116**	23,099
Net operating losses	**3,524**	270
Current	**91,646**	79,012
Residual interest income	**131,580**	114,743
Deferred and stock-based compensation	**61,111**	34,724
Property and equipment	**31,379**	6,107
Net operating losses	**20,018**	23,661
Noncurrent	**244,088**	179,235
	335,734	258,247
Valuation allowance	**(20,018)**	(23,661)
	315,716	234,586
Gross deferred tax liabilities:		
Prepaid expenses and revenue deferred for tax	**(13,454)**	(15,040)
Current	**(13,454)**	(15,040)
Mortgage servicing rights	**(61,190)**	(38,005)
Intangible assets	**(100,923)**	(87,728)
Noncurrent	**(162,113)**	(125,733)

Net deferred tax assets	**$ 140,149**	$ 93,813

We believe the net deferred tax asset at April 30, 2005 of $140.1 million is realizable. We have federal taxable income in excess of $2.3 billion and substantial state taxable income in the carry-back period, as well as a history of growth in earnings and prospects for continued earnings growth.

As of April 30, 2005, we had net operating loss carryforwards for tax purposes in various states and foreign countries of approximately $363.6 million. If not used, these carryforwards will expire in varying amounts during fiscal years 2006 through 2024.

We intend to indefinitely reinvest foreign earnings, therefore, a provision has not been made for income taxes which might be payable upon remittance of such earnings. Moreover, due to the availability of foreign income tax credits, management believes the amount of federal income taxes would be immaterial in the event foreign earnings were repatriated.

We have not reevaluated our position with respect to the indefinite reinvestment of foreign earnings to take into account the possible election of the repatriation provisions contained in the American Jobs Creation Act of 2004. The status of our evaluation of these provisions is described in the following section.

AMERICAN JOBS CREATION ACT OF 2004 ... The American Jobs Creation Act of 2004 (the "Act"), enacted on October 22, 2004, provides for a temporary 85% dividends received deduction on certain foreign earnings repatriated during a one-year period. The deduction would result in an approximate 5.25% federal tax rate on any repatriated earnings. To qualify for the deduction, the earnings must be reinvested in the U.S. pursuant to a domestic reinvestment plan established by a company's chief executive officer and approved by the company's board of directors. Certain other criteria in the Act must be satisfied as well. Our one-year period during which the qualifying distributions can be made ends on December 31, 2005.

We have begun our evaluation of the effects of the Act, but do not expect to be able to complete this evaluation until additional clarifying language on key elements of the Act is issued. As of April 30, 2005, we have not provided deferred taxes on foreign earnings because we intended to indefinitely reinvest such earnings outside the U.S. Whether we will ultimately take advantage of this provision depends on our review of the Act and any additional guidance provided and we are therefore currently uncertain as to the impact, if any, this matter will have on our consolidated financial statements, and are unable to estimate the amount of earnings we may repatriate.

NOTE 16: SUPPLEMENTAL CASH FLOW INFORMATION

We made the following cash payments:

			(in 000s)
Year Ended April 30,	**2005**	2004	2003
Income taxes paid	**$ 437,427**	$ 331,635	$ 247,057
Interest paid	**82,535**	84,551	84,094

We characterized the following as non-cash investing activities:

			(in 000s)
Year Ended April 30,	**2005**	Restated 2004	Restated 2003
Additions to residual interests	**$ 16,914**	$ 9,007	$ 753
Residual interest mark-to-market	**95,929**	167,065	9,176

NOTE 17: COMMITMENTS, CONTINGENCIES AND RISKS

COMMITMENTS AND CONTINGENCIES ... At April 30, 2005, we maintained $2.0 billion in back-up credit facilities to support the commercial paper program and for general corporate purposes. The first $1.0 billion unsecured committed line of credit ("CLOC") is subject to annual renewal in August 2005, has a one-year term-out provision with a maturity date in August 2006 and has an annual facility fee of ten basis points per annum. The second $1.0 billion CLOC has a maturity date of August 2009 and has an annual facility fee of twelve basis points per annum. Among other provisions, the credit agreement limits our indebtedness.

We maintain a revolving credit facility in an amount not to exceed $125.0 million (Canadian) in Canada to support a commercial paper program with varying borrowing levels

throughout the year, reaching its peak during February and March for the Canadian tax season.

We offer guarantees under our POM program to tax clients whereby we will assume the cost, subject to certain limits, of additional tax assessments, up to a cumulative per client limit of $5,000, attributable to tax return preparation error for which we are responsible. We defer all revenues and direct costs associated with these guarantees, recognizing these amounts over the term of the guarantee based upon historic and actual payment of claims. The related current asset is included in prepaid expenses and other current assets. The related liability is included in accounts payable, accrued expenses and other on the consolidated balance sheets. The related noncurrent asset and liability are included in other assets and other noncurrent liabilities, respectively, on the consolidated balance sheets. A loss on these POM guarantees would be recognized if the sum of expected costs for services exceeded unearned revenue. The deferred revenue liability increased in fiscal year 2004 by $61.5 million due to the change in accounting principle. The changes in the deferred revenue liability for the fiscal years ended April 30, 2005 and 2004 are as follows:

		(in 000s)
April 30,	**2005**	2004
Balance, beginning of year	**$ 123,048**	$ 49,280
Amounts deferred for new guarantees issued	**77,756**	81,803
Revenue recognized on previous deferrals	**(70,042)**	(69,522)
Adjustment resulting from change in accounting principle	**–**	61,487
Balance, end of year	**$ 130,762**	$ 123,048

We have commitments to fund mortgage loans to customers as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The commitments to fund loans amounted to $3.9 billion and $2.6 billion at April 30, 2005 and 2004, respectively. External market forces impact the probability of commitments being exercised, and therefore, total commitments outstanding do not necessarily represent future cash requirements.

We have entered into whole loan sale agreements with investors in the normal course of business, which include standard representations and warranties customary to the mortgage banking industry. Violations of these representations and warranties may require us to repurchase loans previously sold. In accordance with these loan sale agreements, we repurchased loans with an outstanding principal balance of $195.3 million and $192.3 million during the fiscal years ended April 30, 2005 and 2004, respectively. A liability has been established related to the potential loss on repurchase of loans previously sold of $41.2 million and $25.2 million at April 30, 2005 and 2004, respectively. Repurchased loans are normally sold in subsequent sale transactions. On an ongoing basis, we monitor the adequacy of this liability, which is established upon the initial sale of the loans, and is included in accounts payable, accrued expenses and deposits in the consolidated balance sheets. In determining the adequacy of the recourse liability, we consider such factors as known problem loans, underlying collateral values, historical loan loss experience, assessment of economic conditions and other appropriate data to identify the risks in the mortgage loans held for sale.

We are responsible for servicing mortgage loans for others of $47.5 billion and subservicing loans of $20.5 billion at April 30, 2005.

We are required, under the terms of our securitizations, to build and/or maintain overcollateralization ("OC") to specified levels, using the excess cash flows received, until specified percentages of the securitized portfolio are attained. We fund the OC account from the proceeds of the sale. Future cash flows to the residual holder are used to amortize the bonds until a specific percentage of either the original or current balance is retained, which is specified in the securitization agreement. The bondholders' recourse to us for credit losses is limited to the excess cash flows received and the amount of OC held by the trust. Upon maturity of the bonds, any remaining amounts in the trust are distributed. The estimated future cash flows to be distributed to us are included as part of the residual valuation and are valued upon distribution from the OC account. As of April 30, 2005 and 2004, $309.5 million and $316.0 million, respectively, was maintained in various OC accounts. These accounts are not assets of the Company and are not reflected in the accompanying consolidated financial statements, other than to the extent potential OC cash flows are included as part of residual interest valuations.

Option One provides a guarantee up to a maximum amount equal to approximately 10% of the aggregate principal balance of mortgage loans held by the Trusts before ultimate disposition of the loans by the Trusts. This guarantee would be called upon in the event adequate proceeds were not available from the sale of the mortgage loans to satisfy the current or ultimate payment obligations of the Trusts. No losses have been sustained on this commitment since its inception. The total principal amount of Trust obligations outstanding as of April 30, 2005 and 2004 was $6.7 billion and $3.2 billion, respectively. The fair value of mortgage loans held by the Trusts as of April 30, 2005 and 2004 was $6.8 billion and $3.3 billion, respectively.

We are required, in the event of non-delivery of customers' securities owed to us by other broker-dealers or by our

customers, to purchase identical securities in the open market. Such purchases could result in losses not reflected in the accompanying consolidated financial statements.

As of April 30, 2005, we had pledged securities totaling $44.6 million, which satisfied margin deposit requirements of $52.5 million.

We monitor the credit standing of brokers and dealers and customers with whom we do business. In addition, we monitor the market value of collateral held and the market value of securities receivable from others, and seek to obtain additional collateral if insufficient protection against loss exists.

We have various contingent purchase price obligations in connection with prior acquisitions. In many cases, contingent payments to be made in connection with these acquisitions are not subject to a stated limit. We estimate the potential payments (undiscounted) total approximately $5.1 million as of April 30, 2005. Our estimate is based on current financial conditions. Should actual results differ materially from the assumptions, the potential payments will differ from the above estimate. Such payments, if and when paid, would be recorded as additional goodwill.

At April 30, 2005, we had a receivable from M&P of $13.8 million. This amount is included in receivables in the consolidated balance sheet. Commitments exist to loan M&P the lower of the value of their accounts receivable, work-in-process and fixed assets or $75.0 million, on a revolving basis through August 30, 2005, subject to certain termination clauses. This revolving facility bears interest at prime rate plus four and one-half percent on the outstanding amount and a commitment fee of one-half percent per annum on the unused portion of the commitment. The loan is fully secured by the accounts receivable, work-in-process and fixed assets of M&P. We anticipate entering into a new revolving facility, which will extend the loan past August 30, 2005.

We have contractual commitments to fund certain franchises requesting Franchise Equity Lines of Credit ("FELCs"). The commitment to fund FELCs as of April 30, 2005 totaled $68.9 million, with a related receivable balance of $39.0 million included in the consolidated balance sheets. The receivable represents the amount drawn on the FELCs as of April 30, 2005.

We are self-insured for certain risks, including certain employee health and benefit, workers' compensation, property and general liability claims, and claims related to our POM program. We issued two standby letters of credit to servicers paying claims related to our POM, errors and omissions and worker's compensation insurance policies. These letters of credit are for amounts not to exceed $10.7 million, $3.0 million and $0.9 million, respectively. At April 30, 2005 there were no balances outstanding on these letters of credit.

HRBFA has letters of credit with a financial institution with a credit limit of $125.0 million. There were no borrowings on these letters of credit during fiscal years 2005 or 2004 and no outstanding balance at April 30, 2005 or 2004.

During fiscal year 2004, we announced plans to construct a new world headquarters facility in downtown Kansas City, Missouri. We are in negotiations to enter into contractual commitments with the City of Kansas City and a general contractor for the construction of the building. As of April 30, 2005, no commitment for the total cost of the building had been negotiated. We expect the remaining expenditure associated with this building to be approximately $143.1 million, which will be paid over the next two fiscal years.

We routinely enter into contracts that include embedded indemnifications that have characteristics similar to guarantees. Other guarantees and indemnifications of the Company and its subsidiaries include obligations to protect counter parties from losses arising from the following: (1) tax, legal and other risks related to the purchase or disposition of businesses; (2) penalties and interest assessed by federal and state taxing authorities in connection with tax returns prepared for clients; (3) indemnification of our directors and officers; and (4) 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 we will ultimately prevail in the event any such claims are asserted, we believe the fair value of these guarantees and indemnifications is not material as of April 30, 2005.

Substantially all of the operations of our subsidiaries are conducted in leased premises. Most of the operating leases are for periods ranging from 3 years to 5 years, with renewal options and provide for fixed monthly rentals.

Future minimum lease commitments at April 30, 2005 are as follows:

	(in 000s)
2006	$ **229,768**
2007	**186,111**
2008	**127,153**
2009	**81,608**
2010	**43,337**
2011 and beyond	**40,634**
	$ **708,611**

Our rent expense for fiscal years 2005, 2004 and 2003 totaled $275.3 million, $241.2 million and $215.5 million, respectively.

In the regular course of business, we are subject to routine examinations by federal, state and local taxing authorities. In management's opinion, the disposition of matters raised by such taxing authorities, if any, in such tax examinations would not have a material adverse impact on our consolidated financial statements.

RISKS ... Loans to borrowers who do not meet traditional underwriting criteria, or non-prime borrowers, present a higher level of risk of default than prime loans, because of previous credit problems, higher debt-to-income levels, lack of income documentation or limited credit history. Loans to non-prime borrowers also involve additional liquidity risks, as these loans generally have a more limited secondary market than prime loans. The actual rates of delinquencies, foreclosures and losses on loans to non-prime borrowers could be higher under adverse economic conditions than those currently experienced in the mortgage lending industry in general. While we believe the underwriting procedures and appraisal processes we employ enable us to mitigate certain risks inherent in loans made to these borrowers, no assurance can be given that such procedures or processes will afford adequate protection against such risks.

Commitments to fund loans involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the financial statements. Credit risk is mitigated by our evaluation of the creditworthiness of potential borrowers on a case-by-case basis.

Risks to the stability of Mortgage Services include external events impacting the asset-backed securities market, such as the level of and fluctuations in interest rates, real estate and other asset values, changes in the securitization market and competition.

NOTE 18: LITIGATION COMMITMENTS AND CONTINGENCIES

We have been involved in a number of class actions and putative class action cases since 1990 regarding our RAL programs. These cases are based on a variety of legal theories and allegations. These theories and allegations include, among others, that (i) we improperly did not disclose license fees we received from RAL lending banks for RALs they make to our clients, (ii) we owe and breached a fiduciary duty to our clients and (iii) the RAL program violates laws such as state credit service organization laws and the federal Racketeer Influenced and Corrupt Organizations ("RICO") Act. Although we have successfully defended many RAL cases, we incurred a pretax expense of $43.5 million in fiscal year 2003 in connection with settling one RAL case. Several of the RAL cases are still pending and the amounts claimed in some of them are very substantial. The ultimate cost of this litigation could be substantial. We intend to continue defending the RAL cases vigorously, although there are no assurances as to their outcome.

As discussed in our Form 8-K dated May 9, 2005, we initially recorded litigation reserves of approximately $38.0 million, after taxes in connection with a proposed settlement of *Lynne A. Carnegie, et al. v. Household International, Inc., H&R Block, Inc., et al.,* (formerly Joel E. Zawikowski, et al. v. Beneficial National Bank, H&R Block, Inc., Block Financial Corporation, et al.). In negotiating the proposed settlement and in determining the amount of consideration we were willing to pay under the proposed settlement, we ascribed significant value to the expanded class of plaintiffs to be covered by the proposed settlement and settlement terms that reduced the likelihood of future claims being made against us regarding our RAL programs. As a result of the May 26, 2005 court ruling to deny the settlement offer, we reversed our legal reserves to amounts representing our assessment of our probable loss.

We are also parties to claims and lawsuits pertaining to our electronic tax return filing services and our POM guarantee program associated with income tax preparation services. These claims and lawsuits include actions by individual plaintiffs, as well as cases in which plaintiffs seek to represent a class of similarly situated customers. The amounts claimed in these claims and lawsuits are substantial in some instances, and the ultimate liability with respect to such litigation and claims is difficult to predict. We intend to continue defending these cases vigorously, although there are not assurances as to their outcome.

In addition to the aforementioned types of cases, we are parties to claims and lawsuits that we consider to be ordinary, routine disputes incidental to our business ("Other Claims and Lawsuits"), including claims and lawsuits concerning the preparation of customers' income tax returns, the fees charged customers for various services, investment products, relationships with franchisees, contract disputes and civil actions, arbitrations, regulatory inquiries and class actions arising out of our business as a broker-dealer and as a servicer of mortgage loans. We believe we have meritorious defenses to each of the Other Claims and Lawsuits and are defending, or intend to defend, them vigorously. Although we cannot provide assurance we will ultimately prevail in each instance, we believe that amounts, if any, required to be paid in the discharge of liabilities or settlements pertaining to Other Claims and Lawsuits will not

have a material adverse effect on our consolidated financial statements. Regardless of outcome, claims and litigation can adversely affect us due to defense costs, diversion of management and publicity related to such matters.

It is our policy to accrue for amounts related to legal matters if it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Many of the various legal proceedings are covered in whole, or in part, by insurance. Any receivable for insurance recoveries is recorded separate from the corresponding litigation reserve, and only if recovery is determined to be probable. Receivables for insurance recoveries at April 30, 2005 were immaterial.

NOTE 19: SUBSEQUENT EVENT

On June 8, 2005, our Board of Directors declared a two-for-one stock split of the Company's Common Stock in the form of a 100% stock distribution, effective August 22, 2005, to shareholders of record as of the close of business on August 1, 2005. Common Stock outstanding, giving retroactive effect to the stock split at April 30, 2005 would be 331.2 million shares. Pro forma Common Stock and retained earnings at April 30, 2005 would be $4.4 million and $3.2 billion, respectively.

NOTE 20: SEGMENT INFORMATION

The principal business activity of our operating subsidiaries is providing tax and financial services and products to the general public. Management has determined the reportable segments identified below according to types of services offered and the manner in which operational decisions are made. We operate in the following reportable segments:

TAX SERVICES ... This segment is primarily engaged in providing tax return preparation and related services and products in the U.S., Canada, Australia and the United Kingdom. Segment revenues include fees earned for tax-related services performed at company-owned tax offices, royalties from franchise offices, sales of tax preparation and other software, fees from online tax preparation, and payments related to RALs. This segment includes the Company's tax preparation software – TaxCut® from H&R Block, and other personal productivity software offered to the general public, and offers online do-it-yourself-tax preparation, online tax advice to the general public through the *www.hrblock.com* website. Revenues of this segment are seasonal in nature.

Our international operations contributed $110.0 million, $97.6 million and $85.1 million in revenues for fiscal years 2005, 2004 and 2003, respectively, and $11.3 million, $11.1 million and $10.5 million of pretax income, respectively. The previously reported International Tax Operations segment has been aggregated with U.S. Tax Operations in the Tax Services segment, and prior year results have been reclassified to reflect this change.

MORTGAGE SERVICES ... This segment is primarily engaged in the origination of non-prime mortgage loans, sales and securitizations of mortgage assets and servicing of non-prime loans in the U.S. This segment mainly offers, through a network of independent mortgage brokers, a flexible product line to borrowers who are creditworthy but do not meet traditional underwriting criteria. Prime mortgage loan products, as well as the same flexible product line available through brokers, are offered through H&R Block Mortgage Corporation retail offices and some other retail offices.

BUSINESS SERVICES ... This segment offers middle-market companies accounting, tax and consulting services, wealth management, retirement resources, payroll services, corporate finance, and financial process outsourcing. This segment offers services through offices located throughout the U.S. Revenues of this segment are seasonal in nature.

INVESTMENT SERVICES ... This segment is primarily engaged in offering investment services and securities products through H&R Block Financial Advisors, Inc., a full-service securities broker-dealer, to the general public. Investment advice and services are primarily offered through H&R Block Financial Advisors branch offices.

CORPORATE ... This segment consists primarily of corporate support departments that provide services to our operating segments. These support departments consist of marketing, information technology, facilities, human resources, executive, legal, finance, government relations and corporate communications. These support department costs are largely allocated to our operating segments. Our captive insurance and franchise financing subsidiaries are also included within this segment, as was our small business initiatives subsidiary in fiscal years 2004 and 2003. The pretax loss from our Corporate segment for fiscal year 2005 includes a non-operating gain of $17.3 million, or $0.06 per diluted share, resulting from legal recoveries.

IDENTIFIABLE ASSETS ... Identifiable assets are those assets, including goodwill and intangible assets, associated with each reportable segment. The remaining assets are classified as corporate assets and consist primarily of cash, marketable securities and equipment.

Information concerning the Company's operations by reportable segment as of and for the years ended April 30, 2005, 2004 and 2003 is as follows. See note 2 for details of the restatement of our previously issued financial statements.

(in 000s)

Year Ended April 30,	2005	2004 As Reported	2004 Adjustments	2004 Restated	2003 As Reported	2003 Adjustments	2003 Restated
REVENUES ...							
Tax Services	**$ 2,358,293**	$ 2,191,177	$ –	$ 2,191,177	$ 1,946,763	$ –	$ 1,946,763
Mortgage Services	**1,246,018**	1,300,675	23,034	1,323,709	1,186,476	(36,396)	1,150,080
Business Services	**573,316**	499,210	–	499,210	434,140	–	434,140
Investment Services	**239,244**	229,470	–	229,470	200,794	–	200,794
Corporate	**3,148**	4,314	–	4,314	(651)	–	(651)
	$ 4,420,019	$ 4,205,570	$ 42,310	$ 4,247,880	$ 3,746,457	$ (15,331)	$ 3,731,126
INCOME (LOSS) BEFORE TAXES ...							
Tax Services	**$ 663,518**	$ 638,689	$ (196)	$ 638,493	$ 557,542	$ (839)	$ 556,703
Mortgage Services	**496,093**	678,261	10,262	688,523	693,950	(37,626)	656,324
Business Services	**29,871**	19,321	(9)	19,312	(14,118)	(1,915)	(16,033)
Investment Services	**(75,370)**	(64,446)	(11,168)	(75,614)	(128,292)	(91,129)	(219,421)
Corporate	**(96,397)**	(107,668)	(71)	(107,739)	(122,005)	(4)	(122,009)
	$ 1,017,715	$ 1,164,157	$ (1,182)	$ 1,162,975	$ 987,077	$ (131,513)	$ 855,564

(in 000s)

Year Ended April 30,	2005	Restated 2004	Restated 2003
DEPRECIATION AND AMORTIZATION ...			
Tax Services	**$ 79,079**	$ 76,279	$ 61,487
Mortgage Services	**31,043**	24,428	21,703
Business Services	**23,591**	23,104	23,135
Investment Services	**48,662**	54,378	61,254
Corporate	**1,492**	942	1,513
	$ 183,867	$ 179,131	$ 169,092
Goodwill impairments:			
Business Services	**–**	–	13,459
Investment Services	**–**	–	108,792
	–	–	122,251
	$ 183,867	$ 179,131	$ 291,343
CAPITAL EXPENDITURES ...			
Tax Services	**$ 74,297**	$ 50,204	$ 65,469
Mortgage Services	**56,613**	28,176	38,204
Business Services	**22,582**	18,003	15,248
Investment Services	**9,503**	10,531	13,371
Corporate	**46,463**	16,912	16,414
	$ 209,458	$ 123,826	$ 148,706
IDENTIFIABLE ASSETS ...			
Tax Services	**$ 716,981**	$ 666,548	$ 354,617
Mortgage Services	**1,336,920**	1,108,022	1,241,772
Business Services	**701,763**	637,542	677,334
Investment Services	**1,481,127**	1,624,383	1,423,716
Corporate	**1,302,492**	1,196,237	969,063
	$ 5,539,283	$ 5,232,732	$ 4,666,502

NOTE 21: QUARTERLY FINANCIAL DATA (UNAUDITED)

(in 000s, except per share amounts)

Fiscal Year 2005 Quarter Ended	Fiscal Year 2005	April 30, 2005	As Reported January 31, 2005	As Restated January 31, 2005
Revenues	**$ 4,420,019**	**$ 2,355,279**	**$ 1,032,007**	**$ 1,036,236**
Income before taxes	**1,017,715**	**1,003,055**	**151,683**	**153,278**
Income taxes	**381,858**	**376,349**	**59,991**	**57,513**
Net income	**$ 635,857**	**$ 626,706**	**$ 91,692**	**$ 95,765**
Basic earnings per share	**$ 3.83**	**$ 3.79**	**$ .56**	**$ .58**
Diluted earnings per share	**$ 3.77**	**$ 3.72**	**$ .55**	**$ .57**

Fiscal Year 2005 Quarter Ended	As Reported October 31, 2004	As Restated October 31, 2004	As Reported July 31, 2004	As Restated July 31, 2004
Revenues	$ 539,255	$ 541,953	$ 482,711	$ 486,551
Income before taxes	(85,924)	(79,818)	(72,564)	(58,800)
Income taxes	(33,725)	(29,946)	(28,481)	(22,058)
Net income	$ (52,199)	$ (49,872)	$ (44,083)	$ (36,742)
Basic earnings per share	$ (.32)	$ (.30)	$ (.26)	$ (.22)
Diluted earnings per share	$ (.32)	$ (.30)	$ (.26)	$ (.22)

Fiscal Year 2004 Quarter Ended	As Reported Fiscal Year 2004	As Restated Fiscal Year 2004	As Reported April 30, 2004	As Restated April 30, 2004	As Reported January 31, 2004
Revenues	$ 4,224,846	$ 4,247,880	$ 2,197,760	$ 2,200,935	$ 962,830
Income before taxes	1,164,157	1,162,975	952,074	949,469	176,120
Income taxes	459,901	447,367	376,439	365,237	69,394
Net income before change in accounting principle	704,256	715,608	575,635	584,232	106,723
Cumulative effect of change in accounting principle	(6,359)	(6,359)	–	–	–
Net income	$ 697,897	$ 709,249	$ 575,635	$ 584,232	$ 106,726
Basic earnings per share:					
Before change in accounting principle	$ 3.98	$ 4.04	$ 3.30	$ 3.35	$ .60
Net income	3.94	4.01	3.30	3.35	.60
Diluted earnings per share:					
Before change in accounting principle	$ 3.90	$ 3.96	$ 3.23	$ 3.28	$ .59
Net income	3.86	3.92	3.23	3.28	.59

Fiscal Year 2004 Quarter Ended	As Restated January 31, 2004	As Reported October 31, 2003	As Restated October 31, 2003	As Reported July 31, 2003	As Restated July 31, 2003
Revenues	$ 974,520	$ 568,872	$ 573,267	$ 495,384	$ 499,158
Income before taxes	181,406	17,134	15,390	18,829	16,710
Income taxes	69,782	6,758	5,920	7,310	6,428
Net income before change in accounting principle	111,624	10,376	9,470	11,519	10,282
Cumulative effect of change in accounting principle	–	–	–	(6,359)	(6,359)
Net income	$ 111,624	$ 10,376	$ 9,470	$ 5,160	$ 3,923
Basic earnings per share:					
Before change in accounting principle	$ .63	$ .06	$ .05	$ .06	$ .06
Net income	.63	.06	.05	.03	.02
Diluted earnings per share:					
Before change in accounting principle	$ .62	$ .06	$ .05	$ .06	$ .06
Net income	.62	.06	.05	.03	.02

We restated our previously issued consolidated financial statements, including each of the quarters in the nine months ended January 31, 2005 and the fiscal years ended April 30, 2004 and 2003. See note 2 for a detailed description of each restatement issue. The following is a summary of the impact of the restatement on our quarterly consolidated income statements for fiscal years 2005 and 2004:

(in 000s)

Fiscal Year 2005 Quarter Ended	January 31, 2005		October 31, 2004		July 31, 2004	
Impact on	Revenues	Pretax Income	Revenues	Pretax Income	Revenues	Pretax Income
Purchase accounting	**$ –**	**$ (1,831)**	$ –	$ (1,831)	$ –	$ (1,831)
Sales of previously securitized residual interests	**4,229**	**4,229**	2,698	2,698	3,840	3,840
Lease accounting	**–**	**(1,207)**	–	(414)	–	(175)
Incentive compensation accrual	**–**	**–**	–	–	–	12,070
Improper capitalization	**–**	**404**	–	5,653	–	(140)
	$ 4,229	**$ 1,595**	$ 2,698	$ 6,106	$ 3,840	$ 13,764
Income tax (benefit)		**(2,478)**		3,779		6,423
Net income		**$ 4,073**		$ 2,327		$ 7,341

Fiscal Year 2004 Quarter Ended	April 30, 2004		January 31, 2004	
Impact on	Revenues	Pretax Income	Revenues	Pretax Income
Purchase accounting	$ –	$ (1,831)	$ –	$ (1,831)
Sales of previously securitized residual interests	3,175	3,175	11,690	11,690
Lease accounting	–	(608)	–	(510)
Incentive compensation accrual	–	(3,018)	–	(3,018)
Improper capitalization	–	(323)	–	(1,045)
	$ 3,175	$ (2,605)	$ 11,690	$ 5,286
Income tax (benefit)		(11,202)		388
Net income		$ 8,597		$ 4,898

Fiscal Year 2004 Quarter Ended		October 31, 2003		July 31, 2003
Impact on	Revenues	Pretax Income	Revenues	Pretax Income
Purchase accounting	$ –	$ (1,831)	$ –	$ (1,831)
Sales of previously securitized residual interests	4,395	4,395	3,774	3,775
Lease accounting	–	(216)	–	28
Incentive compensation accrual	–	(3,018)	–	(3,018)
Improper capitalization	–	(1,074)	–	(1,073)
	$ 4,395	$ (1,744)	$ 3,774	$ (2,119)
Income tax (benefit)		(838)		(882)
Net income		$ (906)		$ (1,237)

The accumulation of four quarters in fiscal years 2005 and 2004 for earnings per share may not equal the related per share amounts for the years ended April 30, 2005 and 2004 due to the repurchase of treasury shares, the timing of the exercise of stock options, and the antidilutive effect of stock options in the first two quarters.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Fiscal year 2005 …					
Dividends per share	**$ .22**	**$ .22**	**$ .22**	**$ .20**	**$ .86**
Stock price range:					
High	**$ 55.86**	**$ 50.49**	**$ 51.50**	**$ 50.00**	**$ 55.86**
Low	**46.85**	**45.98**	**45.13**	**44.16**	**44.16**
Fiscal year 2004 …					
Dividends per share	$ .20	$ .20	$ .20	$ .18	$ .78
Stock price range:					
High	$ 61.00	$ 60.18	$ 48.36	$ 46.00	$ 61.00
Low	44.50	47.14	40.55	36.30	36.30

NOTE 22: CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Block Financial Corporation ("BFC") is an indirect, wholly-owned subsidiary of the Company. BFC is the Issuer and H&R Block, Inc. is the Guarantor of the $250.0 million 6¾% Senior Notes issued on October 21, 1997, the $500.0 million 8½% Senior Notes issued on April 13, 2000 and the $400.0 million 5.125% Senior Notes issued on October 26, 2004. Our guarantee is full and unconditional. The following condensed consolidating financial statements present separate information for BFC, the Company and for our other subsidiaries, and should be read in conjunction with our consolidated financial statements.

These condensed consolidating financial statements have been prepared using the equity method of accounting. Income of subsidiaries is, therefore, reflected in our investment in subsidiaries account. The elimination entries eliminate investments in subsidiaries, related stockholder's equity and other intercompany balances and transactions. The income statements and statements of cash flows for the twelve months ended April 30, 2004 and 2003 and balance sheet as of April 30, 2004 have been adjusted to reflect intercompany royalties between BFC and other subsidiaries. These adjustments have no effect on H&R Block, Inc. (Guarantor) or Consolidated H&R Block.

CONDENSED CONSOLIDATING INCOME STATEMENTS

(in 000s)

Year Ended April 30, 2005	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Revenues	$ –	$ 1,871,703	$ 2,565,496	$ (17,180)	$ 4,420,019
Expenses:					
Cost of service revenues	–	404,205	1,595,199	(184)	1,999,220
Cost of other revenues	–	385,908	30,513	–	416,421
Selling, general and administrative	–	479,136	487,419	(14,430)	952,125
	–	1,269,249	2,113,131	(14,614)	3,367,766
Operating income	–	602,454	452,365	(2,566)	1,052,253
Interest expense	–	59,247	3,293	(173)	62,367
Other income, net	1,017,715	17,277	10,552	(1,017,715)	27,829
Income before taxes	1,017,715	560,484	459,624	(1,020,108)	1,017,715
Income taxes	381,858	206,572	175,969	(382,541)	381,858
Net income	$ 635,857	$ 353,912	$ 283,655	$ (637,567)	$ 635,857

Year Ended April 30, 2004 (as restated)	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Revenues	$ –	$ 1,844,772	$ 2,419,446	$ (16,338)	$ 4,247,880
Expenses:					
Cost of service revenues	–	372,217	1,422,567	(283)	1,794,501
Cost of other revenues	–	355,197	25,168	–	380,365
Selling, general and administrative	–	399,956	464,401	(15,682)	848,675
	–	1,127,370	1,912,136	(15,965)	3,023,541
Operating income	–	717,402	507,310	(373)	1,224,339
Interest expense	–	38,218	33,000	–	71,218
Other income, net	1,162,975	–	9,854	(1,162,975)	9,854
Income before taxes	1,162,975	679,184	484,164	(1,163,348)	1,162,975
Income taxes	447,367	263,456	184,055	(447,511)	447,367
Income before change in accounting	715,608	415,728	300,109	(715,837)	715,608
Cumulative effect of change in accounting	(6,359)	–	(6,359)	6,359	(6,359)
Net income	$ 709,249	$ 415,728	$ 293,750	$ (709,478)	$ 709,249

(in 000s)

Year Ended April 30, 2003 (as restated)	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Revenues	$ –	$ 1,551,572	$ 2,192,510	$ (12,956)	$ 3,731,126
Expenses:					
Cost of service revenues	–	304,947	1,320,729	261	1,625,937
Cost of other revenues	–	285,228	15,521	–	300,749
Selling, general and administrative	–	429,255	467,057	(13,197)	883,115
	–	1,019,430	1,803,307	(12,936)	2,809,801
Operating income	–	532,142	389,203	(20)	921,325
Interest expense	–	50,276	26,447	–	76,723
Other income, net	855,564	4,127	6,835	(855,564)	10,962
Income before taxes	855,564	485,993	369,591	(855,584)	855,564
Income taxes	377,949	232,577	145,381	(377,958)	377,949
Net income	$ 477,615	$ 253,416	$ 224,210	$ (477,626)	$ 477,615

CONDENSED CONSOLIDATING BALANCE SHEETS

(in 000s)

April 30, 2005	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Cash & cash equivalents	$ –	$ 162,983	$ 937,230	$ –	$ 1,100,213
Cash & cash equivalents — restricted	–	488,761	28,148	–	516,909
Receivables from customers, brokers and dealers, net	–	590,226	–	–	590,226
Receivables, net	101	199,990	218,697	–	418,788
Intangible assets and goodwill, net	–	421,036	842,003	–	1,263,039
Investments in subsidiaries	4,878,783	210	449	(4,878,783)	659
Other assets	–	1,407,082	243,007	(640)	1,649,449
Total assets	$ 4,878,884	$ 3,270,288	$ 2,269,534	$ (4,879,423)	$ 5,539,283
Accounts payable to customers, brokers and dealers	$ –	$ 950,684	$ –	$ –	$ 950,684
Long-term debt	–	896,591	26,482	–	923,073
Other liabilities	2	532,562	1,156,583	8	1,689,155
Net intercompany advances	2,902,511	(653,908)	(2,250,521)	1,918	–
Stockholders' equity	1,976,371	1,544,359	3,336,990	(4,881,349)	1,976,371
Total liabilities and stockholders' equity	$ 4,878,884	$ 3,270,288	$ 2,269,534	$ (4,879,423)	$ 5,539,283

April 30, 2004 (as restated)	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Cash & cash equivalents	$ –	$ 133,188	$ 939,557	$ –	$ 1,072,745
Cash & cash equivalents — restricted	–	532,201	13,227	–	545,428
Receivables from customers, brokers and dealers, net	–	625,076	–	–	625,076
Receivables, net	180	150,188	178,851	–	329,219
Intangible assets and goodwill, net	–	457,661	829,283	–	1,286,944
Investments in subsidiaries	4,214,499	205	297	(4,214,499)	502
Other assets	(145)	1,125,578	247,758	(373)	1,372,818
Total assets	$ 4,214,534	$ 3,024,097	$ 2,208,973	$ (4,214,872)	$ 5,232,732
Accounts payable to customers, brokers and dealers	$ –	$ 1,065,793	$ –	$ –	$ 1,065,793
Long-term debt	–	498,225	47,586	–	545,811
Other liabilities	15,879	580,331	1,204,542	561	1,801,313
Net intercompany advances	2,378,840	(317,187)	(2,061,092)	(561)	–
Stockholders' equity	1,819,815	1,196,935	3,017,937	(4,214,872)	1,819,815
Total liabilities and stockholders' equity	$ 4,214,534	$ 3,024,097	$ 2,208,973	$ (4,214,872)	$ 5,232,732

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(in 000s)

Year Ended April 30, 2005	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Net cash provided by operating activities:	**$ 39,134**	**$ 91,081**	**$ 383,578**	**$ –**	**$ 513,793**
Cash flows from investing activities:					
Cash received on residual interests	**–**	**136,045**	**–**	**–**	**136,045**
Purchases of property & equipment, net	**–**	**(66,255)**	**(143,203)**	**–**	**(209,458)**
Payments made for business acquisitions	**–**	**–**	**(37,621)**	**–**	**(37,621)**
Net intercompany advances	**497,774**	**–**	**–**	**(497,774)**	**–**
Other, net	**–**	**60,424**	**(7,800)**	**–**	**52,624**
Net cash provided by (used in) investing activities	**497,774**	**130,214**	**(188,624)**	**(497,774)**	**(58,410)**
Cash flows from financing activities:					
Repayments of commercial paper	**–**	**(5,191,623)**	**–**	**–**	**(5,191,623)**
Proceeds from issuance of commercial paper	**–**	**5,191,623**	**–**	**–**	**5,191,623**
Repayments of long-term debt	**–**	**(250,000)**	**–**	**–**	**(250,000)**
Proceeds from issuance of long-term debt	**–**	**395,221**	**–**	**–**	**395,221**
Payments on acquisition debt	**–**	**–**	**(25,664)**	**–**	**(25,664)**
Dividends paid	**(142,988)**	**–**	**–**	**–**	**(142,988)**
Acquisition of treasury shares	**(530,022)**	**–**	**–**	**–**	**(530,022)**
Proceeds from issuance of common stock	**136,102**	**–**	**–**	**–**	**136,102**
Net intercompany advances	**–**	**(336,721)**	**(161,053)**	**497,774**	**–**
Other, net	**–**	**–**	**(10,564)**	**–**	**(10,564)**

Net cash provided by (used in) financing activities	(536,908)	(191,500)	(197,281)	497,774	(427,915)
Net increase (decrease) in cash and cash equivalents	–	29,795	(2,327)	–	27,468
Cash and cash equivalents at beginning of the year	–	133,188	939,557	–	1,072,745
Cash and cash equivalents at end of the year	$ –	$ 162,983	$ 937,230	$ –	$ 1,100,213

(in 000s)

Year Ended April 30, 2004 (as restated)	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Net cash provided by operating activities:	$ 64,782	$ 184,949	$ 677,076	$ –	$ 926,807
Cash flows from investing activities:					
Cash received on residual interests	–	193,606	–	–	193,606
Purchases of property & equipment, net	–	(39,229)	(88,344)	–	(127,573)
Payments made for business acquisitions	–	–	(280,865)	–	(280,865)
Net intercompany advances	473,521	–	–	(473,521)	–
Other, net	–	66,046	17,653	–	83,699
Net cash provided by (used in) investing activities	473,521	220,423	(351,556)	(473,521)	(131,133)
Cash flows from financing activities:					
Repayments of commercial paper	–	(4,618,853)	–	–	(4,618,853)
Proceeds from issuance of commercial paper	–	4,618,853	–	–	4,618,853
Payments on acquisition debt	–	–	(59,003)	–	(59,003)
Dividends paid	(138,397)	–	–	–	(138,397)
Acquisition of treasury shares	(519,862)	–	–	–	(519,862)
Proceeds from issuance of common stock	119,956	–	–	–	119,956
Net intercompany advances	–	(453,477)	(20,044)	473,521	–
Other, net	–	–	(2,045)	–	(2,045)
Net cash provided by (used in) financing activities	(538,303)	(453,477)	(81,092)	473,521	(599,351)
Net increase (decrease) in cash and cash equivalents	–	(48,105)	244,428	–	196,323
Cash and cash equivalents at beginning of the year	–	180,181	695,172	–	875,353
Cash and cash equivalents at end of the year	$ –	$ 132,076	$ 939,600	$ –	$ 1,071,676

Year Ended April 30, 2003 (as restated)	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Net cash provided by operating activities	$ 36,560	$ 140,617	$ 513,648	$ –	$ 690,825
Cash flows from investing activities:					
Cash received on residual interests	–	140,795	–	–	140,795
Sales of residual interests in securitizations	–	142,486	–	–	142,486
Purchases of property & equipment, net	–	(37,999)	(112,898)	–	(150,897)
Payments made for business acquisitions	–	–	(26,408)	–	(26,408)
Net intercompany advances	280,583	–	–	(280,583)	–
Other, net	–	(1,480)	20,843	–	19,363
Net cash provided by (used in) investing activities	280,583	243,802	(118,463)	(280,583)	125,339
Cash flows from financing activities:					
Repayments of commercial					

paper	–	(9,925,516)	–	–	(9,925,516)
Proceeds from issuance of commercial paper	–	9,925,516	–	–	9,925,516
Payments on acquisition debt	–	–	(57,469)	–	(57,469)
Dividends paid	(125,898)	–	–	–	(125,898)
Acquisition of treasury shares	(317,570)	–	–	–	(317,570)
Proceeds from issuance of common stock	126,325	–	–	–	126,325
Net intercompany advances	–	(402,197)	121,614	280,583	–
Other, net	–	–	(2,344)	–	(2,344)
Net cash provided by (used in) financing activities	(317,143)	(402,197)	61,801	280,583	(376,956)
Net increase (decrease) in cash and cash equivalents	–	(17,778)	456,986	–	439,208
Cash and cash equivalents at beginning of the year	–	197,959	238,186	–	436,145
Cash and cash equivalents at end of the year	$ –	$ 180,181	$ 695,172	$ –	$ 875,353

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES ... We have established disclosure controls and procedures ("Disclosure Controls") to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed to ensure that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Our Disclosure Controls were designed to provide reasonable assurance that the controls and procedures would meet their objectives. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusions of two or more people, or by management override of the control. Because of the inherent limitations in a cost-effective, maturing control system, misstatements due to error or fraud may occur and not be detected.

As of the end of the period covered by this Form 10-K, we evaluated the effectiveness of the design and operation of our Disclosure Controls. The controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our Disclosure Controls and procedures were not effective as of the end of the period covered by this Annual Report on Form 10-K because of the material weakness in internal control over financial reporting discussed below.

(b) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ... Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as of April 30, 2005.

Based on our assessment, management determined that a material weakness existed in the Company's internal controls over accounting for income taxes as of April 30, 2005. Specifically, the Company did not maintain sufficient resources in the corporate tax function to accurately identify, evaluate and report, in a timely manner, non-routine and complex transactions. In addition, the Company had not completed the requisite historical analysis and related reconciliations to ensure tax balances were appropriately stated prior to the completion of the Company's internal control activities. These deficiencies resulted in errors in the Company's accounting for income taxes. These errors were corrected prior to issuance of the consolidated financial statements as of and for the year ended April 30, 2005. In the aggregate, these deficiencies represent a material weakness in internal control over financial reporting on the basis that there is a more than remote likelihood that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected by its internal control over financial reporting. Because of this material weakness in internal control over financial reporting, management concluded that, as of April 30, 2005, the Company's internal control over financial reporting was not effective based on the criteria set forth by COSO.

The Company's external auditors, KPMG LLP, an independent registered public accounting firm, have issued an audit report on our assessment of the Company's internal control over financial reporting. This report appears on page 44.

(c) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING ... As disclosed most recently in our Quarterly Report on Form 10-Q for the quarter ended January 31, 2005, management had identified an internal control deficiency in our accounting for income taxes. We have dedicated substantial resources to the review of our control processes and procedures specifically related to accounting for income taxes. Based on the results of this review, during the fourth quarter, management completed numerous enhancements to improve our internal controls over financial reporting, specifically those related to accounting for income taxes, including the following actions:

- Implemented a comprehensive set of policies and procedures related to accounting for income taxes.
- Filled senior-level positions in the corporate tax department with experienced individuals focusing on corporate tax, state/local tax, and mortgage accounting.
- Engaged a qualified third-party firm to provide supplementary assistance, REMIC transaction tax expertise, and to assess the tax implications of select historical and future securitizations and the adequacy of the model used by Mortgage Services to track the related book/tax basis adjustments.
- Increased the formality and rigor around the operation of key controls.

Other than the changes outlined above, there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In order to remediate the material weakness identified by management as of April 30, 2005, and continuing thereafter, management completed the requisite historical analysis including creation of the necessary tax basis balance sheets and current and deferred reconciliations required and related internal control testing to ensure propriety of all tax related financial statement account balances as of this Form 10-K filing date. The Company believes it has established appropriate controls and procedures and created the appropriate tax account analysis and support subsequent to April 30, 2005. In addition to the above actions, management will conduct a comprehensive evaluation of the corporate tax function, including resource requirements, during the current fiscal year to identify and implement additional improvements to ensure compliance with the controls and procedures that have been put in place to remediate deficiencies previously identified.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following information appearing in our definitive proxy statement, to be filed no later than 120 days after April 30, 2005, is incorporated herein by reference:

- Information appearing under the heading “Election of Directors”
- Information appearing under the heading “Section 16(a) Beneficial Ownership Reporting Compliance”
- Information appearing under the heading “Board of Directors’ Meetings and Committees” regarding identification of the Audit Committee and Audit Committee financial experts.

We have adopted a code of business ethics and conduct that applies to our directors, officers and employees, including our chief executive officer, chief financial officer, principal accounting officer and persons performing similar functions. A copy of the code of business ethics and conduct is available on our website at *www.hrblock.com.* We intend to provide information on our website regarding amendments to, or waivers from, the code of business ethics and conduct.

Information about our executive officers as of May 15, 2005 is as follows:

Name, age	Current position	Business experience since May 1, 2000
Mark A. Ernst, age 47	Chairman of the Board, President and Chief Executive Officer	Chairman of the Board of Directors since September 2002; Chief Executive Officer since January 2001; President of the Company since September 1999; Chief Operating Officer from September 1998 through December 2000. Mr. Ernst has been a Member of the Board of Directors since September 1999.
William L. Trubeck, age 58	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer since October 2004; Executive Vice President – Western Group of Waste Management, Inc. from April 2003 until October 2004; Chief Administrative Officer of Waste Management, Inc. from May 2002 until April 2003; Chief Financial Officer of Waste Management, Inc., from March 2000 to April 2003.
Jeffery W. Yabuki, age 45	Executive Vice President and Chief Operating Officer	Chief Operating Officer since April 2002; Executive Vice President since October 2000; President, H&R Block Services, Inc. since October 2000; President, H&R Block International from September 1999 until October 2000.
Melanie K. Coleman, age 40	Vice President and Corporate Controller (1)	Vice President and Corporate Controller since October 2002; Assistant Vice President and Assistant Controller at Sprint Corporation ('Sprint"), from December 2000 until October 2002; Executive Assistant to the Chief Financial Officer of Sprint from September 1999 until December 2000.
Robert E. Dubrish, age 53	President and Chief Executive Officer, Option One Mortgage Corporation	President and Chief Executive Officer, Option One Mortgage Corporation, since March 1996.
Timothy C. Gokey, age 43	President, Tax Services	President, Tax Services since June 2004; McKinsey & Company from 1986 until June 2004.
Brad C. Iversen, age 55	Senior Vice President and Chief Marketing Officer	Senior Vice President and Chief Marketing Officer since September 2003; Founded Catamount Marketing in 2002; Executive Vice President and Director of Marketing at Bank One Corporation from 1997 to 2002.
Linda M. McDougall, age 52	Vice President, Communications	Vice President, Communications since July 1999.
Timothy R. Mertz, age 54	Vice President, Corporate Tax	Vice President, Corporate Tax since October 2000; Vice President of Treasury for Payless Cashways, Inc., from September 1998 through September 2000.
Tammy S. Serati, age 46	Senior Vice President, Human Resources	Senior Vice President, Human Resources since December 2002; Vice President, Human Resources Corporate Staffs, for Monsanto Agricultural Company, from May 2000 through November 2002.
Becky S. Shulman, age 40	Vice President and Treasurer	Vice President and Treasurer since September 2001; Chief Investment Officer of U.S. Central Credit Union, from September 1998 until August 2001.
Nicholas J. Spaeth, age 55	Senior Vice President and Chief Legal Officer	Senior Vice President and Chief Legal Officer since February 2004; Senior Vice President, General Counsel and Secretary of Intuit, Inc. from August 2003 to February 2004; Senior Vice President, General Counsel and Secretary, GE Employers Reinsurance Corporation from September 2000 until August 2003; Partner at Cooley Godward LLP from March 1998 until September 2000.
Steven Tait, age 45	President, RSM McGladrey Business Services, Inc.	President, RSM McGladrey Business Services, Inc. since April 2003; Executive Vice President, Sales & Client Operations, Gartner, Inc., from June 2001 through March 2003; Senior Vice President, Sales and Operations at Gartner, Inc. from July 2000 until May 2001; President and Chief Executive Officer of Xerox Connect, a wholly-owned subsidiary of Xerox Corporation, from November 1999 until June 2000.

Name, age	Current position	Business experience since May 1, 2000
Robert A. Weinberger, age 61	Vice President, Government Relations	Vice President, Government Relations, since March 1996.
Marc West, age 45	Senior Vice President and Chief Information Officer	Senior Vice President and Chief Information Officer since September 2004; Senior Vice President and Chief Information Officer of Electronic Arts Inc. from 2000 until September 2004.
Bret G. Wilson, age 46	Vice President and Secretary	Vice President and Secretary since October 2002; Vice President, Corporate Development and Risk Management from October 2000 until October 2002; Vice President, Corporate Planning and Development from September 1999 until October 2000.

(1) As discussed in our Form 8-K dated July 5, 2005, Melanie K. Coleman resigned as Vice President and Corporate Controller of the Company, effective July 31, 2005.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2005, in the sections entitled “Director Compensation” and “Compensation of Executive Officers,” and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2005, in the section titled “Equity Compensation Plans” and in the section titled “Information Regarding Security Holders,” and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A no later than 120 days after April 30, 2005, in the section titled “Employee Agreements, Change in Control and Other Arrangements,” and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A no later than 120 days after April 30, 2005, in the section titled “Audit Fees,” and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Report:

1. The following financial statements appearing in Item 8: "Consolidated Statements of Income and Comprehensive Income;" "Consolidated Balance Sheets;" "Consolidated Statements of Cash Flows;" and "Consolidated Statements of Stockholders' Equity."
2. Financial Statement Schedule II – Valuation and Qualifying Accounts with the related Reports of Independent Registered Public Accounting Firms. These will be filed with the SEC but will not be included in the printed version of the Annual Report to Shareholders.
3. Exhibits: The list of exhibits in the Exhibit Index to this Report is incorporated herein by reference. The following exhibits are required to be filed as exhibits to this Form 10-K:

10.2	Form of 2003 Long-Term Executive Compensation Plan Award Agreement.
10.9	Form of 1989 Stock Option Plan for Outside Directors Stock Option Agreement.
10.33	Leasing Operations Supplier Agreement (Products and/or Services) dated September 11, 2003 between Wal*Mart Stores, Inc. and H&R Block Services, Inc.
10.40	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 and Wells Fargo Bank Minnesota, National Association.
10.46	Amended and Restated Note Purchase Agreement dated as of March 18, 2005 among Option One Owner Trust 2002-3, UBS Real Estate Securities Inc. and Option One Mortgage Corporation.
10.47	Amended and Restated Sale and Servicing Agreement dated as of March 18, 2005 among Option One Owner Trust 2002-3, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank, N.A.
10.48	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 Corporation, Option One Mortgage Corporation and Wells Fargo Bank, N.A.
10.49	Indenture dated as of April 1, 2001 between Option One Owner Trust 2001-1A and Wells Fargo Bank Minnesota, National Association.
10.50	Amendment Number Four, dated April 16, 2004, to Indenture between Option One Owner Trust 2001-1A and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.
10.51	Amendment Number Five, dated April 30, 2004, to Indenture between Option One Owner Trust 2001-1A and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.
10.52	Amendment Number Six, dated April 29, 2005, to Indenture between Option One Owner Trust 2001-1A and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.
10.53	Amended and Restated Note Purchase Agreement dated as of April 16, 2004 among Option One Owner Trust 2001-1A, Option One Loan Warehouse Corporation and Greenwich Capital Financial Products, Inc.
10.54	Amendment No. 1 to Amended and Restated Note Purchase Agreement dated as of April 29, 2005 among Option One Owner Trust 2001-1A, Greenwich Capital Financial Products, Inc. and Option One Loan Warehouse Corporation.
10.55	Second Amended and Restated Sale and Servicing Agreement dated as of April 29, 2005 among Option One Owner Trust 2001-1B, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank, N.A.
10.56	Indenture dated as of April 1, 2001 between Option One Owner Trust 2001-1B and Wells Fargo Bank Minnesota, National Association.
10.57	Amendment Number Five, dated April 16, 2004, to Indenture between Option One Owner Trust 2001-1B and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.
10.58	Amendment Number Six, dated April 30, 2004, to Indenture between Option One Owner Trust 2001-1B and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.
10.59	Amendment Number Six, dated April 29, 2005, to Indenture between Option One Owner Trust 2001-1B and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.

10.60	Amended and Restated Note Purchase Agreement dated as of April 16, 2004, among Option One Owner Trust 2001-1B, Option One Loan Warehouse Corporation and Steamboat Funding Corporation.
10.61	Amendment No. 1 to Amended and Restated Note Purchase Agreement dated as of April 29, 2005, among Option One Owner Trust 2001-B, Steamboat Funding Corporation and Option One Loan Warehouse Corporation.
10.62	Sale and Servicing Agreement dated as of August 8, 2003 among Option One Owner Trust 2003-4, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank Minnesota, National Association.
10.63	Amendment No. 1 to Sale and Servicing Agreement dated as of August 6, 2004 among Option One Owner Trust 2003-4, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank Minnesota, National Association.
10.64	Amendment No. 2 to Sale and Servicing Agreement dated as of August 24, 2004 among Option One Owner Trust 2003-4, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank Minnesota, National Association.
10.65	Indenture dated as of August 8, 2003 between Option One Owner Trust 2003-4 and Wells Fargo Bank Minnesota, National Association.
10.66	Note Purchase Agreement dated as of August 8, 2003 among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
10.67	Amendment No. 1 to Note Purchase Agreement dated as of August 6, 2004 among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
10.68	Amendment No. 2 to Note Purchase Agreement dated as of August 24, 2004 among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
10.69	Amendment No. 3 to Note Purchase Agreement dated as of October 29, 2004 among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
10.70	Amendment No. 4 to Note Purchase Agreement dated as of November 30, 2004 among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
10.71	Amendment No. 5 to Note Purchase Agreement dated January 31, 2005, among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
12	Computation of Ratio of Earnings to Fixed Charges for the five years ended April 30, 2005.
21	Subsidiaries of the Company.
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
23.2	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
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 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 pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

The exhibits will be filed with the SEC but will not be included in the printed version of the Annual Report to Shareholders.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

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

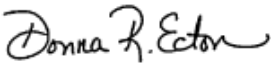
July 29, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated on July 29, 2005.

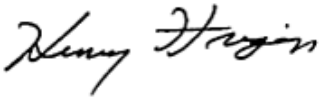
Mark A. Ernst
Chairman of the Board, President, Chief Executive Officer and Director (principal executive officer)

G. Kenneth Baum
Director

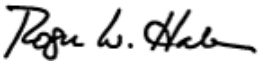
Thomas M. Bloch
Director



Donna R. Ecton
Director

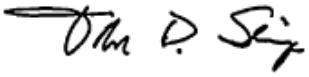


Henry F. Frigon
Director

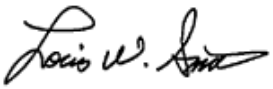


Roger W. Hale
Director

David B. Lewis
Director

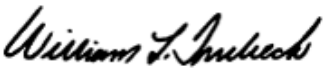


Tom D. Seip
Director



Louis W. Smith
Director

Rayford Wilkins, Jr.
Director



William L. Trubeck
Executive Vice President and Chief Financial Officer (principal accounting officer)

Melanie K. Coleman
Vice President and Corporate Controller

EXHIBIT INDEX

The following exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

3.1	Restated Articles of Incorporation of H&R Block, Inc., as amended, filed as Exhibit 3.2 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2004, file number 1-6089, are incorporated herein by reference.
3.2	Certificate of Amendment of Articles of Incorporation effective September 30, 2004, filed as Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2004, file number 1-6089, is incorporated herein by reference.
3.3	Amended and Restated Bylaws of H&R Block, Inc., as amended and restated as of June 9, 2004, filed as Exhibit 3.3 to the Company's annual report on Form 10-K for the year ended April 30, 2004, file number 1-6089, is incorporated herein by reference.
4.1	Indenture dated as of October 20, 1997, among H&R Block, Inc., Block Financial Corporation and Bankers Trust Company, as Trustee, filed as Exhibit 4(a) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1997, file number 1-6089, is incorporated herein by reference.
4.2	First Supplemental Indenture, dated as of April 18, 2000, among H&R Block, Inc., Block Financial Corporation, Bankers Trust Company and the Bank of New York, filed as Exhibit 4(a) to the Company's current report on Form 8-K dated April 13, 2000, file number 1-6089, is incorporated herein by reference.
4.3	Officer's Certificate, dated October 26, 2004, in respect of 5.125% Notes due 2014 of Block Financial Corporation, filed as Exhibit 4.1 to the Company's current report on Form 8-K dated October 21, 2004, file number 1-6089, is incorporated herein by reference.
4.4	Form of 8 1/2% Senior Note due 2007 of Block Financial Corporation, filed as Exhibit 4(b) to the Company's current report on Form 8-K dated April 13, 2000, file number 1-6089, is incorporated herein by reference.
4.5	Form of 5.125% Note due 2014 of Block Financial Corporation, filed as Exhibit 4.2 to the Company's current report on Form 8-K dated October 21, 2004, file number 1-6089, is incorporated herein by reference.
4.6	Copy of Rights Agreement dated March 25, 1998, between H&R Block, Inc. and ChaseMellon Shareholder Services, L.L.C., filed on July 22, 1998 as Exhibit 1 to the Company's Registration Statement on Form 8-A, file number 1-6089, is incorporated herein by reference.
4.7	Form of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4(e) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, file number 1-6089, is incorporated by reference.
4.8	Form of Certificate of Amendment of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4(j) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1998, file number 1-6089, is incorporated by reference.
4.9	Form of Certificate of Designation, Preferences and Rights of Delayed Convertible Preferred Stock of H&R Block, Inc., filed as Exhibit 4(f) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, file number 1-6089, is incorporated by reference.
10.1 *	The Company's 2003 Long-Term Executive Compensation Plan, as amended and restated as of September 10, 2003, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2003, file number 1-6089, is incorporated by reference.
10.2	Form of 2003 Long-Term Executive Compensation Plan Award Agreement.
10.3 *	The H&R Block Deferred Compensation Plan for Directors, as Amended and Restated effective July 1, 2002, filed as Exhibit 10.2 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2002, file number 1-6089, is incorporated by reference.
10.4 *	The H&R Block Deferred Compensation Plan for Executives, as Amended and Restated July 1, 2002, filed as Exhibit 10.3 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2002, file number 1-6089, is incorporated by reference.
10.5 *	Amendment No. 1 to the H&R Block Deferred Compensation Plan for Executives, as Amended and Restated, effective as of March 12, 2003, filed as Exhibit 10.5 to the company's annual report on Form 10-K for the fiscal year ended April 30, 2003, file number 1-6089, is incorporated herein by reference.
10.6 *	The H&R Block Short-Term Incentive Plan, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2000, file number 1-6089, is incorporated herein by reference.
10.7 *	Summary of Non-Employee Director Cash Compensation, filed as Exhibit 10.1 to the Company's current report on Form 8-K dated March 16, 2005, file number 1-6089, is incorporated herein by reference.
10.8 *	The Company's 1989 Stock Option Plan for Outside Directors, as amended and restated as of September 8, 2004, filed as Exhibit 10.5 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2004, file number 1-6089, is incorporated herein by reference.
10.9	Form of 1989 Stock Option Plan for Outside Directors Stock Option Agreement.
10.10 *	The H&R Block Stock Plan for Non-Employee Directors, as amended August 1, 2001, filed as Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2001, file number 1-6089, is incorporated herein by reference.
10.11 *	The H&R Block, Inc. 2000 Employee Stock Purchase Plan, as amended August 1, 2001, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2001, file number 1-6089, is incorporated herein by reference.
10.12 *	The H&R Block, Inc. Executive Survivor Plan (as Amended and Restated) filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2000, file number 1-6089, is incorporated herein by reference.

10.13 *	First Amendment to the H&R Block, Inc. Executive Survivor Plan (as Amended and Restated), filed as Exhibit 10.9 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2002, file number 1-6089, is incorporated by reference.
10.14 *	Second Amendment to the H&R Block, Inc. Executive Survivor Plan (as Amended and Restated), effective as of March 12, 2003, filed as Exhibit 10.12 to the company's annual report on Form 10-K for the fiscal year ended April 30, 2003, file number 1-6089, is incorporated herein by reference.
10.15 *	Employment Agreement dated July 16, 1998, between the Company and Mark A. Ernst, filed as Exhibit 10(a) to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 1998, file number 1-6089, is incorporated herein by reference.
10.16 *	Amendment to Employment Agreement dated June 30, 2000, between HRB Management, Inc. and Mark A. Ernst, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2000, file number 1-6089, is incorporated herein by reference.
10.17 *	Employment Agreement dated September 7, 1999, between HRB Management, Inc. and Jeffery W. Yabuki, filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2000, file number 1-6089, is incorporated herein by reference.
10.18 *	Employment Agreement dated as of October 4, 2004 between HRB Management, Inc. and William L. Trubeck, filed as Exhibit 10.2 to the Company's current report on Form 8-K/A Amendment No. 1 dated September 9, 2004, file number 1-6089, is incorporated herein by reference.
10.19	Employment Agreement dated as of February 2, 2004, between HRB Management, Inc. and Nicholas J. Spaeth, filed as Exhibit 10.16 to the company's annual report on Form 10-K for the fiscal year ended April 30, 2004, file number 1-6089, is incorporated herein by reference.
10.20 *	Employment Agreement dated September 2, 2003, between HRB Management, Inc. and Brad C. Iversen, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2004, file number 1-6089, is incorporated herein by reference.
10.21 *	Employment Agreement between Option One Mortgage Corporation and Robert E. Dubrish, executed on February 9, 2002, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2002, file number 1-6089, is incorporated herein by reference.
10.22 *	Employment Agreement dated December 2, 2002 between HRB Management, Inc. and Tammy S. Serati, filed as Exhibit 10.4 to the quarterly report on Form 10-Q for the quarter ended January 31, 2003, file number 1-6089, is incorporated herein by reference.
10.23 *	Employment Agreement dated as of April 1, 2003 between HRB Business Services, Inc. and Steven Tait, filed as Exhibit 10.23 to the annual report on Form 10-K for the fiscal year ended April 30, 2003, file number 1-6089, is incorporated herein by reference.
10.24 *	Employment Agreement dated as of September 15, 2004 between HRB Management, Inc. and Marc West, filed as Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended October 31, 2004, file number 1-6089, is incorporated herein by reference.
10.25 *	Employment Agreement dated as of June 28, 2004 between H&R Block Services, Inc. and Timothy C. Gokey, filed as Exhibit 10.4 to the quarterly report on Form 10-Q for the quarter ended July 31, 2004, file number 1-6089, is incorporated herein by reference.
10.26 *	Termination Agreement dated January 7, 2005 between H&R Block, Inc., H&R Block Financial Advisors, Inc. and Brian L. Nygaard, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.27	Second Amended and Restated Refund Anticipation Loan Operations Agreement dated as of June 9, 2003, between H&R Block Services, Inc., Household Tax Masters, Inc. and Beneficial Franchise Company, filed as Exhibit 10.27 to the annual report on Form 10-K for the fiscal year ended April 30, 2003, file number 1-6089, is incorporated herein by reference.
10.28	Fourth Amended and Restated Refund Anticipation Loan Participation Agreement dated as of December 31, 2004, between Block Financial Corporation, HSBC Taxpayer Financial Services, Inc. and Household Tax Masters Acquisition Corporation, filed as Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.29	2004 Amendment to Second Amended and Restated Refund Anticipation Loan Operations Agreement dated as of August 20, 2004, by and among H&R Block Services, Inc., Household Tax Masters, Inc., and Beneficial Franchise Company, filed as Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended October 31, 2004, file number 1-6089, is incorporated herein by reference.**
10.30	364-Day Credit and Guarantee Agreement dated as of August 11, 2004 among Block Financial Corporation, H&R Block, Inc., Bank of America, N.A., Barclays Bank PLC, HSBC Bank USA, National Association, The Royal Bank of Scotland PLC, JPMorgan Chase Bank, J.P. Morgan Securities, Inc. and other lending parties thereto, filed as Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended July 31, 2004, file number 1-6089, is incorporated herein by reference.
10.31	Five-Year Credit and Guarantee Agreement dated as of August 11, 2004 among Block Financial Corporation, H&R Block, Inc., Bank of America, N.A., Barclays Bank PLC, HSBC Bank USA, National Association, The Royal Bank of Scotland PLC, JPMorgan Chase Bank, J.P. Morgan Securities, Inc. and other lending parties thereto, filed as Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended July 31, 2004, file number 1-6089, is incorporated herein by reference.
10.32	License Agreement dated as of June 30, 2004 by and between Sears, Roebuck and Co. and H&R Block Services, Inc., filed as Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended July 31, 2004, file number 1-6089, is incorporated herein by reference.
10.33	Leasing Operations Supplier Agreement (Products and/or Services) dated as of September 11, 2003 between Wal*Mart Stores, Inc. and H&R Block Services, Inc.
10.34	Standard Form of Agreement Between Owner and Designer/Builder dated as of May 5, 2003 by and between H&R Block Tax Services, Inc. and J.E. Dunn Construction Company, filed as Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended October 31, 2004, file number 1-6089, is incorporated herein by reference.

10.35	Second Amended and Restated Loan Purchase and Contribution Agreement dated as of November 14, 2003 between Option One Loan Warehouse Corporation and Option One Mortgage Corporation, filed as Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.36	Amended and Restated Sales and Servicing Agreement dated November 12, 2004 among Option One Owner Trust 2003-5, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank, N.A., filed as Exhibit 10.4 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.37	Note Purchase Agreement dated November 14, 2003 between Option One Owner Trust 2003-5, Option One Loan Warehouse Corporation and Citigroup Global Markets Realty Corp., filed as Exhibit 10.5 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.38	Amendment Number One to the Note Purchase Agreement, dated November 14, 2004, among Option One Owner Trust 2003-5, Option One Loan Warehouse Corporation and Citigroup Global Markets Realty Corp., filed as Exhibit 10.6 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.39	Indenture dated as of November 1, 2003 between Option One Owner Trust 2003-5 and Wells Fargo Bank Minnesota, National Association, filed as Exhibit 10.7 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.40	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 and Wells Fargo Bank Minnesota, National Association.
10.41	Amended and Restated Note Purchase Agreement dated as of November 24, 2003, among Option One Owner Trust 2001-2, Option One Loan Warehouse Corporation and Bank of America, N.A., filed as Exhibit 10.11 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.42	Amendment Number One to the Amended and Restated Note Purchase Agreement, dated as of December 17, 2004, among Option One Owner Trust 2001-2, Option One Loan Warehouse Corporation and Bank of America, N.A., filed as Exhibit 10.12 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.43	Amendment Number Two to the Amended and Restated Note Purchase Agreement, dated as of February 15, 2005, among Option One Owner Trust 2001-2, Option One Loan Warehouse Corporation and Bank of America, N.A., filed as Exhibit 10.13 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.44	Amended and Restated Indenture dated as of November 25, 2003 between Option One Owner Trust 2001-2 and Wells Fargo Bank Minnesota, National Association, filed as Exhibit 10.14 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated herein by reference.
10.45	Letter Agreement dated as of April 1, 2000 among Option One Mortgage Corporation and Bank of America N.A., filed as Exhibit 10.15 to the quarterly report on Form 10-Q for the quarter ended January 31, 2005, file number 1-6089, is incorporated by reference.
10.46	Amended and Restated Note Purchase Agreement dated as of March 18, 2005 among Option One Owner Trust 2002-3, UBS Real Estate Securities Inc. and Option One Mortgage Corporation.
10.47	Amended and Restated Sale and Servicing Agreement dated as of March 18, 2005, among Option One Owner Trust 2002-3, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank, N.A.
10.48	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 Corporation, Option One Mortgage Corporation and Wells Fargo Bank, N.A.
10.49	Indenture dated as of April 1, 2001 between Option One Owner Trust 2001-1A and Wells Fargo Bank Minnesota, National Association.
10.50	Amendment Number Four, dated April 16, 2004, to Indenture between Option One Owner Trust 2001-1A and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.
10.51	Amendment Number Five, dated April 30, 2004, to Indenture between Option One Owner Trust 2001-1A and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.
10.52	Amendment Number Six, dated April 29, 2005, to Indenture between Option One Owner Trust 2001-1A and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.
10.53	Amended and Restated Note Purchase Agreement dated as of April 16, 2004, among Option One Owner Trust 2001-1A, Option One Loan Warehouse Corporation and Greenwich Capital Financial Products, Inc.
10.54	Amendment No. 1 to Amended and Restated Note Purchase Agreement dated as of April 29, 2005 among Option One Owner Trust 2001-1A, Greenwich Capital Financial Products, Inc. and Option One Loan Warehouse Corporation.
10.55	Second Amended and Restated Sale and Servicing Agreement dated as of April 29, 2005 among Option One Owner Trust 2001-1B, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank, N.A.
10.56	Indenture dated as of April 1, 2001 between Option One Owner Trust 2001-1B and Wells Fargo Bank Minnesota, National Association.
10.57	Amendment Number Five, dated April 16, 2004, to Indenture between Option One Owner Trust 2001-1B and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.
10.58	Amendment Number Six, dated April 30, 2004, to Indenture between Option One Owner Trust 2001-1B and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.

10.59	Amendment Number Six, dated April 29, 2005, to Indenture between Option One Owner Trust 2001-1B and Wells Fargo Bank Minnesota, National Association, as amended and restated through and including November 25, 2003.
10.60	Amended and Restated Note Purchase Agreement dated as of April 16, 2004, among Option One Owner Trust 2001-1B, Option One Loan Warehouse Corporation and Steamboat Funding Corporation.
10.61	Amendment No. 1 to Amended and Restated Note Purchase Agreement dated as of April 29, 2005 among Option One Owner Trust 2001-1B, Steamboat Funding Corporation and Option One Loan Warehouse Corporation.
10.62	Sale and Servicing Agreement dated as of August 8, 2003 among Option One Owner Trust 2003-4, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank Minnesota, National Association.
10.63	Amendment No. 1 to Sale and Servicing Agreement dated as of August 6, 2004 among Option One Owner Trust 2003-4, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank Minnesota, National Association.
10.64	Amendment No. 2 to Sale and Servicing Agreement dated as of August 24, 2004 among Option One Owner Trust 2003-4, Option One Loan Warehouse Corporation, Option One Mortgage Corporation and Wells Fargo Bank Minnesota, National Association.
10.65	Indenture dated as of August 8, 2003 between Option One Owner Trust 2003-4 and Wells Fargo Bank Minnesota, National Association.
10.66	Note Purchase Agreement dated as of August 8, 2003 among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
10.67	Amendment No. 1 to Note Purchase Agreement dated as of August 6, 2004 among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
10.68	Amendment No. 2 to Note Purchase Agreement dated as of August 24, 2004 among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
10.69	Amendment No. 3 to Note Purchase Agreement dated as of October 29, 2004 among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
10.70	Amendment No. 4 to Note Purchase Agreement dated as of November 30, 2004 among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
10.71	Amendment No. 5 to Note Purchase Agreement dated January 31, 2005, among Option One Mortgage Corporation, Option One Loan Warehouse Corporation, Option One Owner Trust 2003-4, Falcon Asset Securitization Corporation, Jupiter Securitization Corporation, Preferred Receivables Funding Corporation, financial institutions thereto and Bank One, NA.
12	Computation of Ratio of Earnings to Fixed Charges for the five years ended April 30, 2005.
21	Subsidiaries of the Company.
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
23.2	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
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 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 pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates management contracts, compensatory plans or arrangements.

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

H&R BLOCK, INC.
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED APRIL 30, 2005, 2004 AND 2003

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other	Deductions	Balance at End of Period
Allowance for Doubtful Accounts – deducted from accounts receivable in the balance sheet					
2005	$ 54,521,000	$ 52,221,000	–	$ 66,712,000	$ 40,030,000
2004	$ 23,941,000	$ 53,663,000	–	$ 23,083,000	$ 54,521,000
2003	$ 65,842,000	$ 49,748,000	–	$ 91,649,000	$ 23,941,000

Report of Independent Registered Public Accounting Firm on Schedule

To the Board of Directors and Stockholders of H&R Block, Inc.:

Under date of July 29, 2005, we reported on the consolidated balance sheets of H&R Block, Inc. (the Company) as of April 30, 2005 and 2004, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the years then ended, which are included in the Company's annual report filed on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule for the years ended April 30, 2005 and 2004 included in the Form 10-K. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

The audit report on the consolidated financial statements of H&R Block, Inc. referred to above contains an explanatory paragraph stating that, as discussed in note 1 to the consolidated financial statements, the Company changed its method of accounting to adopt Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables;* and Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure,* during the year ended April 30, 2004.

The audit report on the consolidated financial statements of H&R Block, Inc. referred to above contains an explanatory paragraph stating that, as discussed in note 2 to the consolidated financial statements, the Company restated its financial statements for its fiscal year ended April 30, 2004.

/s/ KPMG LLP
Kansas City, Missouri
July 29, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of H&R Block, Inc.:

Our audit of the consolidated financial statements referred to in our report dated June 10, 2003, except for Note 2 as to which the date is July 29, 2005, appearing in the 2005 Annual Report to Shareholders of H&R Block, Inc. also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K for the year ended April 30, 2003. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Kansas City, Missouri
June 10, 2003, except for Note 2
as to which the date is July 29, 2005

Exhibit 10.2

H&R BLOCK, INC.

2003 LONG-TERM EXECUTIVE COMPENSATION PLAN

AWARD AGREEMENT

This Award Agreement ("AGREEMENT") is entered into by and between H&R Block, Inc., a Missouri corporation (the "COMPANY"), and _____(the "RECIPIENT").

WHEREAS, in accordance with the Company's 2003 Long-Term Executive Compensation Plan, as amended, (the "PLAN"), the Recipient has been selected by the Compensation Committee under the Plan (the "COMMITTEE") or the Chief Executive Officer of the Company as a key employee of one of the subsidiaries of the Company and may be eligible from time to time to receive Awards under the Plan;

WHEREAS, the Recipient recognizes Awards made under the Plan are subject to certain conditions, restrictions and risk of forfeiture;

WHEREAS, the Committee or the Chief Executive Officer has determined that the Recipient is eligible to receive an Award under the Plan;

NOW, THEREFORE, in consideration of the foregoing the parties hereby agree to the terms and conditions of the Plan and the terms, conditions and mutual covenants as set forth in Exhibit 1 attached hereto and made a part hereof. The parties understand and agree that said terms, conditions and mutual covenants shall be binding as to future Awards under the Plan. However, nothing in this Agreement shall prevent the Committee or the Chief Executive Officer of the Company from exercising authority under the Plan to change or modify the terms and conditions of future Awards.

The parties acknowledge that this Agreement does not confer on the Recipient any right to continued employment for any period of time, is not an employment contract, and shall not in any manner modify any effective contract of employment between the Recipient and any subsidiary of the Company.

The parties acknowledge that this Agreement does not confer on the Recipient any right or guarantee to future Awards under the Plan. The Committee or the Chief Executive Officer of the Company shall retain full authority and discretion to make determinations regarding eligibility for Awards under the Plan, including the types, sizes, terms and conditions of Awards granted under the Plan.

The parties hereto have executed this Agreement effective as of the Date of Grant.

H&R BLOCK, INC.

_____
(Signature of Recipient)

By: /s/ Mark A. Ernst

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

_____
(Social Security Number)

H&R BLOCK, INC.

2003 LONG-TERM EXECUTIVE COMPENSATION PLAN

AWARD AGREEMENT - EXHIBIT 1

I. RESTRICTED SHARES

(A) Issuance of Shares; Delivery of Shares.

(1) Restricted Shares (the "Shares") issued under the Plan shall be held by the Company, or its transfer agent or other designee, and shall be subject to forfeiture by or delivery to the Recipient as set forth in the Plan and this Exhibit 1. Shares shall be considered to be held by the Company for purposes of Section I(E) until such time as the Shares vest in accordance with the terms of the vesting schedule as set forth in the Award letter.

(2) Any Shares to be delivered to the Recipient by the Company in accordance with the terms of the Plan shall be transferred directly into a brokerage account established for the Recipient at a financial institution the Committee shall select at its sole discretion (the "Financial Institution") or delivered in certificate form free of restrictions, such method to be selected by the Committee in its sole discretion. The Recipient agrees to complete any documentation with the Company or the Financial Institution that is necessary to effect the transfer of Shares to the Financial Institution before the delivery will occur.

(3) If the Recipient is age 65 or older and retires from employment with any direct or indirect subsidiary of the Company after the first anniversary of an Award under the Plan, and is not immediately thereafter and continuously employed by any other direct or indirect subsidiary of the Company, the Company shall deliver to the Recipient, promptly after termination of such employment, all of the Shares then held by the Company and, for purposes of Section I(E), as of said retirement date, such Shares shall no longer be considered to be held by the Company. Upon completion of any such delivery, this Agreement shall terminate and the Company and the Recipient shall, except as provided in Section IV(L), have no further rights or obligations hereunder. For purposes of this Agreement, "retires" shall mean the Recipient's voluntary termination of employment.

(B) Dividends and Voting Rights. During the time that the Company, or its transfer agent or other designee, continues to hold any Shares subject hereunder to forfeiture by (and delivery to) the Recipient, the Recipient shall be entitled to receive any dividends paid with respect to such Shares and to vote such Shares on any matters submitted by the Company to its shareholders. Dividends paid with respect to any Shares that have not been delivered to the Recipient pursuant to the terms of the Plan and the vesting schedule and with respect to which an election under Section 83(b) of the Internal Revenue Code ("83(b) Election") has not been made, may not be reinvested under the H&R Block, Inc. Dividend Reinvestment Plan, as amended.

(C) Transfer Restrictions.

(1) During the period that Shares issued under the Plan are held by the Company hereunder for delivery to the Recipient, such Shares and the rights and privileges conferred shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt, contrary to the terms hereof, to transfer, assign, pledge, hypothecate, or otherwise so dispose of such Shares or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment, or similar process upon such Shares or the rights and privileges hereby granted, then and in any such event this Agreement and the rights and privileges hereby granted shall, except as provided in Section IV(L), immediately terminate. Immediately after such termination, such Shares shall be forfeited by the Recipient and the Recipient hereby authorizes the Company and its stock transfer agent to cause the delivery, transfer and conveyance of such Shares to the Company.

(2) If at any time counsel for the Company determines that qualification of the Shares under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the transfer of such Shares (including a sale, assignment, pledge, grant of a security interest in respect of, attachment, or disposal of the Shares in any manner, by operation of law or otherwise) or offer to transfer such Shares, the Recipient shall not transfer or offer to transfer such Shares, in whole or in part, and any such attempted transfer or offer to transfer will be void and of no effect, unless and until such qualification, consent, or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

(D) Legend. While any Shares are held by the Company or its transfer agent or other designee and subject to forfeiture by or delivery to the Recipient, the certificate or certificates representing such Shares shall contain the following restrictive transfer legend:

> "THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE 2003 LONG-TERM EXECUTIVE COMPENSATION PLAN OF H&R BLOCK, INC. AND AN AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND H&R BLOCK, INC. COPIES OF SUCH PLAN AND AGREEMENT ARE ON FILE WITH THE SECRETARY OF H&R BLOCK, INC."

(E) Forfeiture and Return of Shares.

(1) On the date the Recipient ceases for whatever reason to be an Employee and is not immediately thereafter and continuously employed as a regular active employee by any other direct or indirect subsidiary of the Company ("Last Day of Employment"), all Shares held on such date of cessation by the Company, or its transfer agent or other designee, shall be forfeited by the Recipient and the Recipient hereby authorizes the Company and its stock transfer agent to cause the delivery, transfer and conveyance of such Shares to the Company. Thereafter, this Agreement shall terminate and the Company and the Recipient shall, except as provided in Section IV(L), have no further rights or obligations hereunder.

(2) If the Recipient engages in any conduct described in Sections III(A)(1), III(A)(2), III(A)(3), or III(A)(4), as the same may be limited pursuant to Section III(B), on the date the Recipient engages in such conduct, all Shares held on such date by the Company, or its transfer agent or other designee, if any, shall be forfeited by the Recipient and the Recipient authorizes the Company and its stock transfer agent to cause the delivery, transfer and conveyance of such Shares to the Company. In addition, upon Recipient's engagement in any such conduct, the Recipient shall become obligated to pay to the Company the aggregate Amount of Income Recognized (as defined below) by Recipient during the 12-consecutive-month period immediately prior to the Recipient's Last Day of Employment (regardless of whether such engagement took place prior to, on or after such Last Day of Employment). The "Amount of Income Recognized" by the Recipient shall be equal to the number of Shares delivered to the Recipient during such 12-month period multiplied by the fair market value of one share of the Company's Common Stock ("Common Stock") on the date the Shares were no longer considered to be held by the Company. The fair market value of a share of Common Stock for purposes of this Section I(E) shall be equal to the average of the high and low reported sales prices for such Common Stock, regular way, as reported by the New York Stock Exchange (or any successor exchange or stock market on which such high and low sales prices are reported) on the date specified in this Section I(E). The Recipient shall pay the Amount of Income Recognized as follows: (x) if, as of the Valuation Date (as defined below), the Recipient owns Common Stock received as a result of the delivery of the Shares by the Company to the Recipient (the "Unrestricted Common

Stock") with a fair market value as of the Valuation Date equal to or greater than the Amount of Income Recognized, the Recipient shall transfer and assign to the Company the number of shares of Unrestricted Common Stock with a fair market value as of the Valuation Date equal to the Amount of Income Recognized, (y) if the fair market value (as of the Valuation Date) of the Unrestricted Common Stock, if any, owned by the Recipient is less than the Amount of Income Recognized, the Recipient owns Common Stock other than Unrestricted Common Stock (the "Other Common Stock") as of the Valuation Date, and the aggregate fair market value of the Unrestricted Common Stock, if any, and the Other Common Stock, if any, as of the Valuation Date is equal to or greater than the Amount of Income Recognized, the Recipient shall transfer and assign to the Company the number of shares of Unrestricted Common Stock and Other Common Stock with an aggregate fair market value as of the Valuation Date equal to the Amount of Income Recognized (such number of shares to consist first of all shares of the Recipient's Unrestricted Common Stock, if any, and the remainder to consist of shares of Other Common Stock), or (z) if the Recipient does not own Common Stock as of the Valuation Date with a fair market value at least equal to the Amount of Income Recognized, the Recipient shall either (1) acquire additional Common Stock such that the fair market value of Common Stock owned by Recipient (valued as of the Valuation Date) is at least equal to the Amount of Income Recognized and transfer and assign the number of shares of Common Stock with such fair market value to the Company (such number of shares to consist first of all shares of the Recipient's Unrestricted Common Stock, if any, and the remainder to consist of shares of Other Common Stock), or (2) transfer and assign such Common Stock as is owned by the Recipient as of the Valuation Date and pay to the Company in cash the difference between the Amount of Income Recognized and the fair market value (as of the Valuation Date) of the Common Stock so transferred and assigned. No fractional shares of Common Stock shall be delivered to the Company; rather, the number of shares transferred shall be reduced to the nearest whole number. The Recipient agrees to pay the aggregate Amount of Income Recognized within the aforementioned 12-consecutive-month period in either Common Stock or cash, as set forth above, within five (5) days after the Valuation Date and the Company shall be entitled to set-off against such aggregate Amount of Income Recognized any amount owed to Recipient by the Company or any of its

subsidiaries. "Valuation Date" means three (3) business days after the date of any written demand by the Company to Recipient for the Amount of Income Recognized pursuant to this section. The remedy provided in this Section 2 shall be without prejudice to the rights of the Company and/or any one or more of its subsidiaries to recover any losses resulting from the applicable conduct of the Recipient and shall be in addition to any other remedies the Company and/or any one or more of its subsidiaries may have, at law or in equity, resulting from such conduct.

(F) Withholding Taxes.

(1) Except with respect to those Shares for which an 83(b) Election has been made by Recipient, on the date any federal, state, local or foreign taxes are required to be withheld by the Company or the Recipient's employer in connection with Shares awarded pursuant to the Plan (except dividends paid with respect to the Shares), the Recipient shall make an irrevocable election to (a) pay to the Company in cash the amount of any such tax withholding obligations or (b) have the Company withhold a portion of such Shares to satisfy all or part of any such tax withholding obligations, with the value of each such withheld Share equal to the fair market value of Common Stock on the date the tax withholding is required to be made. The Recipient must make and deliver such irrevocable election to the Company in writing within five business days after the date the tax withholding obligations arise, or such shorter time period as the Company may require (the "Delivery Deadline"). Any such election to make a payment to the Company in the amount of the tax withholding obligations must include payment. If the election is not made on or before the Delivery Deadline or if

the election to make a payment to the Company in the amount of all or part of the tax withholding obligations is timely made but does not include payment, the Company will withhold Shares to satisfy all of any such tax withholding obligations, with the value of each such withheld Share equal to the fair market value of Common Stock on the date the tax withholding is required to be made. If only whole Shares may be withheld to satisfy the tax withholding obligations, the Company will round up to the closest whole share necessary to completely satisfy the tax obligations. The dollar amount of any difference between the amount required to be withheld and the amount actually withheld will be credited as additional federal tax withholdings on the Recipient's Form W-2 for the year in which the obligations arise. Notwithstanding the foregoing, the Company, in its sole discretion, may require the Recipient to pay to the Company in cash the amount of tax required to be withheld in lieu of permitting or causing the Company to withhold Shares to satisfy the tax withholding obligation, if the Company determines that withholding of Shares will result in the violation of any state or federal securities law by the Recipient or by the Company or any of its subsidiaries, or require the Recipient to disgorge any profits associated with an acquisition or disposition of Common Stock.

(2) With respect to those Shares for which an 83(b) Election has been made by the Recipient, the Recipient shall pay to the Company the amount of any federal, state, local or foreign taxes required to be withheld by the Company or the Recipient's employer as a result of making the 83(b) Election promptly after such election has been made.

(3) On the date any federal, state, local or foreign taxes are required to be withheld by the Company or the Recipient's employer in connection with dividends paid with respect to any Shares that have not been delivered to the Recipient pursuant to Sections I(A)(2), I(A)(3), I(A)(4) and I(A)(5) and with respect to which an 83(b) Election has not been made, the Company shall withhold the amount of such tax obligations from such dividend payment or instruct the

Recipient's employer to withhold such amount from the Recipient's next payment(s) of wages. The Recipient authorizes the Company to so instruct the Recipient's employer and authorizes the Recipient's employer to make such withholdings from payment(s) of wages if the Company does not withhold the tax obligations from the dividend payments.

II. STOCK OPTIONS

(A) Grant of Stock Option. Pursuant to the terms of the Plan, the Company may award the Recipient the right and option to purchase shares of Common Stock identified as subject to an Incentive Stock Option, or shares of Common Stock identified as subject to Nonqualified Stock Option (hereinafter collectively referred to as "STOCK OPTIONS"). Any such award shall state the Grant Date of the award ("Grant Date") and the Option Price Per Share. The right and option to purchase shares of Common Stock identified as subject to Nonqualified Stock Option shall not constitute and shall not be treated for any purpose as an "incentive stock option," as such term is defined in the Plan and/or in the Internal Revenue Code of 1986, as amended.

(B) Term of Option. Stock Options shall expire as to all of its unexercised shares 10 years after the Grant Date, and, except as provided in Sections II(C)(2) and II(D), shall terminate when the Recipient ceases for whatever reason to be an employee of any of the subsidiaries of the Company.

(C) Exercise of Stock Options. Stock Options granted under the Plan shall be exercisable from time to time by the Recipient by the giving of written notice of exercise to the Company specifying the number of whole shares to be purchased, and accompanied by full payment of the purchase price therefor, subject, however, to Section II (D) and the following restrictions:

(1) Stock Options may only be exercised pursuant to the terms of the Plan and the vesting schedule as stated in the Award Letter delivered to the Recipient on the Grant Date. The maximum number of shares of Common Stock identified as subject to Incentive Stock Option and the maximum number of shares of Common Stock identified as subject to Nonqualified Stock Option which may be purchased pursuant to the Stock Options shall be as set forth in the statement prepared by the Company that lists all awards granted to Recipient under the Plan. The right to purchase shall be cumulative, so that the full number of shares of Common Stock that become purchasable at any time need not be purchased at such time, but may be purchased at any time or from time to time thereafter (but prior to the termination of such Stock Option). Notwithstanding the above, (a) in the event of a "Change of Control" (as hereinafter defined) after the Grant Date, Recipient may purchase 100% of the total number of shares to which such Stock Options then relate, provided that such Change of Control occurs at least six months after the Grant Date, (b) Stock Options shall become fully exercisable at any time after the Recipient reaches "Retirement Age," retires and more than one year has elapsed since the Grant Date, (c) in the event that Recipient becomes a Participant (as defined below) in the H&R Block Severance Plan ("BLOCK SEVERANCE PLAN"), the RSM McGladrey Severance Plan ("RSM SEVERANCE PLAN"), or the RSM McGladrey Severance Plan for Managing Directors ("RSM MD SEVERANCE PLAN"), or any successor severance plans thereto (collectively, the "SEVERANCE PLAN"), Stock Options granted under the Plan shall become exercisable to the extent provided in Section 6(a) of the Severance Plan as of the applicable date specified in Section 6(a) of the Severance Plan (or the comparable section to Section 6(a) in any successor severance plan), and (iv) in the event Recipient is a party to an employment agreement as of Recipient's last day of employment by any subsidiary of the Company ("LAST DAY OF EMPLOYMENT") that contains

a provision that, upon the occurrence of a certain event or certain events causes all or a portion of such Stock Options to become exercisable (an "EMPLOYMENT AGREEMENT"), such Stock Options shall become exercisable upon the occurrence of any such event to the extent provided in such Employment Agreement. For the purposes of this Agreement, "RETIREMENT AGE" shall mean the attainment of age 65, the term "PARTICIPANT" shall be as defined in the Severance Plan, as the case may be, and references to each severance plan shall mean such severance plan as it exists at the time Recipient becomes a Participant therein. If the application of any provision of this Section II(C)(1) results in the acceleration of vesting of all or any portion of Stock Options granted under the Plan, shares of Common Stock then subject to such Stock Options shall be allocated such that the number of shares subject to Incentive Stock Option shall be the maximum number of shares that may be subject to Incentive Stock Option under Section 422 of the Code, as amended (or any successor Code provision pertaining to "incentive stock option"), for the calendar year in which the acceleration of vesting results from (i) Recipient's participation in the Severance Plan or (ii) pursuant to Recipient's Employment Agreement, and Recipient makes an irrevocable election to extend the expiration period of such options pursuant to and consistent with the terms of the severance plan in which Recipient participates or, if applicable, the Employment Agreement, as the case may be, Section II(C)(2) of this Agreement shall apply. In application of the immediately preceding sentence, in no event shall a share of Common Stock subject to a Nonqualified Stock Option become a share of Common Stock subject to an Incentive Stock Option.

(2) Stock Options granted under the Plan may not be exercised in whole or in part if the Recipient is not, at the time of the exercise of such Stock Options, in the employ of any of the subsidiaries of the Company, and further has not been continuously so employed from the date hereof to and including the date of such exercise of such Stock Options, except that if, prior to the Expiration Date of such Stock Options, the Recipient shall cease to be employed by any of the subsidiaries of the Company because of death, retirement,

"disability" (as defined below), or termination of Recipient's employment by such subsidiary without "cause" (as defined below), such Stock Options shall continue and shall terminate: (a) twelve months after the date of death, but only if such death occurred while the Recipient was in the employ of a subsidiary of the Company; (b) or three months after the date Recipient's employment ceases due to retirement; or (c) three months after the date Recipient's employment ceases due to disability; or (d) three months after the date of termination of Recipient's employment by a subsidiary of the Company without "cause," provided that, in the event that Recipient becomes a Participant in the Severance Plan or is a party to an Employment Agreement, and Recipient makes an irrevocable election to extend the exercise period of such Stock Options pursuant to and consistent with the terms of the applicable severance plan or, if applicable, the Employment Agreement, as the case may be, the shares of Common Stock identified in this Agreement as subject to an Incentive Stock Option shall, upon such election, become subject to a Nonqualified Stock Option in lieu of subject to an Incentive Stock Option, and such Stock Options shall continue and Recipient shall have the right to exercise such Stock Options during the applicable time period determined in accordance with and to the extent specified in the applicable severance plan or Employment Agreement, as the case may be. Stock Options may be exercised through the date of termination of such Stock Options only to the extent that the Recipient was entitled to exercise such Stock Options at the date of his or her retirement, death, disability or termination of employment without cause, as the case may be. Stock Options shall, in no event, be exercisable after the Expiration Date. Stock Options shall be exercisable only by the Recipient or, in the event of the death of the Recipient while in the employ of a subsidiary of the Company (or within three months after

employment ceases due to retirement or disability, or within three months or any longer applicable time period determined in accordance with the Severance Plan or, if applicable, the Employment Agreement after termination of employment without cause), by the person or persons to whom the Recipient's rights under such Stock Options shall pass by the Recipient's will or by laws of descent and distribution. For purposes hereof, the terms "DISABLED" or "DISABILITY" shall be as defined in the employment practices or policies of the applicable subsidiary of the Company in effect from time to time during the term hereof or, absent such definition, then as defined in the H&R Block Retirement Savings Plan or any successor plan thereto. Also, for purposes hereof, the term "CAUSE," in connection with termination by a subsidiary of the Company of Recipient's employment, shall be as defined in any effective Agreement of employment between the Recipient and the applicable subsidiary, or in the absence thereof, then as defined in current employment practices or policies of the applicable subsidiary in effect from time to time during the term hereof. With respect to a Recipient who becomes a Participant in the Severance Plan, a termination of employment without cause for purposes of this Agreement shall include a "Qualifying Termination," as such term is defined in the severance plan in which Recipient participates. With respect to a Recipient who is a party to an Employment Agreement, a termination of employment without cause for purposes of this Agreement shall include a "Qualifying Termination," as such term is defined in the Employment Agreement.

(3) Stock Options granted under the Plan may not be exercised at any time when its exercise or the delivery of shares of Common Stock or other securities thereunder would, in the opinion of counsel for the Company, be in violation of any state or federal securities laws or any regulation or ruling of the Securities and Exchange Commission. If at any time counsel for the Company shall determine that qualification or registration of the Common Stock under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the exercise of the Stock Options, then it may not be exercised, in whole or in part, unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

Further, the Recipient agrees that upon exercise of any Stock Options granted under the Plan he or she will take the shares of Common Stock issuable upon such exercise for investment and not with a view toward the distribution thereof, provided that this representation shall be of no force and effect at any time when an effective registration statement under the Securities Act of 1933, as amended, shall be in effect with respect to the Common Stock optioned hereunder.

(4)(a) Full payment of the aggregate option price (defined below) for shares purchased shall be made at the time of exercising any Stock Options in whole or in part. Full payment shall be made (i) in cash, or (ii) by delivery of Common Stock with a fair market value equal to the aggregate option price, or (iii) by a combination of payment of cash and delivery of Common Stock in amounts so that the sum of the amount of cash plus the fair market value of the Common Stock equals the aggregate option price, provided that payment shall be made only in cash unless at least six months have elapsed between the date of Recipient's acquisition of each share of Common Stock delivered by Recipient in full or partial payment of the aggregate option price and the date on which such Stock Option is exercised.

(b) The "AGGREGATE OPTION PRICE" shall be the product of (i) the Option Price Per Share as determined on the Grant Date and (ii) the number of shares purchased.

(c) The fair market value of a share of Common Stock for purposes of Section II(C)(4)(a), above, shall be the Closing Price of Common Stock on the last trading date

preceding the date on which the Stock Option is exercised. "CLOSING PRICE" shall mean the last reported market price for one share of H&R Block, Inc. Common Stock, regular way, on the New York Stock Exchange (or any successor exchange or stock market on which such last reported market price is reported) on the day in question. No fractional shares of Common Stock may be delivered upon the exercise of any Stock Option.

(5) Recipient shall pay to the Company any federal, state, local, or other taxes required by law to be withheld with respect to the exercise of any Stock Options, such payment to be made by Recipient on or before the earliest date that the tax withholdings are required to be paid by the Company to the applicable taxation authority or authorities.

(6) For the purposes of this Agreement, a "CHANGE OF CONTROL" means:

(a) The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of Common Stock or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or

(b) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "BOARD" and, as of the date hereof, the "INCUMBENT BOARD") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of

this section, considered as though such person was a member of the Incumbent Board; or

(c) The completion of a reorganization or consolidation approved by the shareholders of the Company, in each case with respect to which persons who were the shareholders of the Company immediately prior to such reorganization or consolidation do not, immediately thereafter, own more than 50% of, respectively, the Common Stock and the combined voting power entitled to vote generally in the election of directors of the reorganized or consolidated corporation's then-outstanding voting securities, or the sale of all or substantially all of the assets of the Company as approved by the shareholders of the Company, or approval by the shareholders of the Company of a liquidation or dissolution of the Company.

(D) Forfeiture and Return of Common Stock. (a) If the Recipient engages in any conduct described in Sections III(A)(1), III(A)(2), III(A)(3), or III(A)(4), below, as the same may be limited pursuant to Section III(B), below, any Stock Options granted under the Plan, if not already terminated, shall immediately terminate and the Recipient shall pay to the Company the aggregate Amount of Gain Realized (as defined below) by the Recipient (as of the date(s) of the applicable exercise(s) of the Stock Options) on all or any portion of such Stock Options exercised by the Recipient during the 12-consecutive-month period immediately prior to the termination of Recipient's employment with one or more

subsidiaries of the Company or at any time thereafter (regardless of whether such engagement took place prior to, on or after such termination of employment). The "AMOUNT OF GAIN REALIZED" by the Recipient with respect to any exercise of all or any portion of the Stock Options shall be equal to the number of shares of Common Stock purchased pursuant to such exercise multiplied by the difference between the fair market value of one share of Common Stock on the date of exercise and the Option Price Per Share. The fair market value of a share of Common Stock for purposes of this Section shall be equal to the average of the high and low reported sales prices for such Common Stock, regular way, as reported by the New York Stock Exchange (or any successor exchange or stock market on which such high and low sales prices are reported) on the date specified in this Section 4. Recipient shall pay the Amount of Gain Realized as follows: (x) if, as of the Valuation Date (as defined below), the Recipient owns Common Stock received as a result of the exercise of the Stock Options granted under the Plan (the "OPTION COMMON STOCK") with a fair market value as of the Valuation Date equal to or greater than the Amount of Gain Realized, Recipient shall transfer and assign to the Company the number of shares of Option Common Stock with a fair market value as of the Valuation Date equal to the Amount of Gain Realized, (y) if the fair market value (as of the Valuation Date) of the Option Common Stock, if any, owned by the Recipient is less than the Amount of Gain Realized, Recipient owns Common Stock other than Option Common Stock (the "OTHER COMMON STOCK") as of the Valuation Date, and the aggregate fair market value of the Option Common Stock, if any, and the Other Common Stock, if any, as of the Valuation Date is equal to or greater than the Amount of Gain Realized, Recipient shall transfer and assign to the Company the number of shares of Option Common Stock and Other Common Stock with an aggregate fair market value as of the Valuation Date equal to the Amount of Gain Realized (such number of shares to consist first of all shares of Recipient's Option Common Stock, if any, and the remainder to consist of shares of Other Common Stock), or (z) if the Recipient does not own Common Stock as of the Valuation Date with a fair market value at least equal to the Amount of Gain Realized, Recipient shall either (1) acquire additional Common Stock such that the fair market value of Common Stock owned by Recipient (valued as of the Valuation Date) is at least equal to the Amount of Gain Realized and transfer and assign the number of shares of Common Stock with such fair market value to the Company (such number of shares to consist first of all shares of Recipient's Option Common Stock, if any, and the remainder to consist of shares of Other Common Stock), or (2)

transfer and assign such Common Stock as is owned by the Recipient as of the Valuation Date and pay to the Company in cash the difference between the Amount of Gain Realized and the fair market value (as of the Valuation Date) of the Common Stock so transferred and assigned. No fractional shares of Common Stock shall be delivered to the Company; rather, the number of shares transferred shall be reduced to the nearest whole number. Recipient agrees to pay the aggregate Amount of Gain Realized on all exercises within the aforementioned 12-consecutive-month period in either Common Stock or cash, as set forth above, within five (5) days after the Valuation Date and the Company shall be entitled to set-off against such aggregate Amount of Gain Realized any amount owed to the Recipient by the Company or any of its subsidiaries. "VALUATION DATE" means three (3) business days after the date of any written demand by the Company to the Recipient for the Amount of Gain Realized pursuant to this section. The remedy provided in this Section shall be without prejudice to the rights of the Company and/or any one or more of its subsidiaries to recover any losses resulting from the applicable conduct of the Recipient and shall be in addition to any other remedies the Company and/or any one or more of its subsidiaries may have, at law or in equity, resulting from such conduct.

(E) No Shareholder Privileges or Employment Agreement. Neither the Recipient nor any person claiming under or through him or her shall be or have any of the

rights or privileges of a shareholder of the Company in respect of any of the Common Stock issuable upon the exercise of Stock Options, unless and until certificates evidencing such shares of Common Stock shall have been duly issued and delivered. This Agreement does not confer on Recipient any right of continued employment for any period of time, is not an employment Agreement, and shall not in any manner modify any effective Agreement of employment between the Recipient and any subsidiary of the Company.

(F) Non-Transferability of Option. Stock Options granted under the Plan shall not be transferable otherwise than by will or the laws of descent and distribution (as specified above) and shall be exercisable during the lifetime of the Recipient only by him or her. Except as otherwise herein provided, Stock Options granted under the Plan and the rights and privileges conferred thereby shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of Stock Options granted under the Plan, or of any right or privilege conferred hereby, contrary to the provisions of the Plan or this Agreement, or upon any attempted sale under any execution, attachment, or similar process upon the rights and privileges granted, then and in any such event Stock Options and the rights and privileges granted shall immediately become null and void.

III. FORFEITURE OF AWARD

(A) The conduct giving rise to the rights of the Company and Recipient's obligations under this Agreement and as set forth in Sections I(D) and II(E) are agreed to be the following:

(1) During Recipient's employment, or within one year after Recipient's Last Day of Employment, Recipient's engagement in, ownership of, or control of any interest in (except as a passive investor in less than one percent of the outstanding securities of publicly held companies), or acting as an officer, director or employee of, or consultant, advisor or lender to, any firm, corporation, partnership, limited liability company, institution, business, government agency, or entity that engages in any line of business that is competitive with any Line of Business of the Company (as defined below), provided that this Section III(A)(1) shall not apply to Recipient if Recipient's primary place of employment by a subsidiary of the Company as of the Date of

Grant is in either the State of California or the State of North Dakota. "LINE OF BUSINESS OF THE COMPANY" means any line of business of the subsidiary of the Company by which Recipient was employed as of the Last Day of Employment, as well as any one or more lines of business of any other subsidiary of the Company by which Recipient was employed during the two-year period preceding the Last Day of Employment, provided that, if Recipient's employment was, as of the Last Day of Employment or during the two-year period immediately prior to the Last Day of Employment, with HRB Management, Inc. or any successor entity thereto, "Line of Business of the Company" shall mean any lines of business of the Company and all of its subsidiaries; or

(2) During Recipient's employment, or within one year after the Last Day of Employment, Recipient employs or solicits for employment by any employer other than a subsidiary of the Company any employee of any subsidiary of the Company, or recommends any such employee for employment to any employer (other than a subsidiary of the Company) at which Recipient is or intends to be (a) employed, (b) a member of the Board of Directors, (c) a partner, (d) providing consulting services, or (e) an owner, regardless of

Recipient's percentage of ownership interest in such employer (except if such employer is a publicly traded company and Recipient is a passive investor in less than one percent of its outstanding securities); or

(3) During Recipient's employment, or within one year after the Last Day of Employment, Recipient directly or indirectly solicits or enters into any arrangement with any person or entity which is, at the time of the solicitation, a significant customer of a subsidiary of the Company for the purpose of engaging in any business transaction of the nature performed by such subsidiary, or contemplated to be performed by such subsidiary, for such customer, provided that this Section III(A)(3) shall only apply to customers for whom Recipient personally provided services while employed by a subsidiary of the Company or customers about whom or which Recipient acquired material information while employed by a subsidiary of the Company; or

(4) During Recipient's employment or within one year after the Last Day of Employment, Recipient misappropriates or improperly uses or discloses confidential information of the Company and/or its subsidiaries.

(B) Recipient and the Company agree that, if Recipient is a party to an effective Agreement of employment with a subsidiary of the Company that contains a covenant or covenants relating to Recipient's engagement in conduct that is the same as or substantially similar to the conduct described in any of Sections III(A)(1), III(A)(2), III(A)(3), or III(A)(4) above, and any specific conduct regulated in such covenant or covenants in such Agreement of employment is more limited in scope geographically or otherwise than the corresponding specific conduct described in any of such Sections III(A)(1), III(A)(2), III(A)(3), or III(A)(4), then the corresponding specific conduct addressed in the applicable Sections III(A)(1), III(A)(2), III(A)(3), or III(A)(4) shall be limited to the same extent as such conduct is limited in the Agreement of employment and the Company's rights and remedy with respect to such conduct under this Section III shall apply only to such conduct as so limited.

IV. MISCELLANEOUS

(A) No Employment Contract. This Agreement does not confer on the Recipient any right to continued employment for any period of time, is not an employment contract, and shall not in any manner modify any effective contract of employment between the Recipient and any subsidiary of the Company.

(B) Adjustment of Shares. If there shall be any change in the capital structure of the Company, including but not limited to a change in the number or kind of the outstanding shares of the Common Stock resulting from a

stock dividend or split-up, or combination or reclassification of such shares (or of any stock or other securities into which shares shall have been changed, or for which they shall have been exchanged), then the Board of Directors of the Company shall make such equitable adjustments with respect to the Stock Option, or any other provisions of the Plan, as it deems necessary or appropriate to prevent dilution or enlargement of the Stock Option rights hereunder or of the shares subject to this Stock Option.

(C) Merger, Consolidation, Reorganization, Liquidation, etc. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall, acting in its absolute and sole discretion, make such arrangements, which shall be binding upon the

Recipient of unexpired Stock Option rights or Shares not yet delivered, for the substitution of a new award or other contractual rights with regard to this award.

(D) Interpretation and Regulations. The Board of Directors of the Company shall have the power to provide regulations for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board may deem necessary. The Committee shall have the sole power to determine, solely for purposes of the Plan and this Agreement, the date of and circumstances which shall constitute a cessation or termination of employment and whether such cessation or termination is the result of retirement, death, disability or termination without cause or any other reason, and further to determine, solely for purposes of the Plan and this Agreement, what constitutes continuous employment with respect to the exercise of Stock Option or delivery of Shares under the Plan (except that absence on leave approved by the Committee or transfers of employment among the subsidiaries of the Company shall not be considered an interruption of continuous employment for any purpose under the Plan).

(E) Reasonableness of Restrictions, Severability and Court Modification. Recipient and the Company agree that, the restrictions contained in this Agreement are reasonable, but, should any provision of this Agreement be determined by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable or unreasonable in scope, the validity, legality and enforceability of the other provisions of this Agreement will not be affected thereby, and the provision found invalid, illegal, or otherwise unenforceable or unreasonable will be considered by the Company and Recipient to be amended as to scope of protection, time or geographic area (or any one of them, as the case may be) in whatever manner is considered reasonable by that court, and, as so amended will be enforced.

(F) Waiver. The failure of the Company to enforce at any time any terms, covenants or conditions of this Agreement shall not be construed to be a waiver of such terms, covenants or conditions or of any other provision. Any waiver or modification of the terms, covenants or conditions of this Agreement shall only be effective if reduced to writing and signed by both Recipient and an officer of the Company.

(G) Notices. Any notice to be given to the Company or election to be made under the terms of this Agreement shall be addressed to the Company (Attention: Long-Term Incentive Department) at 4400 Main Street, Kansas City, Missouri 64111, or at such other address as the Company may hereafter designate in writing to the Recipient. Any notice to be given to the Recipient shall be addressed to the Recipient at the address set forth on the cover sheet to this Award Agreement or at such other address as the Recipient may hereafter designate in writing to the Company. Any such notice shall be deemed to have been duly given when deposited in the United States mails via regular or certified mail, addressed as aforesaid, postage prepaid.

(H) Choice of Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Missouri without reference to principles of conflicts of laws.

(I) Headings. The section headings herein are for convenience only and shall not be considered in construing this Agreement.

(J) Amendment. No amendment, supplement, or waiver to this Agreement

is valid or binding unless in writing and signed by both parties.

(K) Reservation of Rights. The Company expressly reserves the right to change, modify or amend the terms and conditions of any future awards of grants under the Plan.

(L) Survival. Sections I(C), I(E), I(F), III, IV(D), IV(E), IV(F), IV(G), IV(H), and IV(J) shall survive any termination of this Agreement and shall be applicable to any Shares delivered to the Recipient pursuant to the terms of the Plan.

(M) Execution of Agreement. This Agreement shall not be enforceable by either party, and Recipient shall have no rights with respect to the Long Term Incentive Award, unless and until (1) the Award Agreement is signed by Recipient and on behalf of the Company by an officer of the Company, provided that the signature by such officer of the Company on behalf of the Company may be a facsimile or stamped signature, and (2) returned to the Company.

Exhibit 10.9

H&R BLOCK, INC.

1989 STOCK OPTION PLAN FOR OUTSIDE DIRECTORS

STOCK OPTION AGREEMENT

1. Grant of Option. H&R Block, Inc., a Missouri corporation (the "Company"), hereby grants to _____ (the "Optionee") as of _____("Date of Grant") an option (the "Stock Option"), pursuant to the Company's 1989 Stock Option Plan for Outside Directors, as amended, which is by this reference incorporated herein and made a part hereof (the "Plan"), to purchase an aggregate of _____ SHARES of common stock, without par value (the "Common Stock"), of the Company at a purchase price of _____ per share (the "Purchase Price"), subject to the terms and conditions herein and in the Plan. This Option is not intended to qualify as an incentive stock option within the meaning of Section 422(b) of the Internal Revenue Code of 1986, as amended.

2. Term of Option. The Stock Option shall expire as to all of its unexercised shares on the date which is exactly ten (10) years after the Date of Grant ("Expiration Date") and, except as provided in Section 3(a) hereof, shall terminate when the Optionee ceases for whatever reason to be a member of the Board of Directors of the Company or any Subsidiary of the Company (as defined in the Plan).

3. Exercise of Stock Option. The Stock Option granted hereunder shall be exercisable from time to time by the Optionee by giving written notice of exercise to the Company specifying the number of whole shares to be purchased, and accompanied by full payment of the purchase price therefor, subject, however, to the following restrictions:

(a) This Stock Option may not be exercised in whole or in part if the Optionee is not, at the time of the exercise of such Stock Option, a director of the Company or any Subsidiary of the Company, and, further, has not been continuously such a director from the Date of Grant to and including the date of such exercise of such Stock Option, except that if, prior to the Expiration Date, the Optionee shall cease to be a director of the Company or any Subsidiary of the Company because of death, retirement or removal of the Optionee as a director of the Company or any Subsidiary of the Company without "cause" (as defined below), the Stock Option shall continue and shall terminate: 365 days after the date of death, but only if such death occurred while the Optionee was a director of the Company or any Subsidiary of the Company; or three (3) years after the Optionee's retirement as a director from the Company or any Subsidiary of the Company; or 180 days after the date of removal of the Optionee as a director of the Company or any Subsidiary of the Company without cause; and within which time this Stock Option shall be fully exercisable as to all of the shares subject to this Stock Option. This Stock Option shall in no event be exercisable after the Expiration Date.

In the event of the death of the Optionee, this Stock Option shall be exercisable only by the person or persons to whom the Optionee's rights under this Stock Option shall pass by the Optionee's will or by laws of descent and distribution. For purposes hereof, the term "cause," in connection with removal of the Optionee as a director and irrespective of the meaning of removal of a director for cause under Missouri or any other state law or otherwise, shall mean when the Optionee shall have been finally adjudged to have been knowingly fraudulent, deliberately dishonest or engaged in willful misconduct in the performance of any of his or her duties to the Company or any Subsidiary of the Company.

(b) Notwithstanding anything herein to the contrary, this Stock Option may not be exercised at any time when its exercise or the delivery of shares of Common Stock or other securities thereunder would, in the opinion of

counsel for the Company, be in violation of any state or federal law, rule or ordinance, including any state or federal securities laws or any regulation or ruling of the Securities and Exchange Commission. If at any time counsel for the Company shall determine that qualification or registration of the Common Stock or other securities thereby covered under any state or federal law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of or in connection with the exercise of the Stock Option or the purchase of shares thereunder, then it may not be exercised, in whole or in part, unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable. Further, the Optionee agrees that upon exercise of this Stock Option he or she will take the shares of Common Stock issuable upon such exercise for investment and not with a view toward the distribution thereof, provided that this representation shall be of no force and effect at any time when an effective registration statement under the Securities Act of 1933, as amended, and under applicable state securities laws, shall be in effect with respect to the Common Stock optioned hereunder.

(c)(i) Full payment of the aggregate option price (defined below) for shares purchased shall be made at the time of exercising the Stock Option in whole or in part. Full payment shall be made (A) in cash, or (B) by delivery of Common Stock of the Company with a fair market value equal to the aggregate option price, or (C) by a combination of payment of cash and delivery of Common Stock of the Company in amounts so that the sum of the amount of cash plus the fair market value of the Common Stock of the Company equals the aggregate option price, provided that payment shall be made only in cash unless at least six months have elapsed between the date of Optionee's acquisition of each share of Common Stock delivered by Optionee in full or partial payment of the aggregate option price and the date on which the Stock Option is exercised.

(ii) The "aggregate option price" shall be the product of (A) the Purchase Price per share and (B) the number of shares purchased pursuant to exercise, in whole or in part, of the Stock Option.

(iii) The fair market value of a share of the Company's Common Stock shall be the closing price per share of Common Stock of the Company on the New York Stock Exchange on the last trading date preceding the date on which the Stock Option is exercised. The fair market value of the Common Stock of the Company delivered in the exercise of any Stock Option may not exceed the aggregate option price. No fractional shares of Common Stock of the Company may be delivered upon the exercise of any Stock Option.

4. No Shareholder Privileges. Neither the Optionee nor any person claiming under or through him or her shall be or have any of the rights or privileges of a shareholder of the Company in respect of any of the Common Stock issuable upon the exercise of this Stock Option, unless and until certificates evidencing such shares of Common Stock shall have been duly issued and delivered.

5. Non-Transferability of Option. The Stock Option granted

hereunder shall not be transferable or assignable by Optionee otherwise than by will or the laws of descent and distribution (as specified above) and shall be exercisable during the lifetime of the Optionee only by him or her. Except as otherwise herein provided, the Stock Option hereby granted and the rights and privileges conferred hereby shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of this Stock Option, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment, or similar process upon the rights and privileges hereby granted, then and in

any such event this Stock Option and the rights and privileges hereby granted shall immediately become null and void.

6. Adjustment of Shares. If there shall be any change in the capital structure of the Company, including but not limited to a change in the number or kind of the outstanding shares of the Common Stock of the Company resulting from a stock dividend or split-up, or combination or reclassification of such shares (or of any stock or other securities into which shares shall have been changed, or for which they shall have been exchanged), then the Board of Directors of the Company shall make such equitable adjustments with respect to the Stock Option, or any other provisions of the Plan, as it deems necessary or appropriate, to prevent dilution or enlargement of the Stock Option rights hereunder or of the shares subject to this Stock Option, including, if necessary, any adjustment in the maximum number of shares subject to the Plan or the number of shares of Common Stock subject to this Stock Option.

7. Merger, Consolidation, Reorganization, Liquidation, Etc. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors of the Company shall, acting in its absolute and sole discretion, make such arrangement, which shall be binding upon the Optionee of unexpired Stock Option rights, for: (a) the substitution of new stock options or other contractual rights of any nature for any unexpired Stock Option then outstanding hereunder, or (b) for the assumption of any such unexpired Stock Option.

8. Interpretation and Regulations. The Board of Directors of the Company shall have the power to provide guidelines for administration of the Plan by any Option Committee appointed by the Board and to make any changes in such guidelines as from time to time the Board may deem necessary.

9. Notices. Any notice to be given to the Company under the terms of this Agreement shall be addressed to the Company (Attention: Management Stock Option Department) at 4400 Main Street, Kansas City, Missouri 64111, or at such other address as the Company may hereafter designate in writing to the Optionee. Any notice to be given to the Optionee shall be addressed to the Optionee at the address set forth beneath his or her signature hereto or at such other address as the Optionee may hereafter designate in writing to the Company. Any such notice shall be deemed to have been duly given when personally delivered or when deposited in the United States mails via regular or certified mail, addressed as aforesaid, postage prepaid.

10. Optionee's Representations and Warranties. By execution of this Agreement, Optionee represents and warrants to the Company that Optionee is familiar with the Company and its plans, operations and financial condition. Prior to

the acceptance of this Stock Option, Optionee has received all information as Optionee deems necessary and appropriate to enable an evaluation of the financial risk inherent in accepting the Stock Option, and has received satisfactory and complete information concerning the business and financial condition of the Company in response to all inquiries in respect thereof.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

COMPANY:

H&R BLOCK, INC.

By: _____

OPTIONEE'S ACCEPTANCE

The undersigned hereby accepts the foregoing Stock Option and agrees to the terms and conditions thereof.

OPTIONEE:

_____

Address:

EXHIBIT 10.33

LEASING OPERATIONS SUPPLIER AGREEMENT
(PRODUCTS AND/OR SERVICES)

This Agreement is entered into this 11th day of September_____, 2003, between Wal*Mart Stores, Inc. of Bentonville, Arkansas ("Wal*Mart") and H&R Block Services, Inc. and its subsidiaries ("Supplier"). WHEREFORE, Wal*Mart agrees to make space available in certain Wal*Mart stores for Supplier's tax return preparation services (the "Promotion") and Supplier agrees to pay fees and rent to Wal*Mart upon the following terms and conditions:

1. SERVICE. Supplier agrees to market the Promotion to its independently owned and operated franchisees as well as to its company-owned stores. Supplier has been designated as an approved Wal*Mart Other Income Supplier and will be allowed to offer its Promotion to store managers of stores designated by the Wal*Mart Other Income Department, in its sole discretion, and identified in the attached Exhibit A. The list of stores on Exhibit A shall be revised by September 15 of each year in the year preceding the Tax Season (as defined below). Each store in which the Promotion was actually operated, to the satisfaction of Wal*Mart Operations, shall remain on the list of stores in Exhibit A in subsequent years.

Supplier, will secure approvals for each location from the store manager and Wal*Mart Stores Operations between July 1 and September 15th of the year preceding the Tax Season. Supplier shall use reasonable business efforts to conduct the Promotion at each of the store locations listed on Exhibit A. Supplier will provide Wal*Mart with a final list of all secured locations not later than September 18th prior to the Tax Season, which shall comprise Exhibit B hereto. In the event Wal*Mart elects to close an assigned store(s), Wal*Mart will give the Supplier thirty (30) days prior written notice of such closing. Wal*Mart shall use reasonable business efforts to provide a substitute location, but shall not be held responsible for any lost income to Supplier, its affiliates, subsidiaries, employees, franchisees, agents, or assigns. If a closing occurs during Tax Season, then Supplier shall not be obligated to make future rental payments with respect to the location and Wal*Mart shall return to the Supplier the pro-rata portion of all Base Rent received for periods in which Supplier did not occupy the location and no substitute location is taken by Supplier. Supplier shall operate its promotion during Tax Season only. The term "Tax Season" means the period beginning not earlier than January 2 nor later than January 15th and ending on April 15th (or such later date as the Internal Revenue Service permits the filing of federal income tax returns without extension). Each year during the Term, Wal*Mart shall grant Supplier access to the store on or after December 28th for the purpose of constructing and equipping the Sites. Thereafter, Supplier shall have access to each Site during all hours when the store is open to Wal*Mart associates. Supplier will remove all of its furnishings and equipment used at a Site within 5 days after the end of each Tax Season of each year during the Term.

2. TERM. The term of this Agreement shall commence on the date the Agreement is signed and shall end on May 30, 2005 unless terminated earlier in accordance with provisions of Section 19. It is also agreed and understood that Wal*Mart shall have the right to propose a new commission schedule in advance of the 2005 Tax Season (but no later than July 1, 2004) and that Supplier shall have thirty (30) days to accept said new commission schedule or terminate the Agreement, provided however that no such new commission scheduled shall contain rents in excess of 130% of the current rents. In the event that Supplier or Supplier's franchisee does not generate at least thirty-five thousand dollars

[SEAL]

($35,000) of gross revenue at any Site during the Tax Season, then Supplier may

de-list that Site from the list of stores on Exhibit A.

3. LOCATION. Supplier will be allotted space for a 6 ft. X 15 ft kiosk (the "Site") approximately ninety (90) square feet in the approved area in each Wal*Mart Store and Supercenter identified on Exhibit B attached hereto. For each store designated on Exhibit A, Wal*Mart will assign up to three potential Site locations as set forth on Exhibit C, and which shall be subject to the Store Manager's approval. In the event a Site(s) is not available or unacceptable to Supplier, Wal*Mart shall be under no obligation to provide a substitute location nor shall Wal*Mart be held responsible for any lost income to Supplier its affiliates, subsidiaries, employees, franchisees, agents, or assigns. After the kiosk is located in a store with the Store Manager's approval, if the Store Manager requests that Supplier relocate its kiosk to another part of the store during the Tax Season, then Wal*Mart shall reimburse Supplier for the direct cost of relocating the kiosk, including the cost of moving and reestablishing telecom, power or any other utility to the kiosk.

4. INDEMNIFICATION.

(a) Supplier agrees to indemnify, defend and hold harmless Wal*Mart, its affiliates, subsidiaries, successors and assigns and their officers, directors, agents and employees, from and against any and all losses, damages, injuries, claims, suits, demands, judgments, decrees, costs, expenses, and liabilities, including but not limited to attorneys' fees and court costs, for property damage, economic injury, and personal injury, including death, which may be suffered, incurred or asserted by any person in connection with or arising out of any act or omission of Supplier its affiliates, subsidiaries, employees, franchisees, agents, or assigns from the breach of this Agreement, and/or from the operation of the Promotion.

(b) Wal*Mart agrees to indemnify, defend and hold harmless Supplier, its affiliates, franchisees, subsidiaries, successors and assigns and the officers, directors, agents and employees of each from and against any and all losses, damages, injuries, claims, suits, demands, judgments, decrees, costs, expenses and liabilities, including, but not limited to, reasonable attorneys' fees and court costs, for property damage and personal injury, including death, which may be suffered, incurred or asserted by any person arising solely out of any act or omission of Wal*Mart, and/or the operation of the store in which the Site is located. It being expressly understood that under no circumstances will Wal*Mart be liable to Supplier, its affiliates, subsidiaries, employees, franchisees, agents, or assigns for lost profits.

5. INSURANCE. Supplier agrees to provide comprehensive general liability insurance, including insurance against assumed or contractual liability, insuring the activities of Supplier, its affiliates, subsidiaries, employees, franchisees, agents, or assigns agents, in the following amounts: Product Liability-Two Million Dollars ($2,000,000.00) per occurrence, Malpractice/Errors and Omissions - Two Million Dollars ($2,000,000.00) per occurrence, and General Liability (Bodily Injury and Property Damage) - Two Million Dollars ($2,000,000.00) per occurrence. Such insurance shall be primary, non-contributory, and not excess coverage and shall name Wal*Mart Stores, Inc., its subsidiaries and its affiliates, as additional insureds. Supplier agrees to keep this insurance in full force and effect during the term of this Agreement and shall provide Wal*Mart with ten (10) days prior written notice of any cancellation or material change. Supplier shall provide Wal*Mart with a Certificate of Insurance evidencing such coverage at least seven (7) days prior to the commencement of its activities on the Wal*Mart premises pursuant to this Agreement. Supplier shall maintain Workers' Compensation or a signed waiver for Workers' Compensation for all employees who work at the Sites. Supplier

warrants that insurance coverage in accordance with this paragraph shall be maintained in force and effect for each store location at which the Promotion is

conducted.

6. SUPPLIER AND/OR EMPLOYEES. Supplier and its employees are not Wal*Mart associates. They will not receive any of the benefits available to Wal*Mart associates including but not limited to the associate discount on merchandise purchased at any Wal*Mart store. Supplier may offer discounts to Wal*Mart associates on such terms as Supplier, in its discretion, might determine.

7. INDEPENDENT CONTRACTOR. It is expressly understood and agreed that the relationship created between Supplier and Wal*Mart by this Agreement is that of independent contractor, and except as set forth in this Agreement, neither party shall have the right to direct and control the day-to-day activities of the other or to create or assume any obligation on behalf of the other party for any purpose whatsoever. Nothing in this Agreement shall be deemed to constitute the parties as partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking, and neither party shall be determined hereby to be the owner of the assets, customers or business of the other. Except as set forth in this Agreement, all financial obligations associated with each party's business are the sole responsibility of that party.

8. TAX NUMBERS AND OPERATOR'S LICENSES. Supplier agrees to secure all sales tax numbers, operator's licenses, and any other licensing in accordance with applicable law as may be required by local, state, and/or federal authorities. Wal*Mart is not responsible for determining which tax numbers and licenses are required and shall not be liable for any fees, fines, or penalties imposed on Supplier for failure to obtain the necessary licenses and/or tax numbers. Supplier shall not use Wal*Mart's tax numbers and licenses. Supplier agrees it will pay all appropriate tax liabilities levied upon its operation of its Promotion.

9. MAINTENANCE. Supplier shall be responsible for maintenance of the Sites. Supplier agrees to keep its area clean, free of hazards and safe for customers and associates. Supplier shall not be responsible for maintenance of any areas outside the Sites, including, without limitation any condition pertaining to the buildings or the areas in or about the buildings at which the Promotion is located.

10. HOURS OF OPERATION. Supplier agrees that its Promotion will be operative and available to the public, at minimum, during following hours: During the periods from the first date of operating the Promotion until February 15 and from April 1 until the end of the Tax Season. Monday through Friday 9:00 a.m. to 9:00 p.m.; Saturday 9:00 a.m. to 5:00 p.m.; and for at least five hours on Sunday; and during the remainder of the Tax Season, Monday through Friday 9:00 a.m. to 6:00 p.m.; Saturday 9:00 a.m, to 5:00 p.m.; and for at least five hours on Sunday (unless prohibited by local law). Any variance in working hours must have the prior approval of the Wal*Mart store manager.

11. CONSTRUCTION. Supplier shall be responsible for any and all expenses, related to the construction of the kiosks on the Sites, including but not limited to demolition, electrical, carpentry, utilities, and plumbing. However, no changes to the premises will be allowed without the prior written consent of Wal*Mart. Supplier shall obtained all necessary permits required for construction and comply with all applicable building codes.

12. UTILITIES. Supplier shall be allowed to use existing electrical utility service at the store for basic operation of the Promotion at no additional charge over the amount set forth in section 16 below. Supplier shall, however, be responsible for its telephone equipment, installation, and charges.

13. SIGNAGE. At all locations where Supplier the Promotion is conducted there shall exist conspicuous and clearly visible signage informing prospective customers: 1) that a free estimate for providing tax return preparation assistance to meet customers needs will be provided prior to the customer being committed to use Promotion services; 2) a toll free Telephone number where customers may address any problems and receive prompt response or resolution to

the problem identified, and 3) the hours of operation. Wal*Mart hereby grants Supplier, its affiliates, its franchisees, and agents reasonable rights of access necessary to install and maintain mutually agreed upon signage promoting the Promotion within or on the assigned kiosk space at the assigned store.

14. LIABILITY AND RESPONSIBILITY FOR EQUIPMENT. Wal*Mart will not be responsible nor be held liable for any injury or damage to any person or property resulting from use, misuse, or failure of any equipment used by Supplier or any of its affiliates, subsidiaries, employees, franchisees, agents, or assigns even if such equipment is furnished, rented, or loaned to Supplier by Wal*Mart. The acceptance of use of any such equipment by Supplier or any of its employees or agents shall be construed to mean that Supplier accepts full responsibility for and agrees to indemnify Wal*Mart against any and all loss, liability, and claims for injury or damage whatsoever resulting from the use, misuse, or failure of such equipment.

15. ADOPTION OF WAL*MART POLICY. Supplier's employees will at all times, while on Wal*Mart's premises maintain a pleasant and courteous attitude toward customers. While on Wal*Mart property, Supplier's employees shall be subject to Wal*Mart Rules and Regulations. In addition, no smoking, food, or drink will be allowed on the sales floor, and personal appearance must be neat, clean and consistent with attire worn by the store's sales floor associates. Supplier will instruct each employee to refer to Wal*Mart management for details on these Rules and Regulations, Compliance with this provision will be in the sole discretion of Wal*Mart. Any employee of Supplier not in compliance with this provision will be immediately removed from Wal*Mart property upon notice to Supplier. Supplier shall conduct the Promotion consistent with Wal*Mart's policy of guaranteeing customer satisfaction.

16. RENT AND REPORT.

(a) The base annual rent payable to Wal*Mart shall be as follows:

(1) Supercenters: The base annual rent shall be $6100 per Site.

(2) Division 1 Stores: The base annual rent shall be $4500 per Site.

(b) The annual incentive rent, if any, payable to Wal*Mart per Site shall be as follows:

(1) Supercenters: The incentive rent shall be $500 if more than 450 federal tax returns are prepared at the Site; $1100 if more than 700 federal tax returns are prepared at the Site; $1700 if more than 950 federal tax returns are prepared at the Site; and $2300 if more than 1,450 federal tax returns are prepared at the Site.

(2) Division 1 Stores: The incentive rent shall be $250 if more than 350 federal tax returns are prepared at the Site, $600 if more than 600 federal tax returns are prepared at the Site; and $950 if more than 850 federal tax returns are prepared at the site.

(c) Base annual rent is due and payable by Supplier in three equal installments: on or before January 31; February 28; and March 31 of each year during the Term. Incentive rent, if any is due and payable by Supplier on or before the May 30 of each year during the Term. Reports showing the number of tax returns prepared for the month(s) shall be submitted on or before the date each incentive rent payment is due. All reports shall be submitted to Wal*Mart leasing operations and all payments made via wire transfer to the following account Wachovia National Bank, Charlotte, NC, ABA No. 053000219, Account Name Wal-Mart Stores, Inc., Account No.: 2079900144516, OBI: Denise West (479) 273-8562. H&R Block, Inc. guarantees all payments due to Wal*Mart hereunder. The failure to make timely payment of an amount due to Wal*Mart hereunder shall constitute a material breach of this Agreement.

17. AUDIT. At Wal*Mart's expense, Wal*Mart may audit such books and records of Supplier its affiliates, subsidiaries, employees, franchisees, or assigns necessary to determine the number of federal tax returns prepared or gross revenue generated at each Site. Notwithstanding the foregoing, Wal*Mart shall not be entitled to review any taxpayer information, and all Customer files and Customer information shall remain the property of Supplier. Wal*Mart shall give Supplier at least seven days notice of any such audit, and all such audits shall be conducted during regular business hours unless the parties otherwise agree. Wal*Mart shall not attempt to schedule any audit to take place during the Tax Season. The audit shall be conducted at the place where the records relating to tax returns prepared at the Site(s) are maintained.

18. ASSIGNMENT/TRANSFER. No assignment or transfer of the rights granted Supplier under this Agreement shall be made without the prior written consent of Wal*Mart. Any transfer of 51% or more of the ownership of Supplier's rights in the Promotion shall be deemed an assignment. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. Notwithstanding the foregoing, Supplier may assign and delegate to its franchisee(s) and to affiliates which operate the Promotion in certain territories those rights and obligations of Supplier hereunder necessary for the operation of the Promotion for specific Sites. Such assignment and delegation shall not require any consent of Wal*Mart; as long as each franchise assignee executes a document in form substantially similar to that attached as Exhibit D, by which such assignee agrees to be bound by all the terms and provisions hereof. No such assignment shall relieve Supplier, as between Supplier and Wal*Mart, from liability for breach of this Agreement, or for any payment due to Wal*Mart hereunder whether breach is by Supplier or any such assignee or franchisee.

19. TERMINATION. Wal*Mart may, without liability, terminate this Agreement for cause by providing written notice thereof to Supplier. Where notice is provided in accordance with this Section, all equipment belonging to Supplier shall be removed from Wal*Mart property within 15 days of receiving notice. All costs of such removal shall be the responsibility of Supplier. In the event Supplier fails to remove its equipment, Wal*Mart may, at its option, consider said equipment to be abandoned and dispose of the equipment by any reasonable means necessary to free the space and charge Supplier with all related costs. Within 60 days following the end of the Tax Season, Supplier, at its expense, will prepare and conduct a survey of store managers of the stores at which the Promotion was conducted to measure the store managers' satisfaction with the conduct of the Promotion. Wal*Mart shall have the right to approve the survey design and substance. Notwithstanding anything to the contrary contained herein, Wal*Mart shall have the right to de-list from Exhibit A any store location for which Supplier receives an unsatisfactory survey score, and if unsatisfactory scores are received for 15% or more of all stores, then Wal*Mart shall have the right to terminate this Agreement.

20. FINANCIAL SERVICES. Supplier covenants and warrants that neither it nor its affiliates, subsidiaries, employees, franchisees, agents, or assigns shall directly offer any financial services in any Wal*Mart store to Wal*Mart customers or shoppers other than the tax return preparation services that are provided as a part of the Promotion. Notwithstanding the foregoing, Wal*Mart acknowledges that Supplier may contact any of its clients outside of any Wal*Mart 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 shall be deemed a material breach of this Agreement entitling Wal*Mart to terminate this Agreement as to the Site(s) where the breach(es) occurred, In addition, in the event that Wal*Mart properly issues ten or more such notices to Supplier pursuant to this Section 20 during a Tax Season Wal*Mart shall be entitled to terminate this Agreement pursuant to Section 19.

21. GOVERNING LAW; JURISDICTION; VENUE. This Agreement shall be governed by and construed in accordance with the laws of the State of Arkansas, without regard to the internal law of Arkansas regarding conflicts of laws. The parties

mutually consent and submit to the exclusive jurisdiction of the federal and state courts for Benton or Washington County, Arkansas, and agree that any action, suit or proceeding concerning this Agreement or any of the related agreements which may be entered into between Wal*Mart and Supplier shall be brought only in the federal or state courts for Benton or Washington County, Arkansas. The parties mutually acknowledge and agree that they will not raise, in connection with any such suit, action or proceeding brought in any federal or state court for Benton or Washington County, Arkansas, any defense or objection based upon lack of personal jurisdiction, improper venue, or inconvenience of forum. The parties acknowledge that they have read and understand this clause and agree willingly to its terms, and Supplier acknowledges that it has received consideration for agreeing to its terms.

22. NOTICES. Any notice of breach or termination of this Agreement by either party shall be in writing and addressed as follows and shall be deemed given when delivered in person or by courier or on the third business day after being mailed, postage prepaid, by certified mail, return receipt requested. Any other notice given in connection with this Agreement shall be in writing and addressed as follows and shall be deemed given when first class mail is received:

If to Wal*Mart:	Wal*Mart Stores, Inc. Attention: Leasing Operations 1300 SE 8th Street Bentonville, AR 72716-0850
With a copy to:	Wal*Mart Stores, Inc. Legal Department Attention: General Counsel - Division 1 702 S.W. 8th Street Bentonville, AR 72712-0185
If to Supplier:	H&R Block Tax Services, Inc. Attention: Director- Field Real Estate 4400 Main St. Kansas City, MO 64111
With a copy to:	H&R Block Tax Services, Inc.

Attn: Legal Department
4400 Main St.
Kansas City, MO 64111

23. USE OF WAL*MART'S NAME. Supplier understands that listing Wal*Mart as a customer has value and therefore agrees that except as provided below, Supplier, its affiliates, subsidiaries, employees, franchisees, agents, or assigns will not use Wal*Mart's trade names, trademarks, service names, service marks, or logos without Wal*Mart's prior written consent. In addition, neither Supplier nor its affiliates, subsidiaries, employees, franchisees, agents, or assigns, will list Wal*Mart as a customer in any press releases, advertisements, trade shows, posters, reference lists, or similar public announcements without Wal*Mart's prior written permission. However, permission will not be required for Supplier to communicate to its potential customers that Supplier is engaged in the Promotion at participating locations. Supplier may also verbally reference Wal*Mart as a customer in private conversations with or private letters to prospective Supplier customers. Wal*Mart agrees that it will not use the Supplier's name without Supplier's permission, other than to advertise the fact that Supplier is engaged in the Promotion at participating Wal*Mart stores. Wal*Mart shall not permit advertising at any store where a Site is located by any person or entity, other than Supplier, relating to the operation of a tax preparation or related business at any other Wal*Mart store.

24. EXCLUSIVITY. Wal*Mart has or may have relationships with other Wal*Mart Other Income Suppliers, or other persons or entities, who or which are engaged in providing services and products similar to or competitive with the Promotion at certain Wal*Mart Stores; and Supplier has or may have relationships with other retailers to provide tax return preparation services at or from locations

operated by such other retailers. Supplier and Wal*Mart agree that neither Wal*Mart's relationship with such other tax return preparation businesses, nor Supplier's relationship with such other retailers, gives rights of any kind to the other party to this Agreement. Notwithstanding the foregoing provisions of this Section, Wal*Mart agrees that it will not allow any person or entity other than Supplier to offer tax return preparation services (at any store from time to time designated on Exhibit A) provided, however, Wal*Mart shall not be prohibited from entering into relationships with other tax return preparation providers as to any stores listed on Exhibit A that Supplier has elected not to operate the Promotion at, or that Supplier has de-listed pursuant to paragraph 2 above, by September 18 of the year preceding the Tax Season

25. ENTIRE AGREEMENT. This Agreement, together with any exhibits, schedules or other writing attached hereto or incorporated by reference herein, constitute the entire agreement between the parties with respect to the subject matter of this Agreement, and all prior and contemporaneous negotiations, agreements and understandings are hereby superseded, merged and integrated into this Agreement.

26. NO CLAIM FOR LOST PROFITS. Supplier its affiliates, subsidiaries, employees, franchisees, agents, or assigns expressly waive any claim against Wal*Mart for lost profits and incidental and consequential damages in connection with this Agreement. Supplier its affiliates, subsidiaries, employees, franchisees, agents, or assigns agree that any damages as against Wal*Mart shall be limited to the amount paid to Wal*Mart hereunder, except that claims for indemnification under paragraph 4(b) shall not be subject to this limitation.

Wal*Mart Stores, Inc.

By: /s/ Glenn Habern

Glenn Habern
Title: Senior Vice President, New Business Development

Date: 9-11-2003
[SEAL]
WITNESS: [ILLEGIBLE]

H&R Block Services, Inc.

By: /s/ David Byers

David Byers
Title: Senior Vice President

Date: 9.9.03

WITNESS: /s/ Thomas Moorehead

Thomas Moorehead

EXHIBIT 10.40

SECOND AMENDED AND RESTATED SALE AND SERVICING AGREEMENT

among

OPTION ONE OWNER TRUST 2001-2
as Issuer

and

OPTION ONE LOAN WAREHOUSE CORPORATION
as Depositor

and

OPTION ONE MORTGAGE CORPORATION
as Loan Originator and Servicer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
as Indenture Trustee

Dated as of March 8, 2005

OPTION ONE OWNER TRUST 2001-2
MORTGAGE-BACKED NOTES

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

ARTICLE II

CONVEYANCE OF THE TRUST ESTATE;
ADDITIONAL NOTE PRINCIPAL BALANCES

ARTICLE III

REPRESENTATIONS AND WARRANTIES

TERMINATION; PUT OPTION

ARTICLE XI

MISCELLANEOUS PROVISIONS

EXHIBITS

SECOND AMENDED AND RESTATED SALE AND SERVICING AGREEMENT

This Second Amended and Restated Sale and Servicing Agreement is entered into effective as of March 8, 2005, among OPTION ONE OWNER TRUST 2001-2, a Delaware business trust (the "Issuer" or the "Trust"), OPTION ONE LOAN WAREHOUSE CORPORATION, a Delaware corporation, as Depositor (in such capacity, the "Depositor"), OPTION ONE MORTGAGE CORPORATION, a California corporation ("Option One"), as Loan Originator (in such capacity, the "Loan Originator") and as Servicer (in such capacity, the "Servicer"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association, as Indenture Trustee on behalf of the Noteholders (in such capacity, the "Indenture Trustee").

WITNESETH:

In consideration of the mutual agreements herein contained, the Issuer, the Depositor, the Loan Originator, the Servicer and the Indenture

Trustee hereby agree as follows for the benefit of each of them and for the benefit of the holders of the Securities:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

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

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

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

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

Additional Advance Rate: With respect to each day, a per annum interest rate equal to (i) 0.75% minus the LIBOR Margin for such day (but in no event less than zero) or (ii) following the occurrence of an Advance Note Event of Default, 3% minus the LIBOR Margin for such day (but in no event less than zero).

Additional Note Balance: As defined in the Advance Indenture.

Additional Note Principal Balance: With respect to each (i) Transfer Date, the aggregate Sales Prices of all Loans conveyed on such date and (ii) Funding Date, the amount of Additional Note Balance purchased by the Issuer from the Advance Trust on such date.

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

Administration Agreement: The Administration Agreement, dated as of April 1, 2001, among the Issuer and the Administrator.

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

Advance Account: The account established and maintained pursuant to Section 5:04. Advance Depositor: Option One Advance Corporation.

Advance Documents: The "Transaction Documents" as defined in the Advance Indenture.

Advance Indenture: The Indenture, dated as of November 1, 2003, between Option One Advance Trust 2003-ADV 1, as issuer and Wells Fargo Bank Minnesota, National Association, not in its individual capacity, but solely as indenture trustee.

Advance Note: Any of the Advance Trust's Advance Receivables Backed Notes, Series 2003-ADV 1, executed, authenticated and delivered under the Advance Indenture.

Advance Note Event of Default: An "Event of Default" as defined in the Advance Indenture.

Advance Note Purchase Agreement: The Note Purchase Agreement, dated as of November 1, 2003, among the Advance Trust, Option One Owner Trust 2001-1 A, Option One Owner Trust 2001-1B, Option One Owner Trust 2001-2 and Greenwich Capital Financial Products, Inc. as agent.

Advance Trust: Option One Advance Trust 2003-ADV 1.

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

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

ALTA: The American Land Title Association and its successors in interest. Appraised Value: With respect to any Loan, and the related Mortgaged Property, the lesser of:

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

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

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

Assignment: An LPA Assignment or S&SA Assignment.

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

Balloon Loan: Any Loan for which the related monthly payments, other than the monthly payment due on the maturity date stated in the Promissory Note, are computed on the basis of a period to full amortization ending on a date that is later than such maturity date.

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

Bill of Sale: With respect to any Funding Date, a bill of sale, substantially in the form attached as Exhibit C to the Receivables Purchase Agreement, delivered by Option One and the Depositor to the Issuer, the Agent and the Indenture Trustee pursuant to the Receivables Purchase Agreement.

Borrower: The obligor or obligors on a Promissory Note.

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

Certificateholder. A holder of a Trust Certificate.

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

Closing Date: April 18, 2001.

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

Collateral Percentage: With respect to each Loan and any Business Day, a percentage determined as follows:

(a) with respect to all Loans other than Scratch & Dent Loans, 98%; and

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

Collateral Value: (I) With respect to the Advance Note and each Business Day, 100% of the Note Principal Balance of the Advance Note on such day and (II) with respect to each Loan and each Business Day, an amount equal to the positive difference, if any, between (a) the lesser of (1) the Collateral Percentage of the Market Value of such Loan, and (2) 100% of the Principal Balance of such Loan (other than a Scratch & Dent Loan which shall be 75% of the Principal Balance thereof) each as of such Business Day, less (b) the aggregate unreimbursed Servicing Advances attributable to such Loan as of the most recent Determination Date; provided, however, that the Collateral Value shall be zero with respect to the Advance Note following the occurrence of an Advance Note Event of Default and with respect to each Loan (1) that the Loan Originator is required to repurchase pursuant to Section 2.05 or Section 3.06 hereof or (2) which is a Loan of the type specified in subparagraphs (i)-(ix) hereof and which is in excess of the limits permitted under subparagraphs(i)-(ix) hereof, or (3) which remains pledged to the Indenture Trustee later than 180 days after its related Transfer Date, or (4) which has been released from the possession of the Custodian to the Servicer or any Loan Originator for a period in excess of 21 days or exceed the 50 Loan limit for released Loans set forth in the Custodial Agreement, or (5) that is a Loan which is 60 or more days Delinquent or a Foreclosed Loan, or (6) that is a Mixed Use Loan, or (7) that is a Wet Funded Loan and the related Loan Documents have not been delivered to the Custodian within fifteen (15) calendar days after the date of conveyance of such Loan to the Issuer hereunder, or (8) that is a Scratch and Dent Loan that has not been liquidated within 90 days after the determination of such deficiency, or (9)

that has an original Principal Balance greater than $1,000,000 or (10) that is a Scratch and Dent Loan for which a description of the related deficiency has not been reported to the Initial Noteholder within one Business Day of the related Transfer Date; provided, further, that (A)

(i) the aggregate Collateral Value of Loans which are Second Lien Loans may not exceed 15% of the Maximum Note Principal Balance; provided, that the aggregate Collateral Value of Second Lien Loans exclusive of any Second Lien Loans that are Piggy-Backed Loans may not exceed 7.5% of the Maximum Note Principal Balance;

(ii) the aggregate Collateral Value of Loans that are High LTV Loans with an LTV or CLTV, as applicable, of 95.01% or greater may not exceed 3% of the Maximum Note Principal Balance;

(iii) the aggregate Collateral Value of Loans which are 30 to 59 days Delinquent as of the related Determination Date may not exceed 5% of the Maximum Note Principal Balance;

(iv) the aggregate Collateral Value of Loans with an original Principal Balance greater than $350,000 but less than $500,000 may not exceed 20% of the Maximum Note Principal Balance;

(v) the aggregate Collateral Value of Loans with an original Principal Balance greater than $500,000 may not exceed 5% of the Maximum Note Principal Balance;

(vi) the aggregate Collateral Value of Loans which are classified as "CC" quality Loans may not exceed 5% of the Maximum Note Principal Balance;

(vii) the aggregate Collateral Value of Loans which are classified as "C" or "CC" quality Loans may not exceed 12% of the Maximum Note Principal Balance;

(viii) the aggregate Collateral Value of Loans which are Scratch and Dent Loans may not in the aggregate exceed 5% of the Maximum Note Principal Balance;

(ix) the aggregate Collateral Value of Loans that are Wet Funded Loans may not exceed 40% of the Maximum Note Principal Balance;

(x) the aggregate Collateral Value of Loans that conform to Fannie Mae, Freddie Mac or Ginnie Mae underwriting guidelines may not exceed 20% of the Maximum Note Principal Balance, and the interest rates of such Loans shall be sufficiently hedged to the satisfaction of the Initial Noteholder; and

(xi) the aggregate Collateral Value of Advance Receivables shall in no event exceed $112 million.

(B) each Loan shall be counted in each applicable category in (A) above and may be counted in 2 or more categories in (A) above at the same time; provided that once the Collateral Value of any Loan equals zero, it shall not be counted in any category listed in (A) above.

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

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

the Loan, the purchase price of the Mortgaged Property, expressed as a percentage.

Commission: The Securities and Exchange Commission.

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

Cross Default Agreement: The letter agreement dated as of April 1, 2001, between Bank of America, N.A. and Option One Mortgage Corporation.

Custodial Agreement: The custodial agreement dated as of April 1, 2001, among the Issuer, the Servicer, the Indenture Trustee and the Custodian, providing for the retention of the Custodial Loan Files by the Custodian on behalf of the Indenture Trustee.

Custodial Loan File: As defined in the Custodial Agreement.

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

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

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

Daily Interest Accrual Amount: With respect to each day and the related Accrual Period, the sum of (i) interest accrued at the Note Interest Rate with respect to such Accrual Period on the Note Principal Balance as of the preceding Business Day after giving effect to all changes to the Note Principal Balance on or prior to such preceding Business Day, (ii) interest accrued at the Additional Advance Rate on the portion of the Note Principal Balance equal to the outstanding principal balance of the Advance Note as of the preceding Business Day after giving effect to all changes to the outstanding principal balance of the Advance Note on or prior to such Business Day and (iii) interest accrued at 0.10% with respect to such Accrual Period on the aggregate Principal Balance of all Wet Funded Loans as of the preceding Business Day after giving effect to all changes to the aggregate Collateral Value of all Wet Funded Loans on or prior to such preceding Business Day; provided however, for purposes of calculating the Daily Interest Accrual Amount, Wet Funded Loans shall not include Loans for which a Trust Receipt (as defined in the Custodial Agreement) has been delivered to the Initial Noteholder as of the Wet Funded Custodial File Delivery Date. For purposes of the Daily Interest Accrual Amount, a

Wet Funded Loan shall cease to be a Wet Funded Loan on the Business Day that a Trust Receipt is received by the Note Purchaser with respect to such Loan, provided, that any Wet Funded Loan for which a Trust Receipt is received after 4:30 p.m. New York City time shall continue to be a Wet Funded Loan until the following Business Day.

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

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

Defaulted Loan: With respect to any Determination Date, any Loan, including, without limitation, any Liquidated Loan with respect to which any of the following has occurred as of the end of the related Remittance Period: (a) foreclosure or similar proceedings have been commenced; or (b) the Servicer or any Subservicer has determined in good faith and in accordance with the servicing standard set forth in Section 4.01 of the Servicing Addendum that such Loan is in default or imminent default.

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

Delinquency Ratio: The percentage equivalent of a fraction: (i) the numerator of which is equal to the aggregate outstanding Principal Balance of all Loans that are Delinquent 60 days or more, including Foreclosure Property, and (ii) the denominator of which is equal to the average aggregate outstanding Principal Balance of all Loans for the three immediately preceding calendar months as of the date of determination.

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

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

(a) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "instruments" within the meaning of Section 9-105(1)(i) of the UCC and are susceptible of physical delivery (except with respect to Trust Account Property consisting of certificated securities (as defined in Section 8-102(a)(4) of the UCC)), physical delivery to the Indenture Trustee or its custodian (or the related Securities Intermediary) endorsed to the Indenture Trustee or its custodian (or the related Securities

Intermediary) or endorsed in blank (and if delivered and endorsed to the Securities Intermediary, by continuous credit thereof by book-entry to the related Trust Account);

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

and, in any event, any such Physical Property in registered form shall be in the name of the Indenture Trustee or its nominee or custodian (or the related Securities Intermediary); and such additional or alternative

procedures as may hereafter become appropriate to effect the complete transfer of ownership of any such Trust Account Property to the Indenture Trustee or its nominee or custodian, consistent with changes in applicable law or regulations or the interpretation thereof;

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

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

Designated Depository Institution: With respect to an Eligible Account, an institution whose deposits are insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the FDIC, the long-term deposits of which shall be rated A or better by S&P

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

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

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

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

Disposition Agent: Bank of America, N.A. and its successors and assigns acting at the direction, and as agent, of the Majority Noteholders.

Disposition Participant: As applicable, with respect to a

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

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

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

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

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

Eligible Account: At any time, an account which is: (1) maintained with a Designated Depository Institution; (ii) fully insured by either the Bank Insurance Fund or the Savings Association Insurance Fund of the FDIC; (iii) a trust account (which shall be a "segregated trust account") maintained with the corporate trust department of a federal or state chartered depository institution or trust company with trust powers and acting in its fiduciary capacity for the benefit of the Indenture Trustee and the Issuer, which depository institution or trust company shall have capital and surplus of not less than $50,000,000; or (iv) with the prior written consent of the Majority Noteholders, any other account.

Eligible Servicer: (x) Option One or (y) any other Person to which the Majority Noteholders may consent in writing.

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

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

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

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

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

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

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

Final Put Date: The Put Date following the end of the Revolving

Period on which the Majority Noteholders exercise the Put Option with respect to the entire outstanding Note Principal Balance.

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

Financial Covenants: With respect to Option One, the following financial covenants:

(a) Option One must maintain a minimum "Tangible Net Worth" (defined and determined in accordance with GAAP and exclusive of (i) any loans outstanding to any officer or director of Option One or its Affiliates (ii) any intangibles (other than originated or purchased servicing rights) and (iii) any receivables from H&R Block) of $425 million as of any day.

(b) Option One must maintain a ratio of 1.0 or greater at any time pursuant to the Capital Adequacy Test, attached as Exhibit H hereto.

(c) Option One may not exceed a maximum non-warehouse leverage ratio (the ratio of (i) the sum of (A) all funded debt (excluding debt from H&R Block or any of its Affiliates and all non-recourse debt) less (B) 91% of its mortgage loan inventory held for sale less (C) 90% of servicing advance receivables (determined and valued in accordance with GAAP) to (ii) Tangible Net Worth) of 0.50x at any time. Any direct or indirect debt provided by H&R Block or any of its Affiliates will be subject to the Subordination Agreement; or, if H&R Block does not enter into the Subordination Agreement, the maximum permitted non- warehousing leverage ratio including debt from H&R Block will be 1.0x at any time, provided, that no more than 0.5x of such non-warehouse leverage ratio can be funded by entities not affiliated with Option One or H&R Block.

(d) Option One will maintain a minimum liquidity facility (defined as a committed, unsecured, non-amortizing liquidity facility from H&R Block not to mature (scheduled or accelerated) prior to the Maturity Date) in an amount no less than $150 million. Such facility from H&R Block cannot contain covenants or termination events more restrictive than the covenants or termination events contained in the Basic Documents.

(e) Option One must 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.

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

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

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

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

Funding Account: As defined in the Advance Indenture.

Funding Date: With respect to the Advance Note, the day on which Additional Note Balance is purchased by the Issuer under the Advance Note Purchase Agreement.

Funding Notice: As defined in the Advance Indenture.

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

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

H&R Block: H&R Block Inc. and any successor thereto.

Hedge Funding Requirement: With respect to any day, all amounts required to be paid or delivered by the Issuer under any Hedging Instrument, whether in respect of payments thereunder or in order to meet margin, collateral or other requirements thereof. Such amounts shall be calculated by the Market Value Agent and the Indenture Trustee shall be notified of such amount by the Market Value Agent.

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

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

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

High LTV Loans: First Lien Loans with an LTV, and Second Lien Loans (which are not Piggy-Backed Loans) with a CLTV, greater than or equal to 85% and less than or equal to 100%.

Indenture: The Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003, between the Issuer and the Indenture Trustee, as the same may be further amended or supplemented from time to time.

Indenture Trustee: Wells Fargo Bank Minnesota, National Association, a national banking association, as Indenture Trustee under the Indenture, or any successor indenture trustee under the Indenture.

Indenture Trustee Fee: An annual fee of $5,000 payable by the

Servicer in accordance with a separate fee agreement between the Indenture Trustee and the Servicer and Section 5.01 hereof.

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

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

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

Initial Noteholder: Bank of America, N.A. or an Affiliate thereof identified in writing by Bank of America, N.A. to the Indenture Trustee and the other parties hereto.

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

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

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

LIBOR Determination Date: With respect to each Accrual Period, each day during such Accrual Period.

LIBOR Margin: with respect to each Accrual Period, the percentage corresponding to the Unfunded Transfer Obligation Percentage as of each LIBOR Determination Date, as set forth in the following table:

Unfunded Transfer Obligation Percentage:	LIBOR Margin:
>= 8.00%	0.50%
>= 4.00%, but < 8.00%	1.25%
< 4.00%	2.00%

provided, further, that the LIBOR Margin shall be equal to 2.00% upon the occurrence of an Event of Default or for the period commencing on the Payment Date identified in clause (i) of the definition of Clean-up Call Date.

Lien: With respect to any asset, (a) any mortgage, lien, pledge, charge, security to interest, hypothecation, option or encumbrance of any kind

in respect of such asset or (b) the interest of a vendor or lessor under any conditional sale agreement, financing lease or other title retention agreement relating to such asset.

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

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

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

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

Liquidation Proceeds: With respect to a Liquidated Loan, any cash amounts received in connection with the liquidation of such Liquidated Loan, whether through trustee's sale, foreclosure sale or other disposition, any cash amounts received in connection with the management of the Mortgaged Property from Defaulted Loans, any proceeds from Primary Insurance Policies, and any other amounts required to be deposited in the Collection Account pursuant to Section 5.01(b)(1) hereof, in each case other than Mortgage Insurance Proceeds and Released Mortgaged Property Proceeds. Liquidation Proceeds shall also include any awards or settlements in respect of the related Mortgage Property, whether permanent or temporary, partial or entire, by exercise of the power of eminent domain or condemnation.

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

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

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

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

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

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

Loan Purchase and Contribution Agreement: The Loan Purchase and Contribution Agreement, between Option One, as seller and the Depositor, as purchaser, dated as of April 1, 2001, and all supplements and amendments thereto.

Loan Schedule: The schedule of Loans conveyed to the Issuer on the

Closing Date and on each Transfer Date and delivered to the Initial Noteholder and the Custodian in the form of a computer-readable transmission specifying the information set forth in Exhibit C to the Custodial Agreement.

Loan-to-Value Ratio or LTV: With respect to any First Lien Loan, the ratio of the original outstanding principal amount of such Loan to the lesser of (a) the Appraised Value of the Mortgaged Property at origination or (b) if the Mortgaged Property was purchased within 12 months of the origination of the Loan, the purchase price of the Mortgaged Property.

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

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

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

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

Market Value Agent: Bank of America, N.A. or an Affiliate thereof designated by Bank of America, N.A. in writing to the parties hereto and, in either case, its successors in interest.

Master Disposition Confirmation Agreement: The Master Disposition Confirmation Agreement dated as of March 1, 2001, by and among Option One Mortgage Corporation, the Depositor, Option One Owner Trust 2001-1 A, Option One Owner Trust 2001-1 B, Option One Owner Trust 2001-2, Wells Fargo Bank Minnesota, National Association, Bank

of America, N.A., Greenwich Capital Financial Products, Inc. and Steamboat Funding Corporation.

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

Maximum Cumulative Loss Ratio: With respect to all mortgage loans originated in the same calendar year (each year's loans being considered as a single pool) and serviced by Option One (whether or not such mortgage loans are sold or contributed to the Depositor), beginning with mortgage loans originated in 1997 (measured on a static pool basis) the cumulative losses on each such pool may not exceed 1.50% in the first year, 2.25% in the second year, 2.85% in the third year, 3.60% in the fourth year and 4.25% thereafter.

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

Mixed Use Loan: A Loan secured by a Mortgaged Property that is used primarily for residential purposes, but which is also used for non-residential purposes.

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

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

Monthly Remittance Amount: With respect to each Remittance Date, the sum, without duplication, of (i) the aggregate payments on the Loans collected

by the Servicer pursuant to Section 5.01(b)(1)(i) during the immediately preceding Remittance Period and (ii) the aggregate of amounts deposited into the Collection Account pursuant to Section 5.01(b)(1)(ii) through 5.01(b)(1)(vi) and Section 5.01(b)(1)(xi) during the immediately preceding Remittance Period and (iii) any Termination Price, cash Disposition Proceeds and payments by Hedging Counterparties received on or prior to the related Determination Date and not previously included in a Monthly Remittance Amount.

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

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

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

Mortgage Insurance Proceeds: With respect to any Mortgaged Property, all amounts collected in respect of Mortgage Insurance Policies and not required either pursuant to

applicable law or the related Loan Documents to be applied to the restoration of the related Mortgaged Property or paid to the related Borrower.

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

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

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

Net Portfolio Yield: The annualized percentage equivalent of a fraction: (i) the numerator of which is equal to accrued interest on the Advance Note and the Loans (excluding accrued interest on Loans Delinquent over 30 days) for the related Accrual Period, less all interest, fees and expenses due to the Noteholders and less any Servicing Fees, and (ii) the denominator of which is the average Note Principal Balance for such Accrual Period.

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

Nonrecoverable Servicing Advance: With respect to any Loan or any

Foreclosure Property, (a) any Servicing Advance previously made and not reimbursed from late collections, condemnation proceeds, Liquidation Proceeds, Mortgage Insurance Proceeds or the Released Mortgaged Property Proceeds on the related Loan or Foreclosure Property or (b) a Servicing Advance proposed to be made in respect of a Loan or Foreclosure Property either of which, in the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Initial Noteholder, would not be ultimately recoverable.

Note: The meaning assigned thereto in the Indenture.

Noteholder: The meaning assigned thereto in the Indenture.

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

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

Note Purchase Agreement: The Note Purchase Agreement, dated as of April 18, 2001, and as amended and restated as of November 25, 2003, among the Initial Noteholder, the Issuer and the Depositor, as the same may be amended from time to time.

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

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

One-Month LIBOR: With respect to each Accrual Period, the rate determined by the Initial Noteholder on each LIBOR Determination Date on the basis of the offered rate for one-month U.S. dollar deposits, as such rate appears on Telerate Page 3750 as of 11:00 a.m. (London time) on such LIBOR Determination Date; provided that if such rate does not appear on Telerate Page 3750, the rate for such date will be determined on the basis of the offered rates of the Reference Banks for one-month U.S. dollar deposits, as of 11:00 a.m. (London time) on such LIBOR Determination Date. In such event, the Initial Noteholder will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If on such LIBOR Determination Date, two or more Reference Banks provide such offered quotations, One-Month LIBOR on such LIBOR Determination Date shall be the arithmetic mean of all such offered quotations (rounded to the nearest whole multiple of 1/16%). If on such LIBOR Determination Date, fewer than two Reference Banks provide such offered quotations, One-Month LIBOR for such LIBOR Determination Date shall be the higher of (i) LIBOR as determined on the previous LIBOR Determination Date and (ii) the Reserve Interest Rate. Notwithstanding the foregoing, if, under the priorities described above, One-Month LIBOR for a LIBOR Determination Date would be based on One-Month LIBOR for the previous LIBOR Determination Date for the third consecutive LIBOR Determination Date, the Initial Noteholder shall select an alternative comparable index (over which the Initial Noteholder has no control), used for determining one-month Eurodollar lending rates that is calculated and published (or otherwise made available) by an independent party.

Opinion of Counsel: A written opinion of counsel who may be employed

by the Servicer, the Depositor, the Loan Originator or any of their respective Affiliates.

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

Overcollateralization Shortfall: With respect to any Business Day, an amount equal to the positive difference, if any, between (a) the Note Principal Balance on such Business Day and (b) (i) the aggregate Collateral Value of the Advance Note and all Loans in the Loan Pool as of such Business Day, or (ii) in the event that a Performance Trigger shall have occurred and not been Deemed Cured, the aggregate Collateral Value of the Advance Note and all Loans in the Loan Pool as of such Business Day multiplied by 0.98; provided, however, that, in either case, on (A) the termination of the Revolving Period, (B) the occurrence of a Rapid Amortization Trigger, (C) the Payment Date on which the Trust is to be terminated pursuant to Section 10.02 hereof, or (D) the Final Put Date, the Overcollateralization Shortfall shall be equal to the Note Principal Balance. Notwithstanding anything to the contrary herein, in no event shall the Overcollateralization Shortfall, with respect to any Business Day, exceed the Note Principal Balance as of such date. If as of such Business Day, no Rapid Amortization Trigger or Default under this Agreement or the Indenture shall be in effect, the Overcollateralization Shortfall shall be reduced (but in no event to an amount below zero) by all or any portion of the aggregate Hedge Value as of such Payment Date as the Majority Noteholders may, in their sole discretion, designate in writing.

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

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

Payment Date: Each of, (i) the 10th day of each calendar month commencing on the first such 10th day to occur after the first Transfer Date, or if any such day is not a Business Day, the first Business Day immediately following such day, (ii) any day a Loan is sold pursuant to the terms hereof, (iii) a Put Date as specified by the Majority Noteholder pursuant to Section 10.05 of the Indenture and (iv) an additional Payment Date pursuant to Section 5.01(c)(4)(i) and 5.01(c)(4)(iii). From time to time, the Majority Noteholders and the Issuer may agree, upon written notice to the Owner Trustee and the Indenture Trustee, to additional Payment Dates in accordance with Section 5.01(c)(4)(ii).

Payment Statement: As defined in Section 6.01(b) hereof. Percentage Interest: As defined in the Trust Agreement.

Performance Trigger: As of any Determination Date, the existence of one or more of the following conditions:

(i) the aggregate Principal Balance of all Loans that are 30 to 59 days Delinquent as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 5%, provided, however, that a Performance Trigger shall not

occur if such percentage is reduced to less than 5% within 3 Business Days of such Determination Date as the result of the exercise of a Servicer Call;

(ii) the aggregate Principal Balance of all Loans that are 60 to 89 days Delinquent as of such Determination Date divided by the Pool Principal

Balance as of such Determination Date is greater than 2%, provided, however, that a Performance Trigger shall not occur if such percentage is reduced to less than 2% within 3 Business Days of such Determination Date as the result of the exercise of a Servicer Call;

(iii) (x) the aggregate Liquidated Loan Losses for the three calendar months preceding such Determination Date divided by (y) the average Pool Principal Balance during such three calendar months (measured for each such calendar month at the end of the Remittance Period) is greater than 0.25% and a Performance Trigger shall continue to exist until Deemed Cured.

Periodic Cap: With respect to each ARM Loan and any Rate Change Date therefor, the annual percentage set forth in the related Promissory Note, which is the maximum annual percentage by which the Loan Interest Rate for such Loan may increase or decrease (subject to the Lifetime Cap or the Lifetime Floor) on such Rate Change Date from the Loan Interest Rate in effect immediately prior to such Rate Change Date.

Permitted Investments: Each of the following:

(a) Direct general obligations of the United States or the obligations of any agency or instrumentality of the United States fully and unconditionally guaranteed, the timely payment or the guarantee of which constitutes a full faith and credit obligation of the United States.

(b) Federal Housing Administration debentures rated Aa2 or higher by Moody's and AA or better by S&P.

(c) Freddie Mac senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(d) Federal Home Loan Banks' consolidated senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(e) Fannie Mae senior debt obligations rated Aa2 or higher by Moody's.

(f) Federal funds, certificates or deposit, time and demand deposits, and bankers' acceptances (having original maturities of not more than 365 days) of any domestic bank, the short-term debt obligations of which have been rated A-1 or better by S&P and P-1 or better by Moody's.

(g) Investment agreements approved by the Initial Noteholder provided:

1. The agreement is with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated Aa2 or better by Moody's and AA or better by S&P, and

2. Monies invested thereunder may be withdrawn without any penalty, premium or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

3. The agreement is not subordinated to any other obligations of such insurance company or bank, and

4. The same guaranteed interest rate will be paid on any future deposits made pursuant to such agreement, and

5. The Indenture Trustee and the Initial Noteholder receive an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

(h) Commercial paper (having original maturities of not more than 365 days) rated A-1 or better by S&P and P-1 or better by Moody's.

(i) Investments in money market funds rated AAAM or AAAM-G by S&P and Aaa or P-1 by Moody's.

(j) Investments approved in writing by the Initial Noteholder;

provided that no instrument described above is permitted to evidence either the right to receive (a) only interest with respect to obligations underlying such instrument or (b) both principal and interest payments derived from obligations underlying such instrument and the interest and principal payments with respect to such instrument provided a yield to maturity at par greater than 120% of the yield to maturity at par of the underlying obligations; and provided, further, that no instrument described above may be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to stated maturity; and provided, further, that, with respect to any instrument described above, such instrument qualifies as a "permitted investment" within the meaning of Section 860G(a)(5) of the Code and the regulations thereunder.

Each reference in this definition to the Rating Agency shall be construed, as a reference to each of S&P and Moody's.

Person: Any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, national banking association, unincorporated organization or government or any agency or political subdivision thereof.

Physical Property: As defined in clause (b) of the definition of "Delivery" above.

Piggy-Backed Loan: A combined First Lien Loan, with an LTV less than or equal to 80%, and Second Lien Loan, with a CLTV less than or equal to 100%, that satisfy the underwriting criteria set forth in Exhibit D hereto and have a minimum FICO score of 600.

Pool Principal Balance: With respect to any Determination Date, the aggregate Principal Balances of the Loans as of such Determination Date.

Premium Recapture: Any portion of a Premium that the Loan Originator receives back from a third party seller of a Loan.

Prepaid Installment: With respect to any Loan, any installment of principal thereof and interest thereon received prior to the scheduled Due Date for such installment, intended by the Borrower as an early payment thereof and not as a Prepayment with respect to such Loan.

Prepayment: Any payment of principal of a Loan which is received by the Servicer in advance of the scheduled due date for the payment of such principal (other than the principal portion of any Prepaid Installment), and the proceeds of any Mortgage Insurance Policy which are to be applied as a payment of principal on the related Loan shall be deemed to be Prepayments for all purposes of this Agreement.

Preservation Expenses: Expenditures made by the Servicer in connection with a foreclosed Loan prior to the liquidation thereof, including, without limitation, expenditures for real estate property taxes, hazard insurance premiums, property restoration or preservation.

Primary Insurance Policy: A policy of primary mortgage guaranty insurance issued by a Qualified Insurer pursuant to Section 4.06 of the Servicing Addendum.

Principal Balance: With respect to any Loan or related Foreclosure Property, (i) at the Transfer Cut-off Date, the Transfer Cut-off Date Principal Balance and (ii) with respect to any other date of determination, the

outstanding unpaid principal balance of the Loan as of the end of the preceding Remittance Period (after giving effect to all payments received thereon and the allocation of any Net Loan Losses with respect thereto for a Defaulted Loan prior to the end of such Remittance Period); provided, however, that any Liquidated Loan shall be deemed to have a Principal Balance of zero.

Proceeding: Means any suit in equity, action at law or other judicial or administrative proceeding.

Promissory Note: With respect to a Loan, the original executed promissory note or other evidence of the indebtedness of the related Borrower or Borrowers.

Put/Call Loan: Any (i) Loan that has become 30 or more days (but less than 60 days) Delinquent, (ii) Loan that has become 60 or more days (but less than 90 days) Delinquent, (iii) Loan that has become 90 or more days Delinquent, (iv) Defaulted Loan, (v) Loan that has been in default for a period of 30 days or more (other than a Loan referred to in clause (i), (ii), (iii) or (iv) hereof), (vi) Loan that does not meet criteria established by independent rating agencies or surety agency conditions for Dispositions which criteria have been established at the related Transfer Date and may be modified only to match changed criteria of independent rating agencies or surety agents, or (vii) Loan that is inconsistent with the intended tax status of a Securitization.

Put Date: Any date on which all or a portion of the Notes are to be purchased by the Issuer as a result of the exercise of the Put Option.

Put Option: The right of the Majority Noteholders to require the Issuer to repurchase all or a portion of the Notes in accordance with Section 10.04 of the Indenture.

QSPE Affiliate: Any of Option One Owner Trust 2001-1 A, Option One Owner Trust 2001-1 B, Option One Owner Trust 2002-3, Option One Owner Trust 2003-4, Option One Owner Trust 2003-5, or any other Affiliate which is a "qualified special purpose entity" in accordance with Financial Accounting Standards Board's Statement No. 140.

Qualified Insurer: An insurance company duly qualified as such under the laws of the states in which the Mortgaged Property is located, duly authorized and licensed in such states to transact the applicable insurance business and to write the insurance provided and that meets the requirements of Fannie Mae and Freddie Mac.

Qualified Substitute Loan: A Loan or Loans substituted for a Deleted Loan pursuant to Section 3.06 hereof, which (i) has or have been approved in writing by the Majority Noteholders and (ii) complies or comply as of the date of substitution with each representation and warranty set forth in Exhibit E and is or are not 30 or more days Delinquent as of the date of substitution for such Deleted Loan or Loans.

Rapid Amortization Trigger: As of any Determination Date, the existence of one or more of the following conditions as of such Determination Date:

(i) the aggregate Principal Balance of all Loans that are 30 to 59 days Delinquent as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 7%; provided, however, that a Rapid Amortization Trigger shall not occur if such percentage is reduced to less than 5% within 3 Business Days of such Determination Date as a result of the exercise of a Servicer Call;

(ii) the aggregate Principal Balance of all Loans that are 60 to 89 days Delinquent as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 3%; provided, however, that a Rapid Amortization Trigger shall not occur if such percentage is reduced

to less than 2% within 3 Business Days of such Determination Date as a result of the exercise of a Servicer Call;

(iii) (x) the aggregate Liquidated Loan Losses for the three calendar months preceding such Determination Date divided by (y) the average Pool Principal Balance of the Loans during such three calendar months (measured for each calendar month at the end of the Remittance Period) is greater than 0.25%;

(iv) the Net Portfolio Yield averaged for any three consecutive months is less than 1.75%;

(v) the Delinquency Ratio exceeds 15%; and

(vi) the Maximum Cumulative Loss Ratio is exceeded.

A Rapid Amortization Trigger shall continue to exist until it is Deemed Cured.

Rate Change Date: The date on which the Loan Interest Rate of each ARM is subject to adjustment in accordance with the related Promissory Note.

Rating Agencies: S&P and Moody's or such other nationally recognized credit rating agencies as may from time to time be designated in writing by the Majority Noteholders in their sole discretion.

Receivables Purchase Agreement: The Receivables Purchase Agreement, dated as of November 1, 2003, among Option One, the Advance Depositor and the Advance Trust.

Receivables Seller: Option One.

Record Date: With respect to each Payment Date, the close of business of the immediately preceding Business Day.

Reference Banks: Bankers Trust Company, Barclay's Bank PLC, The Tokyo Mitsubishi Bank and National Westminster Bank PLC and their successors in interest; provided, however, that if the Initial Noteholder determines that any of the foregoing banks are not suitable to serve as a Reference Bank, then any leading banks selected by the Initial Noteholder with the approval of the Issuer, which approval shall not be unreasonably withheld, which are engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London and (ii) which have been designated as such by the Initial Noteholder with the approval of the Issuer, which approval shall not be unreasonably withheld. Three money center banks selected by the Initial Noteholder.

Refinanced Loan: A Loan the proceeds of which were not used to purchase the related Mortgaged Property.

Released Mortgaged Property Proceeds: With respect to any Loan, proceeds received by the Servicer in connection with (i) a taking of an entire Mortgaged Property by exercise of the power of eminent domain or condemnation or (ii) any release of part of the Mortgaged Property from the lien of the related Mortgage, whether by partial condemnation, sale or otherwise; which proceeds in either case are not released to the Borrower in accordance with applicable law and/or Accepted Servicing Practices.

Remittance Date: The Business Day immediately preceding each Payment Date.

Remittance Period: With respect to any Payment Date, the period commencing immediately following the Determination Date for the preceding Payment Date (or, in the case of the initial Payment Date, commencing immediately following the initial Transfer Cut-off Date) and ending on and including the related Determination Date.

Repurchase Price: With respect to a Loan the sum of (i), the Principal Balance thereof as of the date of purchase or repurchase, plus (ii) all accrued and unpaid interest on such Loan to the date of purchase or repurchase computed at the applicable Loan Interest Rate, plus (iii) the amount of any unreimbursed Servicing Advances made by the Servicer with respect to

such Loan (after deducting therefrom any amounts received in respect of such purchased or repurchased Loan and being held in the Collection Account for future distribution to the extent such amounts represent recoveries of principal not yet applied to reduce the related Principal Balance or interest (net of the Servicing Fee) for the period from and after the date of repurchase). The Repurchase Price shall be (i) increased by the net negative value or (ii) decreased by the net positive value of all Hedging Instruments terminated with respect to the purchase of such Loan. To the extent the Servicer does not reimburse itself for amounts, if any, in respect of the Servicing Advance Reimbursement Amount pursuant to Section 5.01(c)(1) hereof, with respect to such Loan, the Repurchase Price shall be .reduced by such amounts.

Reserve Interest Rate: With respect to any LIBOR Determination Date, the rate per annum that the Initial Noteholder determines to be either (i) the arithmetic mean (rounded to the nearest whole multiple of 1/16%) of the one-month U.S. dollar lending rates which New York City banks selected by the Initial Noteholder are quoting on the relevant LIBOR Determination Date to the principal London offices of leading banks in the London interbank market or (ii) in the event that the Initial Noteholder can determine no such arithmetic mean, the lowest one-month U.S. dollar lending rate which New York City banks selected by the Initial Noteholder are quoting on such LIBOR Determination Date to leading European banks.

Responsible Officer: When used with respect to the Indenture Trustee or Custodian, any officer within the corporate trust office of such Person, including any Vice President, Assistant Vice President, Secretary, Assistant Secretary or any other officer of such Person customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject. When used with respect to the Issuer, any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Responsible Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter). When used with respect to the Depositor, the Loan Originator or the Servicer, the President, any Vice President, or the Treasurer.

Retained Securities: With respect to a Securitization, any subordinated securities issued or expected to be issued, or excess collateral value retained or expected to be retained, in connection therewith to the extent the Depositor, the Loan Originator or an Affiliate thereof retains, instead of sell, such securities.

Retained Securities Value: With respect to any Business Day and a Retained Security, the market value thereof as determined by the Market Value Agent in accordance with Section 6.03(d) hereof.

Revolving Period: With respect to the Notes, the period commencing

on April 19, 2001 and ending on the earlier of (i) the date on which the Revolving Period is terminated pursuant to Section 2.07 and (ii) the Maturity Date.

Sales Price: For any Transfer Date, the sum of the Collateral Values with respect to each Loan conveyed on such Transfer Date as of such Transfer Date.

S&SA Assignment: An Assignment, in the form of Exhibit C hereto, of Loans and other property from the Depositor to the Issuer pursuant to this Agreement.

Scratch & Dent Loan: A Loan identified as having minor documentation, appraisal or underwriting deficiencies, which Loan may not be Delinquent on the Transfer Date; provided, that the Loan Originator has provided a detailed description of such deficiencies to the Initial Noteholder prior to the Transfer Date (or, with respect to Loans that become Scratch & Dent Loans after the Transfer Date, within one Business Day of the discovery, of such deficiencies); provided further, however, that any Scratch & Dent Loan, which in the sole judgment of the Loan Originator has deficiencies unacceptable to the Loan Originator will be deemed an Unqualified Loan and will be repurchased or substituted pursuant to the procedures in Section 3.06.

Second Lien Loan: A Loan secured by the lien on the Mortgaged Property, subject to one Senior Lien on such Mortgaged Property.

Securities: The Notes and the Trust Certificates.

Securities Intermediary: A "securities intermediary" as defined in Section 8-102(a)(14) of the UCC that is holding a Trust Account for the Indenture Trustee as the sole "entitlement holder" as defined in Section 8-102(a)(7) of the UCC.

Securitization: A sale or transfer of Loans by the Issuer at the direction of the Majority Noteholders to any other Person in order to effect one or a series of structured-finance securitization transactions, including but not limited to transactions involving the issuance of securities which may be treated for federal income tax purposes as indebtedness of Option One or one or more of its wholly-owned subsidiaries.

Securityholder: Any Noteholder or Certificateholder.

Senior Lien: With respect to any Second Lien Loan, the mortgage loan having a senior priority lien on the related Mortgaged Property.

Servicer: Option One, in its capacity as the servicer hereunder, or any successor appointed as herein provided.

Servicer Call: The optional repurchase by the Servicer of a Loan pursuant to Section 3.08(b) hereof.

Servicer Event of Default: As described in Section 9.01 hereof.

Servicer Put: The mandatory repurchase by the Servicer, at the option of the Majority Noteholders, of a Loan pursuant to Section 3.08(a) hereof.

Servicer's Fiscal Year: May 1st of each year through April 30th of the following year.

Servicer's Loan File: With respect to each Loan, the file held by the Servicer, consisting of all documents (or electronic images thereof) relating to such Loan, including, without limitation, copies, of all of the Loan Documents included in the related Custodial Loan File.

Servicer's Remittance Report: A report prepared and computed by the Servicer in substantially the form of Exhibit B attached hereto.

Servicing Addendum: The terms and provisions set forth in Exhibit F attached hereto relating to the administration and servicing of the Loans.

Servicing Advance Reimbursement Amount: With respect to any Determination Date, the amount of any Servicing Advances that have not been reimbursed as of such date, including Nonrecoverable Servicing Advances.

Servicing Advances: As defined in Section 4.14(b) of the Servicing Addendum.

Servicing Compensation: The Servicing Fee and other amounts to which the Servicer is entitled pursuant to Section 4.15 of the Servicing Addendum.

Servicing Fee: As to each Loan (including any Loan that has been foreclosed and for which the related Mortgaged Property has become a Foreclosure Property, but excluding any Liquidated Loan), the fee payable monthly to the Servicer, which shall be the product of 0.50% (50 basis points), or such other lower amount as shall be mutually agreed to in writing by the Majority Noteholders and the Servicer, and the Principal Balance of such Loan as of the beginning of the related Remittance Period, divided by 12. The Servicing Fee shall only be payable to the extent interest is collected on a Loan.

Servicing Officer: Any officer of the Servicer or Subservicer involved in, or responsible for, the administration and servicing of the Loans whose name and specimen signature appears on a list o servicing officers annexed to an Officer's Certificate furnished by the Servicer or the Subservicer, respectively, on the date hereof to the Issuer and the Indenture Trustee, on behalf of the Noteholders, as such list may from time to time be amended.

S&P: Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

State: Means any one of the states of the United States of America or the District of Columbia.

Subordination Agreement: The subordination agreement dated as of April 1, 2001, among Bank of America, N.A., H&R Block Inc. and Block Financial Corporation.

Subservicer: Any Person with which the Servicer has entered into a Subservicing Agreement and which is an Eligible Servicer and satisfies any requirements set forth in Section 4.22 in the Servicing Addendum in respect of the qualifications of a Subservicer.

Subservicing Account: An account established by a Subservicer pursuant to a Subservicing Agreement, which account must be an Eligible Account.

Subservicing Agreement: Any agreement between the Servicer and any Subservicer relating to Subservicing and/or administration of any or all Loans as provided in Section 4.22 in the Servicing Addendum.

Substitution Adjustment: As to any date on which a substitution occurs pursuant to Section 2.05 or Section 3.06 hereof, the amount, if any, by which (a) the aggregate principal balance of any Qualified Substitute Loans (after application of principal payments received on or before the related Transfer Cut-off Date) is less than (b) the aggregate of the Principal Balances of the related Deleted Loans as of the first day of the month in which such substitution occurs.

Termination Price: As of any Determination Date, an amount without duplication equal to the greater of (A) the Note Redemption Amount and (B) the sum of (i) the Principal Balance of each Loan included in the Trust as of the

end of the preceding Remittance Period; (ii) all unpaid interest accrued on the Principal Balance of each such Loan at the related Loan Interest Rate to the end of the preceding Remittance Period; (iii) the aggregate fair market value of each Foreclosure Property included in the Trust as of the end of the preceding Remittance Period, as determined by an Independent appraiser acceptable to the Majority Noteholders as of a date not more than 30 days prior to such Payment Date; (iv) the Note Principal Balance of the Advance Note as of such date; (v) all accrued and unpaid interest on the Advance Note; and (vi) all other amounts due under the Advance Documents.

Transfer Cut-off Date: With respect to each Loan, the first day of the month in which the Transfer Date with respect to such Loan occurs or if originated in such month, the date of origination.

Transfer Cut-off Date Principal Balance: As to each Loan, its Principal Balance as of the opening of business on the Transfer Cut-off Date (after giving effect to any payments received on the Loan before the Transfer Cut-off Date).

Transfer Date: With respect to each Loan, the day such Loan is either (i) sold and conveyed to the Depositor by the Loan Originator pursuant to the Loan Purchase and Contribution Agreement and to the Issuer by the Depositor pursuant to Section 2.01 hereof or (ii) sold to the Issuer pursuant to the Master Disposition Confirmation Agreement, which results in an increase in the Note Principal Balance by the related Additional Note Principal Balance; provided, that the aggregate Collateral Value of the Loans sold and conveyed on any Transfer Date shall not be less than $1 million. With respect to any Qualified Substitute Loan, the Transfer Date shall be the day such Loan is conveyed to the Trust pursuant to Section 2.05 or 3.06.

Transfer Obligation: The obligation of the Loan Originator under Section 5.06 hereof to make certain payments in connection with Dispositions and other related matters.

Transfer Obligation Account: The account designated as such, established and maintained pursuant to Section 5.05 hereof.

Transfer Obligation Target Amount: With respect to any Payment Date, the cumulative total of all withdrawals pursuant to Section 5.05(e), 5.05(f), 5.05(g), and 5.05(h) hereof from the Transfer Obligation Account to but not including such Payment Date minus any amount withdrawn from the Transfer Obligation Account to return to the Loan Originator pursuant to Section 5.05(i)(i).

Trust: Option One Owner Trust 2001-2, the Delaware business trust created pursuant to the Trust Agreement.

Trust Agreement: The Trust Agreement dated as of April 1, 2001 among the Depositor and the Owner Trustee.

Trust Account Property: The Trust Accounts, all amounts and investments held from time to time in the Trust Accounts and all proceeds of the foregoing.

Trust Accounts: The Distribution Account, the Collection Account, the Advance Account and the Transfer Obligation Account.

Trust Certificate: The meaning assigned thereto in the Trust Agreement.

Trust Estate: Shall mean the assets subject to this Agreement, the Trust Agreement and the Indenture and assigned to the Trust, which assets consist of (i) such Loans as from time to time are subject to this Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by

the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof other than any Premium Recapture, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments other than any Premium Recapture, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments, (ix) the Advance Note and all right, title and interest of the Trust in and under the Advance Documents including, without limitation, all voting and consent rights of the Noteholders thereunder and (x) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement and/or the Master Disposition Confirmation Agreement, and all proceeds of any of the foregoing.

Trust Fees and Expenses: As of each Payment Date, an amount equal to the Servicing, Compensation, the Owner Trustee Fee, the Indenture Trustee Fee and the Custodian Fee, if any, and any expenses of the foregoing.

UCC: The Uniform Commercial Code as in effect in the State of New York.

UCC Assignment: A form "UCC-2" or "UCC-3" statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction to reflect an assignment of a secured party's interest in collateral.

UCC-1 Financing Statement: A financing statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction.

Underwriting Guidelines: The underwriting guidelines (including the loan origination guidelines) of the Loan Originator, as the same may be amended from time to time with notice to the Initial Noteholder.

Unfunded Fee Amount: With respect to each Accrual Period, the interest accrued at the applicable Unfunded Fee Rate with respect to such Accrual Period on the Unfunded Portion.

Unfunded Fee Rate: A rate of 0.15%.

Unfunded Portion: The positive difference between the Note Principal Balance and the Maximum Note Principal Balance.

Unfunded Transfer Obligation: With respect to any date of determination, an amount equal to (x) the sum of (A) 10% of the aggregate Collateral Value (as of the related Transfer Date) of all Loans sold hereunder, plus (B) 10% of the aggregate Collateral Value (as of the related Funding Date) of the initial principal balance of the Advance Note and all Additional Principal Balance related thereto purchased by the Issuer, plus (C) any amounts withdrawn from the Transfer Obligation Account for return to the Loan Originator pursuant to Section 5.05(i)(i) hereof prior to such Payment Date, less (y) the sum of (i) the aggregate amount of payments actually made by the Loan Originator in respect of the Transfer Obligation pursuant to Section 5.06, (ii) the amount obtained by multiplying (a) the Unfunded Transfer Obligation Percentage by (b) the aggregate Collateral Value (as of the related date of Disposition) of all Loans that have been subject to a Disposition and (iii) without duplication, the aggregate amount of the Repurchase Prices paid by the Servicer in respect of any Servicer Puts.

Unfunded Transfer Obligation Percentage: As of any date of determination, an amount equal to (x) the Unfunded Transfer Obligation as of such date, divided by (y) 100% of the aggregate Collateral Values as of the related Transfer Date of all Loans in the Loan Pool.

Unqualified Loan: As defined in Section 3.06(a) hereof

Wet Funded Custodial File Delivery Date: With respect to a Wet Funded Loan, the fifteenth calendar day after the related Transfer Date, provided that if a Default or Event of Default shall have occurred, the Wet Funded Custodial File Delivery Date shall be the earlier of

(x) such fifteenth calendar day and (y) the second Business Day after the occurrence of such event.

Wet Funded Loan: A Loan for which the related Custodial Loan File shall not have been delivered to the Custodian as of the related Transfer Date.

Whole Loan Sale: A Disposition of Loans pursuant to a whole-loan sale.

Section 1.02 Other Definitional Provisions.

(a) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement or in any such certificate or other document shall control.

(d) The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Article, Section, Schedule and Exhibit references contained in this Agreement are references to Articles, Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

ARTICLE II

CONVEYANCE OF THE TRUST ESTATE; ADDITIONAL NOTE PRINCIPAL BALANCES

Section 2.01 Conveyance of the Trust Estate; Additional Note

Principal Balances.

(a) (1) On the terms and conditions of this Agreement, on each Transfer Date during the Revolving Period, the Depositor agrees to offer for sale and to sell a portion of each of the Loans and contribute to the capital stock of the Issuer the balance of each of the Loans and deliver the related Loan Documents to or at the direction of the Issuer. To the extent the Issuer has or is able to obtain sufficient funds under the Note Purchase Agreement and the Notes for the purchase thereof, the Issuer agrees to purchase such Loans offered for sale by the Depositor. On the terms and conditions of this Agreement and the Master Disposition Confirmation Agreement, on each Transfer Date during the Revolving Period, the Issuer may acquire Loans from another QSPE Affiliate of the Loan Originator to the extent the Issuer has or is able to obtain sufficient funds for the purchase thereof. On the terms and conditions of this Agreement and the Advance Note Purchase Agreement, on each Funding Date during the Revolving Period, the Issuer shall acquire Additional Note Balance from the Advance Trust to the extent the Issuer has or is able to obtain sufficient funds under the Note Purchase Agreement and the Notes for the purchase thereof.

(2) On each Transfer Date, in consideration of the payment of the Additional Note Principal Balance pursuant to Section 2.06(a) hereof and as a contribution to the assets of the Issuer, the Depositor as of the related Transfer Date and concurrently with the execution and delivery hereof, hereby sells, transfers, assigns, sets over and otherwise conveys to the Issuer, without recourse, but subject to the other terms and provisions of this Agreement, all of the right, title and interest of the Depositor in and to the Trust Estate.

(3) During the Revolving Period, on each Transfer Date, subject to the conditions precedent set forth in Section 2.06(a) and in accordance with the procedures set forth in Section 2.01(c), the Depositor, pursuant to an S&SA Assignment, will assign to the Issuer without recourse all of its respective right, title and interest, in and to the Loans and all proceeds thereof listed on the Loan Schedule attached to such S&SA Assignment, including all interest and principal received by the Loan Originator, the Depositor or the Servicer on or with respect to the Loans on or after the related Transfer Cut-off Date, together with all right, title and interest in and to the proceeds of any related Mortgage Insurance Policies and all of the Depositor's rights, title and interest in and to (but none of its obligations under) the Loan Purchase and Contribution Agreement and all proceeds of the foregoing.

(4) The foregoing sales, transfers, assignments, set overs and conveyances do not, and are not intended to, result in a creation or an assumption by the Issuer of any of the obligations of the Depositor, the Loan Originator or any other Person in connection with the Trust Estate or under any agreement or instrument relating thereto except as specifically set forth herein.

(b) As of the Closing Date and as of each Transfer Date and each Funding Date, the Issuer acknowledges the conveyance to it of the Trust Estate, including, as applicable, all rights, title and interest of the Depositor and any QSPE Affiliate in and to the Trust Estate, receipt of which is hereby acknowledged by the Issuer. Concurrently with such delivery, as of the Closing Date and as of each Transfer Date and each Funding Date, pursuant to the Indenture the Issuer pledges the Trust Estate to the Indenture Trustee. In addition, concurrently with such delivery and in exchange therefor, the Owner Trustee, pursuant to the instructions of the Depositor, has executed (not in its individual capacity, but solely as Owner Trustee on behalf of the Issuer) and caused the Trust Certificates to be authenticated and delivered to or at the direction of the Depositor.

(c) (i) Pursuant to and subject to the Note Purchase Agreement, the Trust may, at its sole option, from time to time request that the Initial Noteholder advance on any Transfer Date Additional Note Principal Balances and the Initial Noteholder shall remit on such Transfer Date to the Advance Account

an amount equal to the Additional Note Principal Balance with respect to such Transfer Date. Pursuant to and subject to the Note Purchase Agreement, the Trust shall request that the Initial Noteholder advance on each Funding Date Additional Note Principal Balances equal to the Additional Note Balance to be purchased by the Trust on such date and the Initial Noteholder shall remit on such Funding Date to the Funding Account an amount equal to such Additional Note Principal Balance.

(ii) Notwithstanding anything to the contrary herein, in no event shall the Initial Noteholder be required to advance Additional Note Principal Balances on a Transfer Date if the conditions precedent with respect to such Transfer Date under Section 2.06(a) and the conditions precedent to the purchase of Additional Note Principal Balances set forth in Section 3.01 of the Note Purchase Agreement have not been fulfilled. Notwithstanding anything to the contrary herein, in no event shall the Initial Noteholder be required to advance Additional Note Principal Balances on a Funding Date if the conditions precedent with respect to such Funding Date under Section 2.06(b), the conditions precedent to the purchase of Additional Note Principal Balances set forth in Section 3.02 of the Note Purchase Agreement and the conditions precedent to the purchase of Additional Principal Balances set forth in Section 3.01 of the Advance Note Purchase Agreement have not been fulfilled.

(iii) The Servicer shall appropriately note any Additional Note Principal Balance (and the increased Note Principal Balance) in the next succeeding Payment Statement; provided, however, that failure to make any such notation in such Payment Statement or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest and principal payments in respect of the Note Principal Balance held by such Noteholder. The Initial Noteholder shall record on the schedule attached to such Noteholder's Note, the date and amount of any Additional Note Principal Balance advanced by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance held by such Noteholder.

(iv) Absent manifest error, the Note Principal Balance of each Note as set forth in the Initial Noteholder's records shall be binding upon the Noteholders and the Trust,

notwithstanding any notation made by the Servicer in its Payment Statement pursuant to the preceding paragraph.

Section 2.02 Ownership and Possession of Loan Files.

With respect to each Loan, as of the related Transfer Date the ownership of the related Promissory Note, the related Mortgage and the contents of the related Servicer's Loan File and Custodial Loan File shall be vested in the Trust for the benefit of the Securityholders, although possession of the Servicer's Loan File on behalf of and for the benefit of the Securityholders shall remain with the Servicer, and the Custodian shall take possession of the Custodial Loan Files as contemplated in Section 2.05 hereof.

Section 2.03 Books and Records Intention of the Parties.

(a) As of each Transfer Date, the sale of each of the Loans conveyed by the Depositor on such Transfer Date shall be reflected on the balance sheets and other financial statements of the Depositor and the Loan Originator, as the case may be, as a sale of assets by the Depositor and a sale of assets and a contribution to capital by the Loan Originator and the Depositor, as applicable, under GAAP. Each of the Servicer and the Custodian shall be responsible for maintaining, and shall maintain, a complete set of books and records for each Loan which shall be clearly marked to reflect the ownership of each Loan, as of the related Transfer Date, by the Issuer and for the benefit of the Securityholders.

(b) It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments on the initial Closing Date and on each Transfer Date shall constitute a sale of the Loans and all related property from the Depositor to the Issuer and such property shall not be property of the Depositor or the Loan Originator. It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments on each Funding Date shall constitute a sale of the Advance Note, the related Additional Note Balances and all related property from the Advance Trust to the Issuer and such property shall not be property of the Advance Depositor or the Receivables Seller. The parties hereto shall treat the Notes as indebtedness for federal, state and local income and franchise tax purposes.

(c) If any of the assignments and transfers of the Loans and the other property of the Trust Estate specified in Section 2.01 (a) hereof by the Depositor to the Issuer pursuant to this Agreement or the conveyance of the Loans or any of such other property of the Trust Estate by the Depositor to the Issuer, other than for federal, state and local income or franchise tax purposes, is held or deemed not to be a sale or is held or deemed to be a pledge of security for a loan, the Depositor intends that the rights and obligations of the parties shall be established pursuant to the terms of this Agreement and that, in such event, with respect to such property, (i) consisting of Loans and related property, the Depositor shall be deemed to have granted, as of the related Transfer Date, to the Issuer a first priority security interest in the entire right, title and interest of the Depositor in and to such Loans and proceeds and all other property conveyed to the Issuer as of such Transfer Date, (ii) consisting of any other property specified in Section 2.01(a), the Depositor shall be deemed to have granted, as of the initial Closing Date, to the Issuer a first priority security interest in the entire right, title and interest of the Depositor in and

to such property and the proceeds thereof. In such event, with respect to such property, this Agreement shall constitute a security agreement under applicable law.

(d) On the Closing Date, the Depositor shall, at each party's sole expense, cause to be filed UCC-1 Financing Statements naming the Issuer as "secured party" and describing the Trust Estate being sold by the Depositor to the Issuer with the office of the Secretary of State of the state in which the Depositor is located and any other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. In addition, on the Closing Date, the Loan Originator shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Depositor as "secured party" and describing the Loans being sold by the Loan Originator to the Depositor with the office of the Secretary of the State in which the Loan Originator is located and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. On or before the initial Funding Date, the Issuer shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Issuer as "secured party" and describing the Advance Note being sold by the Advance Trust to the Issuer with the office of the Secretary of the State in which the Advance Trust is located and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate.

Section 2.04 Delivery of Loan Documents.

(a) The Loan Originator shall, prior to the related Transfer Date, in accordance with the terms and conditions set forth in the Custodial Agreement, deliver or cause to be delivered to the Custodian, as the designated agent of the Indenture Trustee, a Loan Schedule, the Borrowing Base Information (as defined in the Custodial Agreement) and each document constituting the Custodial Loan File (or, in the case of a Wet Funded Loan, the Custodial Loan File must be delivered on or before the related Wet Funded Custodial File Delivery Date).

(b) The Loan Originator shall, on the related Transfer Date (or in the case of a Wet Funded Loan, on or before the related Wet Funded Custodial File Delivery Date), deliver or cause to be delivered to the Servicer the related Servicer's Loan File (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders.

(c) The Indenture Trustee shall cause the Custodian to take and maintain continuous physical possession of the Custodial Loan Files in the State of California (or upon prior written notice from the Custodian to the Loan Originator and the Initial Noteholder and delivery of an Opinion of Counsel with respect to the continued perfection of the Indenture Trustee's security interest, in the State of. Minnesota or Utah) and, in connection therewith, shall act solely as agent for the Noteholders in accordance with the terms hereof and not as agent for the Loan Originator, the Servicer or any other party.

Section 2.05 Acceptance by the Indenture Trustee of the Loans; Certain Substitutions and Repurchases; Certification by the Custodian.

(a) The Indenture Trustee declares that it will cause the Custodian to hold the Custodial Loan Files and any additions, amendments, replacements or supplements to the documents contained therein, as well as any other assets included in the Trust Estate and delivered to the Custodian, in trust, upon and subject to the conditions set forth herein. The Indenture Trustee further agrees to cause the Custodian to execute and deliver such certifications as are required under the Custodial Agreement and to otherwise direct the Custodian to perform all of its obligations with respect to the Custodial Loan Files in strict accordance with the terms of the Custodial Agreement.

(b) (i) With respect to any Loans which are set forth as exceptions in the Exceptions Report, the Loan Originator shall cure such exceptions by delivering such missing documents to the Custodian or otherwise curing the defect no later than, in the case of (x) a non-Wet Funded Loan, 5 Business Days, or (y) in the case of a Wet Funded Loan one Business Day after the Wet Funded Custodial File Delivery Date, in each case, following the receipt of the first Exceptions Report listing such exception with respect to such Loan.

(ii) In the event that, with respect to any Loan, the Loan Originator does not comply with the document delivery requirements of this Section 2.05, the Loan Originator shall repurchase such Loan within one Business Day of notice thereof from the Indenture Trustee or the Initial Noteholder at the Repurchase Price thereof with respect to such Loan by depositing such Repurchase Price in the Collection Account. In lieu of such a repurchase, the Depositor and Loan Originator may comply with the substitution provisions of Section 3.06 hereof. The Loan Originator shall provide the Servicer, the Indenture Trustee, the Issuer and the Initial Noteholder with a certification of a Responsible Officer on or prior to such repurchase or substitution indicating that the Loan Originator intends to repurchase or substitute such Loan.

(iii) It is understood and agreed that the obligation of the Loan Originator to repurchase or substitute any such Loan pursuant to this Section 2.05(b) shall constitute the sole remedy with respect to such failure to comply with the foregoing delivery requirements.

(c) In performing its reviews of the Custodial Loan Files pursuant to the Custodial Agreement, the Custodian shall have no responsibility to determine the genuineness of any document contained therein and any signature thereon. The Custodian shall not have any responsibility for determining whether any document is valid and binding, whether the text of any assignment or endorsement is in proper or recordable form, whether any document has been recorded in accordance with the requirements of any applicable jurisdiction, or whether a blanket assignment is permitted in any applicable jurisdiction.

(d) The Servicer's Loan File shall be held in the custody of the Servicer (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders. It is intended that, by the Servicer's agreement pursuant to this Section 2.05(d), the Indenture Trustee shall be deemed to have possession of the

Servicer's Loan Files for purposes of Section 9-305 of the UCC of the state in which such documents or instruments are located. The Servicer shall promptly report to the Indenture Trustee any failure by it to hold the Servicer's Loan File as herein provided and shall promptly take appropriate action to remedy any such failure. In acting as custodian of such documents and instruments, the Servicer agrees not to assert any legal or beneficial ownership interest in the Loans or such documents or instruments. Subject to Section 8.01(d), the Servicer agrees to indemnify the Securityholders and the Indenture Trustee, their officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended for any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever which may be imposed on, incurred by or asserted against the Securityholders or the Indenture Trustee as the result of the negligence or willful misfeasance by the Servicer relating to the maintenance and custody of such documents or instruments which have been delivered to the Servicer provided, however, that the Servicer will not be liable for any portion of any such amount resulting from the negligence or willful misconduct of any Securityholders or the Indenture Trustee; and provided, further, that the Servicer will not be liable for any portion of any such amount resulting from the Servicer's compliance with any instructions or directions consistent with this Agreement issued to the Servicer by the Indenture Trustee or the Majority Noteholders. The Indenture Trustee shall have no duty to monitor or otherwise oversee the Servicer's performance as custodian of the Servicer Loan File hereunder.

Section 2.06 Conditions Precedent to Transfer Dates and Funding Dates.

(a) Two (2) Business Days prior to each Transfer Date, the Issuer shall give notice to the Initial Noteholder of such upcoming Transfer Date and provide an estimate of the number of Loans and aggregate Principal Balance of such Loans to be transferred on such Transfer Date. On the Business Day prior to each Transfer Date, the Issuer shall provide the Initial Noteholder a final Loan Schedule with respect to the Loans to be transferred on such Transfer Date. On each Transfer Date, the Depositor or the applicable QSPE Affiliate shall convey to the Issuer, the Loans and the other property and rights related thereto described in the related S&SA Assignment, and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Transfer Date, shall deposit or cause to be deposited cash in the amount of the Additional Note Principal Balance received from the Initial Noteholder in the Advance Account in respect thereof, and the Paying Agent shall, promptly after such deposit, withdraw the amount deposited in respect of applicable Additional Note Principal Balance from the Advance Account, and distribute such amount to or at the direction of the Depositor or the applicable QSPE Affiliate in payment of the Sales Price for the related Loans. If amounts are withdrawn from the Advance Account in payment of the Sales Price of any Wet Funded Loan that is not actually funded to the related Borrower on the date of withdrawal, the Loan Originator shall redeposit or cause to be redeposited such amounts into the Advance Account prior to the close of business on such day. If the related Loan is not funded to the related Borrower by 4:00 p.m. New York City time on the immediately following Business Day, such amount shall be returned by the Paying Agent to the Initial Noteholder by wire transfer not later than 4:30 p.m. New York City time on such immediately following Business Day.

As of the Closing Date and each Transfer Date:

(i) the Depositor, the QSPE Affiliate and the Servicer, as applicable, shall have delivered to the Issuer and the Initial Noteholder duly executed Assignments, which shall have attached thereto a Loan Schedule setting forth the appropriate information with respect to all Loans conveyed on such Transfer Date and shall have delivered to the Initial, Noteholder a computer readable transmission of such Loan Schedule;

(ii) the Depositor shall have deposited, or caused to be deposited, in the Collection Account all collections received with respect to each of the Loans on and after the applicable Transfer Cut-off Date or, in the case of purchases from a QSPE Affiliate, such QSPE Affiliate shall have deposited, or caused to be deposited, in the Collection Account as collections received with respect to each of the Loans and allocable to the period after the related Transfer Date;

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

(iv) the Revolving Period shall not have terminated;

(v) as of such Transfer Date (after giving effect to the sale of Loans on such Transfer Date), there shall be no Overcollateralization Shortfall;

(vi) in the case of non-Wet Funded Loans, the Issuer shall have delivered the Custodial Loan File to the Custodian in accordance with the Custodial Agreement and the Initial Noteholder shall have received a Trust Receipt by 4:30 p.m. New York City time, reflecting such delivery; provided that, in the event that any Additional Note Principal Balance is to be paid earlier than 8 a.m. New York City time on the Transfer Date, the Trust Receipt must be received by the Initial Noteholder prior to 6:00 p.m. New York City time on the Business Day prior to such Transfer Date;

(vii) each of the representations and warranties made by the Loan Originator contained in Exhibit E with respect to the Loans shall be true and correct in all material respects as of the related Transfer Date with the same effect as if then made and the proviso set forth in Section 3.05 with respect to Loans sold by a QSPE Affiliate shall not be applicable to any Loans, and the Depositor or the QSPE Affiliate, as applicable, shall have performed all obligations to be performed by it under the Basic Documents on or prior to such Transfer Date;

(viii) the Depositor or the QSPE Affiliate shall, at its own expense, within one Business Day following the Transfer Date, indicate in its computer files that the Loans identified in each S&SA Assignment have been sold to the Issuer pursuant to this Agreement and the S&SA Assignment;

(ix) the Depositor or the QSPE Affiliate shall have taken any action requested by the Indenture Trustee, the Issuer or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate;

(x) no selection procedures believed by the Depositor or the QSPE Affiliate to be adverse to the interests of the Noteholders shall have been utilized in selecting the Loans to be conveyed on such Transfer Date;

(xi) the Depositor shall have provided the Issuer, the Indenture Trustee and the Initial Noteholder no later than two Business Days prior to such date a notice of Additional Note Principal Balance in the form of Exhibit A hereto;

(xii) after giving effect to the Additional Note Principal Balance associated therewith, the Note Principal Balance will not exceed the Maximum Note Principal Balance;

(xiii) all conditions precedent to the Depositor's purchase of Loans pursuant to the Loan Purchase and Contribution Agreement shall have been fulfilled as of such Transfer Date, and, in the case of purchases from a QSPE Affiliate, all conditions precedent to the Issuer's purchase of Loans pursuant to the Master Disposition Confirmation Agreement shall have been fulfilled as of such Transfer Date;

(xiv) all conditions precedent to the Noteholders' purchase of Additional Note Principal Balance pursuant to the Note Purchase Agreement shall have been fulfilled as of such Transfer Date; and

(xv) with respect to each Loan acquired from any QSPE Affiliate that has a limited right of recourse to the Loan Originator under the terms of the applicable loan purchase agreement, the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of the related loan purchase contract providing for recourse by that QSPE Affiliate to the Loan Originator.

(b) Two (2) Business Days prior to each Funding Date, the Issuer shall deliver or cause to be delivered to the Initial Noteholder the Funding Notice and Funding Date Report delivered by the Receivables Seller pursuant to the Receivables Purchase Agreement. On each Funding Date, the Issuer shall purchase the Additional Note Balance issued by the Advance Trust on such Funding Date and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Funding Date, shall cause the Initial Noteholder to deposit the applicable Additional Note Principal Balance into the Funding Account.

As of the each Funding Date:

(i) the Receivables Seller and the Advance Depositor, shall have delivered to the Issuer the related Funding Notice and Bill of Sale, and the exhibits related thereto, pursuant to the Receivables Purchase Agreement;

(ii) neither the Loan Originator nor the Depositor shall (A) be insolvent or (B) have reason to believe that its insolvency is imminent;

(iii) the Revolving Period shall not have terminated;

(iv) after giving effect to the purchase of Additional Note Balance on such Funding Date, there shall be no Overcollateralization Shortfall;

(v) the Issuer shall have taken any action requested by the Indenture Trustee or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate;

(vi) the Issuer shall have provided the Indenture Trustee and the Initial Noteholder no later than two Business Days prior to such date a notice of Additional Note Principal Balance in the form of Exhibit A hereto;

(vii) after giving effect to the Additional Note Principal Balance associated therewith, the Note Principal Balance will not exceed the Maximum Note Principal Balance;

(viii) all conditions precedent to the Issuer's purchase of Additional Note Balance pursuant to the Advance Note Purchase Agreement shall have been fulfilled as of such Funding Date; and

(ix) all conditions precedent to the Noteholders' purchase of

Additional Note Principal Balance pursuant to the Note Purchase Agreement shall have been fulfilled as of such Funding Date.

Section 2.07 Termination of Revolving Period.

Upon the occurrence of (i) an Event of Default or Default or (ii) a Rapid Amortization Trigger or (iii) the Unfunded Transfer Obligation Percentage equals 4% or less, the Initial Noteholder may, in any such case, in its sole discretion, terminate the Revolving Period.

Section 2.08 Correction of Errors.

The parties hereto who have relevant information shall cooperate to reconcile any errors in calculating the Sales Price from and after the Closing Date. In the event that an error in the Sales Price is discovered by either party, including without limitation, any error due to miscalculations of Market Value where insufficient information has been provided with respect to a Loan to make an accurate determination of Market Value as of any applicable Transfer Date, any miscalculations of Principal Balance, accrued interest, Overcollateralization Shortfall or aggregate unreimbursed Servicing Advances attributable to the applicable Loan, or any prepayments not properly credited, such party shall give prompt notice to the other parties hereto, and the party that shall have benefited from such error shall promptly remit to the other, by wire transfer of immediately available funds, the amount of such error with no interest thereon.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Depositor.

The Depositor hereby represents, warrants and covenants to the other parties hereto and the Securityholders that as of the Closing Date, as of each Transfer Date and as of each date on which Loans are sold to the Depositor:

(a) The Depositor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has, and had at all relevant times, full power to own its property, to carry on its business as currently conducted, to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance of and compliance with all of the terms thereof will not violate the Depositor's organizational documents or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material contract, agreement or other instrument to which the Depositor is a party or which are applicable to the Depositor or any of its assets;

(c) The Depositor has the full power and authority to enter into and consummate the transactions contemplated by each Basic Document to which the Depositor is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by the other party or parties thereto, constitutes a valid, legal and binding obligation of the Depositor, enforceable against it in accordance with the terms thereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Depositor is not in violation of, and the execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance and compliance with the terms of each Basic Document to which the Depositor is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Depositor or any of its properties or materially and adversely affect the performance of any of its duties hereunder;

(e) There are no actions or proceedings against, or investigations of, the Depositor currently pending with regard to which the Depositor has received service of process and no action or proceeding against, or investigation of, the Depositor is, to the knowledge of the Depositor, threatened or otherwise pending before any court, administrative agency or other

tribunal that (A) if determined adversely to the Depositor, would prohibit its entering into any of the Basic Documents to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any of the Basic Documents to which it is a party or (C) if determined adversely to the Depositor, would prohibit or materially and adversely affect the performance by the Depositor of its obligations under, or the validity or enforceability of, any of the Basic Documents to which it is a party or the Securities;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Depositor of, or compliance by the Depositor with, any of the Basic Documents to which the Depositor is a party or the Securities, or for the consummation of the transactions contemplated by any of the Basic Documents to which the Depositor is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The Depositor is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations hereunder; it will not be rendered insolvent by the execution and delivery of any of the Basic Documents to which it is a party or the assumption of any of its obligations thereunder; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Depositor;

(h) The Depositor did not transfer the Loans sold thereon by the Depositor to the Trust with any intent to hinder, delay or defraud any of its creditors; nor will the Depositor be rendered insolvent as a result of such sale;

(i) The Depositor had good title to, and was the sole owner of, each Loan sold thereon by the Depositor free and clear of any lien other than any such lien released simultaneously with the sale contemplated herein, and, immediately upon each transfer and assignment herein contemplated, the Depositor will have delivered to the Trust good title to, and the Trust will be the sole owner of, each Loan transferred by the Depositor thereon free and clear of any lien;

(j) The Depositor acquired title to each of the Loans sold thereon by the Depositor in good faith, without notice of any adverse claim;

(k) None of the Basic Documents to which the Depositor is a party, nor any Officer's Certificate, statement, report or other document prepared by the Depositor and furnished or to be furnished by it pursuant to any of the Basic Documents to which it is a party or in connection with the transactions contemplated thereby contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading;

(l) The Depositor is not required to be registered as an "investment

company," under the Investment Company Act of 1940, as amended;

(m) The transfer, assignment and conveyance of the Loans by the Depositor thereon pursuant to this Agreement is not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction;

(n) The Depositor's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto;

(o) The Depositor covenants that during the continuance of this Agreement it will comply in all respects with the provisions of its organizational documents in effect from time to time; and

(p) The representations and warranties, set forth in (h), (i), (j) and (m) above were true and correct (with respect to the applicable QSPE Affiliate) with respect to each Loan transferred to the Trust by any QSPE Affiliate at the time such Loan was transferred to a QSPE Affiliate.

Section 3.02 Representations and Warranties of the Loan Originator.

The Loan Originator hereby represents and warrants to the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Loan Originator is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property related to a Loan sold by it is located and (ii) is in compliance with the laws of any such jurisdiction, in both cases, to the extent necessary to ensure the enforceability of such Loans in accordance with the terms thereof and had at all relevant times, full corporate power to originate such Loans, to own its property, to carry on its business as currently conducted and to enter into and perform its' obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Loan Originator of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Loan Originator's articles of organization or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any contract, agreement or other instrument to which the Loan Originator is a party or which may be applicable to the Loan Originator or any of its assets;

(c) The Loan Originator has the full power and authority to enter into and consummate all transactions contemplated by the Basic Documents to be consummated by it, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Loan Originator, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Loan Originator is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Loan Originator and its performance and

compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Loan Originator or its properties or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Loan Originator currently pending with regard to which the Loan Originator has received service of process and no action or proceeding against, or investigation of, the Loan Originator is, to the knowledge of the Loan Originator, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Loan Originator, would prohibit its entering into any Basic Document to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Loan Originator, would prohibit or materially and adversely affect the sale of the Loans to the Depositor, the performance by the Loan Originator of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for: (1) the execution, delivery and performance by the Loan Originator of, or compliance by the Loan Originator with, any Basic Document to which it is a party, (2) the issuance of the Securities, (3) the sale and contribution of the Loans, or (4) the consummation of the transactions required of it by any Basic Document to which it is a party, except such as shall have been obtained before such date;

(g) Immediately prior to the sale of any Loan to the Depositor, the Loan Originator had good title to the Loans sold by it on such date Without notice of any adverse claim;

(h) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Loan Originator to the Initial Noteholder in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Loan Originator to the Initial Noteholder in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(i) The Loan Originator is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations under each Basic Document to which it is a party; it will not be rendered insolvent by the execution and delivery of this Agreement or by the performance of its obligations under each Basic Document to which it is a

party; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Loan Originator prior to the date hereof;

(j) The Loan Originator has transferred the Loans transferred by it on or prior to such Transfer Date without any intent to hinder, delay or defraud any of its creditors;

(k) The Loan Originator has received fair consideration and reasonably equivalent value in exchange for the Loans sold by it on such

Transfer Date to the Depositor;

(l) The Loan Originator has not dealt with any broker or agent or other Person who might be entitled to a fee, commission or compensation in connection with the transaction contemplated by this Agreement; and

(m) The Loan Originator's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto.

It is understood and agreed that the representations and warranties set forth in this Section 3.02 shall survive delivery of the respective Custodial Loan Files to the Custodian (as the agent of the Indenture Trustee) and shall inure to the benefit of the Securityholders, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee or the Trust of a breach of any of the foregoing representations and warranties that materially and adversely affects the value of any Loan or the interests of the Securityholders in any Loan or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The obligations of the Loan Originator set forth in Sections 2.05 and 3.06 hereof to cure any breach or to substitute for or repurchase an affected Loan shall constitute the sole remedies available hereunder to the Securityholders, the Depositor, the Servicer, the Indenture Trustee or the Trust respecting a breach of the representations and warranties contained in this Section 3.02. The fact that the Initial Noteholder has conducted or has failed to conduct any partial or complete due diligence investigation of the Loan Files shall not affect the Securityholders, rights to demand repurchase or substitution as provided under this Agreement.

Section 3.03 Representations, Warranties and Covenants of the Servicer.

The Servicer hereby represents and warrants to and covenants with the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Servicer is a corporation duly organized, validly existing and in good standing under the laws of the State of California and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property is located, and (ii) is in compliance with the laws of any such state, in both cases, to the extent necessary to ensure the enforceability of the Loans in accordance with the terms thereof and to perform its duties under each Basic Document to which it is a party and had at all relevant times, full corporate power to own its property, to carry on its business as currently conducted, to service the Loans and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Servicer of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Servicer's articles of incorporation or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of any material contract, agreement or other instrument to which the Servicer is a party or which are s applicable to the Servicer or any of its assets;

(c) The Servicer has the full power and authority to enter into and consummate all transactions contemplated by each Basic Document to which it is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a. party and has duly executed and delivered each Basic Document to which it is a party. Each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Servicer,

enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Servicer is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Servicer and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Servicer or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Servicer currently pending with regard to which the Servicer has received service of process and no action or proceeding against, or investigation of, the Servicer is, to the knowledge of the Servicer, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Servicer, would prohibit its entering into any Basic Document to which it is a party, (B) seek to prevent the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Servicer, would prohibit or materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Servicer of, or compliance by the Servicer with, any Basic Document to which it is a party or the Securities, or for the consummation of the transactions contemplated by any Basic Document to which it is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The information, reports, financial statements, exhibits and schedules famished in writing by or on behalf of the Servicer to the Initial Noteholder in connection with

the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit. to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Servicer to the Initial Noteholder in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(h) The Servicer is solvent and will not be rendered insolvent as a result of the performance of its obligations pursuant to under the Basic Documents to which it is a party;

(i) The Servicer acknowledges and agrees that the Servicing Compensation represents reasonable compensation for the performance of its services hereunder and that the entire Servicing Compensation shall be treated by the Servicer, for accounting purposes, as compensation for the servicing and administration of the Loans pursuant to this Agreement; and

(j) The Servicer is an Eligible Servicer and covenants to remain an Eligible Servicer or, if not an Eligible Servicer, each Subservicer is an Eligible Servicer and the Servicer covenants to cause each Subservicer to be an

Eligible Servicer.

It is understood and agreed that the representations, warranties and covenants set forth in this Section 3.03 shall survive delivery of the respective Custodial Loan Files to the Indenture Trustee or the Custodian on its behalf and shall inure to the benefit of the Depositor, the Securityholders, the Indenture Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee or the Issuer of a breach of any of the foregoing representations, warranties and covenants that materially and adversely affects the value of any Loans or the interests of the Securityholders therein, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The fact that the Initial Noteholder has conducted or has failed to conduct any partial or complete due diligence investigation shall not affect the Securityholders, rights to exercise their remedies as provided under this Agreement.

Section 3.04 Reserved.

Section 3.05 Representations and Warranties Regarding Loans.

The Loan Originator makes each of the representations and warranties set forth on Exhibit E hereto with respect to each Loan, provided, however, that with respect to each Loan transferred to the Issuer by a QSPE Affiliate, to the extent that the Loan Originator has at the time of such transfer actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator shall notify the Initial Noteholder of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty. In addition, the Loan Originator represents and warrants with respect to each Loan sold by a QSPE Affiliate that the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse

to the Loan Originator available to such QSPE Affiliate under the terms of any loan purchase agreement providing for recourse by that QSPE Affiliate to the Loan Originator.

Section 3.06 Purchase and Substitution.

(a) It is understood and agreed that the representations and warranties set forth in Exhibit E hereto shall survive the conveyance of the Loans to the Indenture Trustee. on behalf of the Issuer, and the delivery of the Securities to the Securityholders. Upon discovery by the Depositor, the Servicer, the Loan Originator, the Custodian, the Issuer, the Indenture Trustee or any Securityholder of a breach of any of such representations and warranties or the representations and warranties of the Loan Originator set forth in Section 3.02 which materially and adversely affects the value or enforceability of any Loan or the interests of the Securityholders in any Asset (notwithstanding that such representation and warranty was made to the Loan Originator's best knowledge) or which, as a result of the attributes of the aggregate Loan Pool, constitutes a breach of the representations and warranties set forth in Exhibit E, the party discovering such breach shall give prompt written notice to the others. The Loan Originator shall within 5 Business Days of the earlier of the Loan Originator's discovery or the Loan Originator's receiving notice of any breach of a representation or warranty, promptly cure such breach in all material respects. If within 5 Business Days after the earlier of the Loan Originator's discovery of such breach or the Loan Originator's receiving notice thereof such breach has not been remedied by the Loan Originator and such breach materially and adversely affects the interests of the Securityholders in the related Loan (an "Unqualified Loan"), the Loan Originator shall promptly upon receipt of written instructions from the Majority Noteholders either (i) remove such Unqualified Loan from the Trust (in which case it shall become a Deleted Loan) and substitute one or more Qualified Substitute Loans in the manner and subject to

the conditions set forth in this Section 3.06 or (ii) purchase such Unqualified Loan at a purchase price equal to the Repurchase Price with respect to such Unqualified Loan by depositing or causing to be deposited such Repurchase Price in the Collection Account.

Any substitution of Loans pursuant to this Section 3.06(a) shall be accompanied by payment by the Loan Originator of, the Substitution Adjustment, if any, (x) if no Overcollateralization Shortfall exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i) or (Y) otherwise to be deposited in the Collection Account pursuant to Section 5.01(b)(1) hereof.

(b) As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Indenture Trustee and Initial Noteholder a certification executed by a Responsible Officer of the Loan Originator to the effect that the Substitution Adjustment, if any, has been (x) if no Overcollateralization Shortfall exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i), or (y) otherwise deposited in the Collection Account. As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Custodian the documents constituting the Custodial Loan File for such Qualified Substitute Loan or Loans.

The Servicer shall deposit in the Collection Account all payments received in connection with each Qualified Substitute Loan after the date of such substitution. Monthly Payments received with respect to Qualified Substitute Loans on or before the date of substitution will be retained by the Loan Originator. The Trust will be entitled to all payments received on the Deleted Loan on or before the date of substitution and the Loan Originator shall thereafter be entitled to retain all amounts subsequently received in respect of such Deleted Loan. The Loan Originator shall give written notice to the Issuer, the Servicer (if the Loan Originator is not then acting as such), the Indenture Trustee and Initial Noteholder that such substitution has taken place and the Servicer shall amend the Loan Schedule to reflect (i) the removal of such Deleted Loan from the terms of this Agreement and (ii) the substitution of the Qualified Substitute Loan. The Servicer shall promptly deliver to the Issuer, the Loan Originator, the Indenture Trustee and Initial Noteholder, a copy of the amended Loan Schedule. Upon such substitution, such Qualified Substitute Loan or Loans shall be subject to the terms of this Agreement in all respects, and the Loan Originator shall be deemed to have made with respect to such Qualified Substitute Loan or Loans, as of the date of substitution, the covenants, representations and warranties set forth in Exhibit E hereto. On the date of such substitution, the Loan Originator will (x) if no Overcollateralization Shortfall exists as of the date of substitution (after giving effect to such substitution), remit to the Noteholders as provided in Section 5.01(c)(4)(i) or (y) otherwise deposit into the Collection Account, in each case an amount equal to the related Substitution Adjustment, if any. In addition, on the date of such substitution, the Servicer shall cause the Indenture Trustee to release the Deleted Loan from the lien of the Indenture and the Servicer will cause such Qualified Substitute Loan to be pledged to the Indenture Trustee under the Indenture as part of the Trust Estate.

(c) With respect to all Unqualified Loans or other Loans repurchased by the Loan Originator pursuant to this Agreement, upon the deposit of the Repurchase Price therefor into the Collection Account, (i) the Issuer shall assign to the Loan Originator, without representation or warranty, all of the Issuer's right, title and interest in and to such Unqualified Loan, which right, title and interest were conveyed to the Issuer pursuant to Section 2.01 hereof and (ii) the Indenture Trustee shall assign to the Loan Originator, without recourse, representation or warranty, all the Indenture Trustee's right, title and interest in and to such Unqualified Loans or Loans, which right, title and interest were conveyed to the Indenture Trustee pursuant to Section 2.01 hereof and the Indenture. The Issuer and the Indenture Trustee shall, at the expense of

the Loan Originator, take any actions as shall be reasonably requested by the Loan Originator to effect the repurchase of any such Loans and to have the Custodian return the Custodial Loan File of the deleted Loan to the Servicer.

(d) It is understood and agreed that the obligations of the Loan Originator set forth in this Section 3.06 to cure, purchase or substitute for a Unqualified Loan constitute the sole remedies hereunder of the Depositor, the Issuer, the Indenture Trustee, the Owner Trustee and the Securityholders respecting a breach of the representations and warranties contained in Sections 3.02 hereof and in Exhibit E hereto. Any cause of action against the Loan Originator relating to or arising out of a defect in a Custodial Loan File or against the Loan Originator relating to or arising out of a breach of any representations and warranties made in Sections 3.02 hereof and in Exhibit E hereto shall accrue as to any Loan upon (i) discovery of such defect or breach by any party and notice thereof to the Loan Originator or notice thereof by the Loan Originator to the Indenture Trustee, (ii) failure by the Loan Originator to cure such defect or

breach or purchase or substitute such Loan as specified above, and (iii) demand upon the Loan Originator, as applicable, by the Issuer or the Majority Noteholders for all amounts payable in respect of such Loan.

(e) Neither the Issuer nor the Indenture Trustee shall have any duty to conduct any affirmative investigation other than as specifically set forth in this Agreement as to the occurrence of any condition requiring the repurchase or substitution of any Loan pursuant to this Section or the eligibility of any Loan for purposes of this Agreement.

Section 3.07 Dispositions.

(a) The Majority Noteholders may at any time in its sole discretion, and from time to time, require that the Issuer redeem all or any portion of the Note Principal Balance of the Notes by paying the Note Redemption Amount with respect to the Note Principal Balance to be redeemed. In connection with any such redemption, the Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with this Agreement, including in accordance with this Section 3.07.

(b) (i) In consideration of the consideration received from the Depositor under the Loan Purchase and Contribution Agreement, the Loan Originator hereby agrees and covenants that in connection with each Disposition it shall effect the following:

(A) make such representations and warranties concerning the Loans as of the "cut-off date" of the related Disposition to the Disposition Participants as may be necessary to effect the Disposition and such additional representations and warranties as may be necessary, in the reasonable opinion of any of the Disposition Participants, to effect such Disposition; provided, that, to the extent that the Loan Originator has at the time of the Disposition actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator may notify the Disposition Participants of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty;

(B) supply such information, opinions of counsel, letters from law and/or accounting firms and other documentation and certificates regarding the origination of the Loans as any Disposition Participant shall reasonably request to effect a Disposition and enter into such indemnification agreements customary for such transaction relating to or in connection with the Disposition as the Disposition Participants may reasonably require;

(C) make itself available for and engage in good faith consultation with the Disposition Participants concerning information to be contained

in any document, agreement, private placement memorandum, or filing with the Securities and Exchange Commission relating to the Loan Originator or the Loans in connection with a Disposition and shall use reasonable efforts to compile any information and prepare any reports and certificates, into a form, whether written or electronic, suitable for inclusion in such documentation;

(D) to implement the foregoing and to otherwise effect a Disposition, enter into, or arrange for its Affiliates to enter into insurance and indemnity agreements, underwriting or placement agreements, servicing agreements, purchase agreements and any other documentation which may reasonably be required of or reasonably deemed appropriate by the Disposition Participants in order to effect a Disposition; and

(E) take such further actions as may be reasonably necessary to effect the foregoing;

provided, that notwithstanding anything to the contrary, (a) the Loan Originator shall have no liability for the Loans arising from or relating to the ongoing ability of the related Borrowers to pay under the Loans; (b) none of the indemnities hereunder shall constitute an unconditional guarantee by the Loan Originator of collectibility of the Loans; (c) the Loan Originator shall have no obligation with respect to the financial inability of any Borrower to pay principal, interest or other amount owing by such Borrower under a Loan; and (d) the Loan Originator shall only be required to enter into documentation in connection with Dispositions that is consistent with the prior public securitizations of affiliates of the Loan Originator, provided that to the extent an Affiliate of the Initial Noteholder acts as "depositor" or performs a similar function in a Securitization, additional indemnities and informational representations and warranties are provided which are consistent with those in the Basic Documents and may upon request of the Loan Originator be set forth in a separate agreement between an Affiliate of the Initial Noteholder and the Loan Originator.

(ii) In the event of any Disposition to the Loan Originator or any of its Affiliates (except in connection with a Securitization or a Disposition to a QSPE Affiliate), the purchase price paid by the Loan Originator or any such Affiliate shall be the "fair market value" of the Loans subject to such Disposition (as determined by the Market Value Agent based upon recent sales of comparable loans or such other objective criteria as may be approved for determining "fair market value" by a "Big Five" national accounting firm).

(iii) As long as no Event of Default or Default shall have occurred and be continuing under this Agreement or the Indenture, the Servicer may continue to service the Loans included in any Disposition subject to any applicable "term-to-term" servicing provisions in Section 9.01(c) and subject to any required amendments to the related servicing provisions as may be necessary to effect the related Disposition including but not limited to the obligation to make recoverable principal and interest advances on the Loans.

After the termination of the Revolving Period, the Loan Originator, the Issuer and the Depositor shall use commercially reasonable efforts to effect a Disposition at the direction of the Market Value Agent.

(c) The Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with the terms of this Agreement and the Basic Documents. In connection therewith, the Trust agrees to assist the Loan Originator in such Dispositions and accordingly it shall, at the request and direction of the Majority Noteholders:

(i) transfer, deliver and sell all or a portion of the Loans, as of the "cut-off dates" of the related Dispositions, to such Disposition Participants as

may be necessary to effect the Dispositions; provided, that any such sale shall be for "fair market value," as determined by the Market Value Agent in its reasonable discretion;

(ii) deposit the cash Disposition Proceeds into the Distribution Account pursuant to Section 5.01(c)(2)(D);

(iii) to the extent that a Securitization creates any Retained Securities, to accept such Retained Securities as a part of the Disposition Proceeds in accordance with the terms of this Agreement; and

(iv) take such further actions, including executing and delivering documents, certificates and agreements, as may be reasonably necessary to effect such Dispositions.

(d) The Servicer hereby covenants that it will take such actions as may be reasonably necessary to effect Dispositions as the Disposition Participants may request and direct, including without limitation providing the Loan Originator such information as may be required to make representations and warranties required hereunder, and covenants that it will make such representations and warranties regarding its servicing of the Loans hereunder as of the Cut-off Date of the related Disposition as reasonably required by the Disposition Participants.

(e) [reserved]

(f) The Majority Noteholders may effect Whole Loan Sales upon written notice to the Servicer of its intent to cause the Issuer to effect a Whole Loan Sale at least 5 Business Days in advance thereof. The Disposition Agent shall serve as agent for Whole Loan Sales and will receive a reasonable fee for such services provided that no such fee shall be payable if (i) the Loan Originator or its Affiliates purchase such Loans, and (ii) no Event of Default or Default shall have occurred. The Loan Originator or its Affiliates may concurrently bid to purchase Loans in a Whole Loan Sale; provided, however, that neither the Loan Originator nor any such Affiliates shall pay a price in excess of the fair market value thereof as reasonably determined by the Market Value Agent. In the event that the Loan Originator does not bid in any such Whole Loan Sale, it shall have a right of first refusal to purchase the Loans offered for sale at the price offered by the highest bidder. The Disposition Agent shall conduct any Whole Loan Sale subject to the Loan Originator's right of first refusal and shall promptly notify the Loan Originator of the amount of the highest bid. The Loan Originator shall have five (5) Business Days following its receipt of such notice to exercise its right of first refusal by notifying the Disposition Agent in writing.

(g) Except as otherwise expressly set forth under this Section 3.07, the parties' rights and obligations under this Section 3.07 shall continue notwithstanding the occurrence of an Event of Default.

(h) The Disposition Participants (and the Majority Noteholders to the extent directing the Disposition Participants) shall be independent contractors to the Issuer and shall have no fiduciary obligations to the Issuer or any of its Affiliates. In that connection, the Disposition Participants shall not be liable for any error of judgment made in good faith and shall

not be liable with respect to any action they take or omits to take in good faith in the performance of their duties.

Section 3.08 Servicer Put; Servicer Call.

(a) Servicer Put. The Servicer shall (within 48 hours) purchase, upon the written demand of the Majority Noteholders, any Put/Call Loan. Provided that the Servicer may, upon receipt of such notice, elect to repurchase such Put/Call Loan pursuant to (b) below, in which case such repurchase shall be deemed a Servicer Call.

(b) Servicer Call. The Servicer may repurchase any Put/Call Loan at any time. Such Servicer Calls shall be solely at the option of the Servicer. Prior to exercising a Servicer Call, the Servicer shall deliver written notice to the Majority Noteholders and the Indenture Trustee which notice shall identify each Loan to be purchased and the Repurchase Price therefor; provided, however, that the Servicer may irrevocably waive its right to repurchase any Put/Call Loan as soon as reasonably practicable following its receipt of notice of the occurrence of any event or events giving rise to such Loan being a Put/Call Loan.

(c) In connection with each Servicer Put, the Servicer shall remit for deposit into the Collection Account, the Repurchase Price for the Loans to be repurchased. In connection with each Servicer Call, the Servicer shall deposit into the Collection Account the Repurchase Price for the Loans to be purchased. The aggregate Repurchase Price of all Loans transferred pursuant to Section 3.08(a) shall in no event exceed the Unfunded Transfer Obligation at the time of any Servicer Put.

Section 3.09 Modification of Underwriting Guidelines.

The Loan Originator shall give the Initial Noteholder prompt written notification of any modification or change to the Underwriting Guidelines, If the Noteholder objects in writing to any modification or change to the Underwriting Guidelines within 15 days after receipt of such notice, no Loans may be conveyed to the Issuer pursuant to this Agreement unless such Loans have been originated pursuant to the Underwriting Guidelines without giving effect to such modification or change. Notwithstanding anything contained in this Agreement to the contrary, any Loan conveyed to the Issuer pursuant to this Agreement pursuant to a modification or change to the Underwriting Guidelines that has been rejected by the Initial Noteholder or which the Initial Noteholder did not receive notice of, such Loan shall be deemed an Unqualified Loan and be repurchased or substituted for in accordance with Section 3.06.

ARTICLE IV

ADMINISTRATION AND SERVICING OF THE LOANS

Section 4.01 Servicer's Servicing Obligations.

The Servicer, as independent contract servicer, shall service and administer the Loans in accordance with the terms and provisions set forth in the Servicing Addendum, which Servicing Addendum is incorporated herein by reference.

ARTICLE V

ESTABLISHMENT OF TRUST ACCOUNTS; TRANSFER OBLIGATION

Section 5.01 Collection Account and Distribution Account.

(a) (1) Establishment of Collection Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained one or more Collection Accounts (collectively, the "Collection Account"), which shall be separate Eligible Accounts entitled "Option One Owner Trust 2001-2 Collection Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-2 Mortgage-Backed Notes." The Collection Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Collection Account shall be invested in accordance with Section 5.03 hereof. Net investment earnings shall not be considered part of funds available in the Collection Account.

(2) Establishment of Distribution Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained, one or more Distribution Accounts (collectively, the "Distribution Account"), which shall be

separate Eligible Accounts, entitled "Option One Owner Trust 2001-2 Distribution Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-2 Mortgage-Backed Notes." The Distribution Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Distribution Account shall be invested in accordance with Section 5.03 hereof. The Servicer may, at its option, maintain one account to serve as both the Distribution Account and the Collection Account, in which case, the account shall be entitled "Option One Owner Trust 2001-2 Collection/Distribution Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-2 Mortgage-Backed Notes." If the Servicer makes such an election, all references herein or in any other Basic Document to either the Collection Account or the Distribution Account shall mean the Collection Account/Distribution Account described in the preceding sentence.

(3) The Servicer will inform the Indenture Trustee of the location of any accounts held in the Indenture Trustee's name, including any location to which an account is transferred.

(b) (1) Deposits to Collection Account. The Servicer shall deposit or cause to be deposited (without duplication):

(i) all payments on or in respect of each Loan collected on or after the related Transfer Cut-off Date or with respect to each Loan purchased from a QSPE Affiliate, all such payments allocable to such Loan on or after the related Transfer Date (net, in each case, of any Servicing Compensation retained therefrom) within two (2) Business Days after receipt thereof;

(ii) all Net Liquidation Proceeds within two (2) Business Days after receipt thereof;

(iii) all Mortgage Insurance Proceeds within two (2) Business Days after receipt thereof;

(iv) all Released Mortgaged Property Proceeds within two (2) Business Days after receipt thereof;

(v) any amounts payable in connection with the repurchase of any Loan and the amount of any Substitution Adjustment pursuant to Sections 2.05 and 3.06 hereof concurrently with payment thereof;

(vi) any Repurchase Price payable in connection with a Servicer Call pursuant to Section 3.08 hereof concurrently with payment thereof;

(vii) the deposit of the Termination Price under Section 10.02 hereof concurrently with payment thereof,

(viii) [reserved];

(ix) [reserved];

(x) any payments received under Hedging Instruments or the return of amounts by the Hedging Counterparty pledged pursuant to prior Hedge Funding Requirements in accordance with the last sentence of this Section 5.01(b)(1); and

(xi) any Repurchase Price payable in connection with a Servicer Put remitted by the Servicer pursuant to Section 3.08.

Except as otherwise expressly provided in Section 5.01(c)(4)(i), the Servicer agrees that it will cause the Loan Originator, Borrower or other appropriate Person paying such amounts, as the case may be, to remit directly to the Servicer for deposit into the Collection Account all amounts referenced in clauses (i) through (xi) to the extent such amounts are in excess of a Monthly Payment on the related Loan. To the extent the Servicer receives any such

amounts, it will deposit them into the Collection Account on the same Business Day as receipt thereof.

(c) Withdrawals From Collection Account; Deposits to Distribution Account.

(1) Withdrawals From Collection Account -- Reimbursement Items. The Paying Agent shall periodically but in any event on each Determination Date, make the following withdrawals from the Collection Account prior to any other withdrawals, in no particular order of priority:

(i) to withdraw any amount not required to be deposited in the Collection Account or deposited therein in error, including Servicing Compensation;

(ii) to withdraw the Servicing Advance Reimbursement Amount; and

(iii) to clear and terminate the Collection Account in connection with the termination of this Agreement.

(2) Deposits to Distribution Account - Payment Dates.

(A) On the Business Day prior to each Payment Date, the Paying Agent shall deposit into the Distribution Account such amounts as are required from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g) and 5.05(h).

(B) After making all withdrawals specified in Section 5.01(c)(1) above, on each Remittance Date, the Paying Agent (based on information provided by the Servicer for such Payment Date), shall withdraw the Monthly Remittance Amount (or, with respect to an additional Payment Date pursuant to Section 5.01(c)(4)(ii), all amounts on deposit in the Collection Account on such date up to the amount necessary to make the payments due on the related Payment Date in accordance with Section 5.01(c)(3)) from the Collection Account not later than 5:00 P.M., New York City time and deposit such amount into the Distribution Account.

(C) On each Payment Date, the Servicer shall cause to be deposited in the Distribution Account all payments on the Advance Note made on or before such Payment Date and not previously distributed pursuant to Section 5.01(c)(3).

(D) The Servicer shall deposit or cause to be deposited in the Distribution Account any cash Disposition Proceeds pursuant to Section 3.07. To the extent the Servicer receives such amounts, it will deposit them into the Distribution Account on the same Business Day as receipt thereof

(3) Withdrawals From Distribution Account -- Payment Dates. On each Payment Date, to the extent funds are available in the Distribution Account, the Paying Agent (based on the information provided by the Servicer contained in the Servicer's Remittance Report for such Payment Date) shall make withdrawals therefrom for application in the following order of priority:

(i) to distribute on such Payment Date the following amounts in the following order: (a) to the Indenture Trustee, an amount equal to the Indenture Trustee Fee and all unpaid Indenture Trustee Fees from prior Payment Dates and all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid by the Servicer or the Depositor up to an amount not to exceed $25,000 per annum, (b) to the Custodian, an amount equal to the Custodian Fee and all unpaid Custodian Fees from prior Payment Dates, (c) to the Servicer, (x) an amount equal to the Servicing Compensation and all unpaid Servicing Compensation from prior Payment Dates (to the extent not retained from collections or remitted to the Servicer pursuant to Section 5.01(c)) and (y) all Nonrecoverable Servicing Advances not previously reimbursed and (d) to the Servicer, in trust for the Owner Trustee, an amount equal to the Owner Trustee Fee and all unpaid Owner Trustee Fees from prior Payment Dates;

(ii) to distribute on such Payment Date, the Hedge Funding Requirement to the appropriate Hedging Counterparties; provided, that only cash on or in respect of fixed rate Loans (including cash Disposition Proceeds received therefrom) and amounts deposited in the Distribution Account pursuant to Section 5.05(g) shall be distributed for such purpose and; provided, further, that amounts distributed pursuant to clause (i) above to the extent not attributable to a specific Loan shall be deemed paid from fixed rate Loans, pro rata based on their aggregate Principal Balances relative to the Pool Principal Balance on such Payment Date;

(iii) to the holders of the Notes pro rata, the sum of the Unfunded Fee Amount for such Payment Date, the Interest Payment Amount for such Payment Date and the Interest Carry-Forward Amount for the preceding Payment Date;

(iv) to the holders of the Notes pro rata, the Overcollateralization Shortfall for such Payment Date; provided, however, that if (a) a Rapid Amortization Trigger shall have occurred and not been Deemed Cured or (b) an Event of Default under the Indenture or Default shall have occurred, the holders of the Notes shall receive, in respect of principal, all remaining amounts on deposit in the Distribution Account;

(v) to the appropriate Person, amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and Due Diligence Fees until such amounts are paid in full;

(vi) to the Transfer Obligation Account, all remaining amounts until the balance therein equals the Transfer Obligation Target Amount;

(vii) to the Indenture Trustee all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid pursuant to clause (i) above; and

(viii) to the holders of the Trust Certificates, in accordance with Section 5.2(6) of the Trust Agreement, all amounts remaining therein.

(4) (i) If the Loan Originator or the Servicer, as applicable, repurchases, purchases or substitutes a Loan pursuant to Section 2.05, 3.06, 3.08(a), 3.08(b) or 3.08(c), then the Noteholders and the Issuer shall deem such date to be an additional Payment Date and the Issuer shall provide written notice to the Indenture Trustee and the Paying Agent of such additional Payment Date at least one Business Day prior to such Payment Date. On such additional Payment Date, the Loan Originator or the Servicer, in satisfaction of its obligations under 2.05, 3.06, 3.08(a) 3.08(b) or 3.08(c) and in satisfaction of the obligations of the Issuer and the Paying Agent to distribute such amounts to the Noteholders pursuant to Section 5.01(c), shall remit to the Noteholders, on behalf of the Issuer and the Paying Agent, an amount equal to the Repurchase Prices and any Substitution Adjustments (as applicable) to be paid by the Loan Originator or the Servicer by 12:00 p.m. New York City time, as applicable, under such Section, on such Payment Date, and the Note Principal Balance will be reduced accordingly. Such amounts shall be deemed deposited into the Collection Account and the Distribution Account, as applicable, and such amounts will be deemed distributed pursuant to the terms of Section 5.01(c). Upon notice of an additional Payment Date to the Paying Agent and the Indenture Trustee as provided above, the Paying Agent shall provide the Loan Originator or the Servicer

(as applicable) information necessary so that remittances to the Noteholders pursuant to this clause (4)(i) may be made by the Loan Originator or the Servicer, as applicable, in compliance with Section 5.02(a) hereof.

(ii) To the extent that there is deposited in the Collection Account or

the Distribution Account any amounts referenced in Section 5.01(b)(1)(vii) and 5.01(c)(2)(D), the Majority Noteholders and the Issuer may agree, upon reasonable written notice to the Paying Agent and the Indenture Trustee, to additional Payment Dates. The Issuer and the Majority Noteholder shall give the Paying Agent and the Indenture Trustee at least one (1) Business Day's written notice prior to such additional Payment Date and such notice shall specify each amount in Section 5.01(c) to be withdrawn from the Collection Account and Distribution Account on such day.

(iii) To the extent that there is deposited in the Distribution Account any amounts referenced in Section 5.05(f), the Majority Noteholders may, in their sole discretion, establish an additional Payment Date by written notice delivered to the Paying Agent and the Indenture Trustee at least one Business Day prior to such additional Payment Date. On such additional Payment Date, the Paying Agent shall pay the sum of the Overcollateralization Shortfall to the Noteholders in respect of principal on the Notes.

Notwithstanding that the Notes have been paid in full, the Indenture Trustee, the Paying Agent and the Servicer shall continue to maintain the Distribution Account hereunder until this Agreement has been terminated.

Section 5.02 Payments to Securityholders.

(a) All distributions made on the Notes on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made on a pro rata basis among the Noteholders of record of the Notes on the next preceding Record Date based on the Percentage Interest represented by their respective Notes, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest (as defined in the Indenture) of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee, 5 Business Days prior to the related Record Date and otherwise by check mailed to the address of such Noteholder appearing in the Notes Register. The final distribution on each Note will be made in like manner, but only upon presentment and surrender of such Note at the location specified in the notice to Noteholders of such final distribution.

(b) All distributions made on the Trust Certificates on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made in accordance with the Percentage Interest among the holders of the Trust Certificates of record on the next preceding Record Date based on their Percentage Interests (as defined in the Trust Agreement) on the date of distribution, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of each such holder, if such holder shall own of record a Trust Certificate in an original denomination aggregating at least 25% of the Percentage Interests and shall have so notified the

Paying Agent and the Indenture Trustee 5 Business Days prior to the related Record Date, and otherwise by check mailed to the address of such Certificateholder appearing in the Certificate Register. The final distribution on each Trust Certificate will be made in like manner, but only upon presentment and surrender of such Trust Certificate at the location specified in the notice to holders of the Trust Certificates of such final distribution. Any amount distributed to the holders of the Trust Certificates on any Payment Date shall not be subject to any claim or interest of the Noteholders. In the event that at any time there shall be more than one Certificateholder, the Indenture Trustee shall be entitled to reasonable additional compensation from the Servicer for any increases in its obligations hereunder.

Section 5.03 Trust Accounts; Trust Account Property.

(a) Control of Trust Accounts. Each of the Trust Accounts established hereunder has been pledged by the Issuer to the Indenture Trustee under the

Indenture and shall be subject to the lien of the Indenture. Amounts distributed from each Trust Account in accordance with the terms of this Agreement shall be released for the benefit of the Securityholders from the Trust Estate upon such distribution thereunder or hereunder. The Indenture Trustee shall possess all right, title and interest in and to all funds on deposit from time to time in the Trust Accounts and in all proceeds thereof (including all income thereon) and all such funds, investments, proceeds and income shall be part of the Trust Account Property and the Trust Estate. If, at any time, any Trust Account ceases to be an Eligible Account, the Indenture Trustee shall, within ten Business Days (or such longer period, not to exceed 30 calendar days, with the prior written consent of the Majority Noteholders) (i) establish a new Trust Account as an Eligible Account, (ii) terminate the ineligible Trust Account, and (iii) transfer any cash and investments from such ineligible Trust Account to such new Trust Account.

With respect to the Trust Accounts, the Issuer and the Indenture Trustee agree, that each such Trust Account shall be subject to the sole and exclusive dominion, custody and control of the Indenture Trustee for the benefit of the Noteholders, and, except as may be consented to in writing by the Majority Noteholders, the Indenture Trustee shall have sole signature and withdrawal authority with respect thereto.

The Servicer (unless it is also the Paying Agent) shall not be entitled to make any withdrawals or payments from the Trust Accounts.

(b) (1) Investment of Funds. Funds held in the Collection Account, the Distribution Account and the Transfer Obligation Account may be invested (to the extent practicable and consistent with any requirements of the Code) in Permitted Investments, as directed by the Servicer prior to the occurrence of an Event of Default and by the Majority Noteholders thereafter, in writing or facsimile transmission confirmed in writing by the Servicer or Majority Noteholders, as applicable. In the event the Indenture Trustee has not received such written direction, such Funds shall be invested in any Permitted Investment described in clause (i) of the definition of Permitted Investments. In any case, funds in the Collection Account, the Distribution Account and the Transfer Obligation Account must be available for withdrawal without penalty, and any Permitted Investments must mature or otherwise be available for withdrawal, one Business Day prior to the next Payment Date and shall not be sold or disposed

of prior to its maturity subject to Subsection (b)(2) of this Section. All interest and any other investment earnings on amounts or investments held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be paid to the Servicer immediately upon receipt by the Indenture Trustee. All Permitted Investments in which funds in the Collection Account, the Distribution Account or the Transfer Obligation Account are invested must be held by or registered in the name of "Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, in trust for the Option One Owner Trust 2001-2 Mortgage-Backed Notes."

(2) Insufficiency and Losses in Trust Accounts. If any amounts are needed for disbursement from the Collection Account, the Distribution Account or the Transfer Obligation Account held by or on behalf of the Indenture Trustee and sufficient uninvested funds are not available to make such disbursement, the Indenture Trustee shall cause to be sold or otherwise converted to cash a sufficient amount of the investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be. The Indenture Trustee shall not be liable for any investment loss or other charge resulting therefrom, unless such loss or charge is caused by the failure of the Indenture Trustee to perform in accordance with written directions provided pursuant to this Section 5.03.

If any losses are realized in connection with any investment in the Collection Account, the Distribution Account or the Transfer Obligation Account pursuant to this Agreement during a period in which the Servicer has the right to direct investments pursuant to Section 5.03(b), then the Servicer shall

deposit the amount of such losses (to the extent not offset by income from other investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be) into the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be, immediately upon the realization of such loss. All interest and any other investment earnings on amounts held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be taxed to the Issuer and for federal and state income tax purposes the Issuer shall be deemed to be the owner of the Collection Account, the Distribution Account and/or the Transfer Obligation Account, as the case may be.

(c) Subject to Section 6.01 of the Indenture, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in any Trust Account held by the Indenture Trustee resulting from any investment loss on any Permitted Investment included therein.

(d) With respect to the Trust Account Property, the Indenture Trustee acknowledges and agrees that:

(1) any Trust Account Property that is held in deposit accounts shall be held solely in the Eligible Accounts, subject to the last sentence of Subsection (a) of this Section 5.03; and each such Eligible Account shall be subject to the sole and exclusive dominion, custody and control of the Indenture Trustee; and, without limitation on the foregoing, the Indenture Trustee shall have sole signature authority with respect thereto;

(2) any Trust Account Property that constitutes Physical Property shall be delivered to the Indenture Trustee in accordance with paragraphs (a) and (b) of

the definition of "Delivery" in Section .1.01 hereof and shall be held, pending maturity or disposition, solely by the Indenture Trustee or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Indenture Trustee;

(3) any Trust Account Property that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations shall be delivered in accordance with paragraph (c) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued book-entry registration of such Trust Account Property as described in such paragraph; and

(4) any Trust Account Property that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (3) above shall be delivered to the Indenture Trustee in accordance with paragraph (d) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued registration of the Indenture Trustee's (or its nominee's) ownership of such security.

Section 5.04 Advance Account.

(a) The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained an Advance Account (the "Advance Account"), which shall be a separate Eligible Account entitled "Option One Owner Trust 2001-2 Advance Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-2 Mortgage-Backed Notes." The Advance Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Collection Account shall not be invested.

(b) Deposits and Withdrawals. Amounts in respect of Additional Note Principal Balances purchased on Transfer Dates shall be deposited in and

withdrawn from the Advance Account as provided in Sections 2.01(c) and 2.06 hereof and Section 3.01 of the Note Purchase Agreement. All amounts on deposit in the Advance Account at any time shall be the property of the Initial Noteholder and shall be held in escrow by the Indenture Trustee for application in accordance with this Agreement.

Section 5.05 Transfer Obligation Account.

(a) The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained in the name of the Indenture Trustee a Transfer Obligation Account (the "Transfer Obligation Account"), which shall be a separate Eligible Account and may be interest-bearing, entitled "Option One Owner Trust 2001-2 Transfer Obligation Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-2 Mortgage-Backed Notes." The Indenture Trustee shall have no monitoring or calculation obligation with respect to withdrawals from the Transfer Obligation Account. Amounts in the Transfer Obligation Account shall be invested in accordance with Section 5.03.

(b) In accordance with Section 5.06, the Loan Originator shall deposit into the Transfer Obligation Account any amounts as may be required thereby.

(c) On each Payment Date, the Paying Agent will deposit in the Transfer Obligation Account any amounts required to be deposited therein pursuant to Section 5.01(c)(3)(vi).

(d) On the date of each Disposition, the Paying Agent shall withdraw from the Transfer Obligation Account such amount on deposit therein in respect of the payment of Transfer Obligations as may be requested by the Disposition Agent in writing to effect such Disposition.

(e) On each Payment Date, the Paying Agent shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account and (y) the Interest Carry-Forward Amount as of such date.

(f) If, with respect to any Business Day there exists an Overcollateralization Shortfall, the Paying Agent, upon the written direction of the Servicer or the Initial Noteholder shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Business Day the lesser of the amount then on deposit in the Transfer Obligation Account and the amount of such Overcollateralization Shortfall as of such date.

(g) If with respect to any Payment Date there shall exist a Hedge Funding Requirement, the Paying Agent, upon the written direction of the Servicer or the Initial Noteholder shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on the Business Day prior to such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account (after making all other required withdrawals therefrom with respect to such Payment Date) and (y) the amount of such Hedge Funding Requirement as of such date.

(h) In the event of the occurrence of an Event of Default under the Indenture, the Paying Agent shall withdraw all remaining funds from the Transfer Obligation Account and apply such funds in satisfaction of the Notes as provided in Section 5.04(b) of the Indenture.

(i) (i) The Paying Agent shall return to the Loan Originator (as the Loan Originator shall agree) all amounts on deposit in the Transfer Obligation Account (after making all other withdrawals pursuant to this Section 5.05) until the Majority Noteholders provide written notice to the Indenture Trustee (with a copy to the Loan Originator and the Servicer) of the occurrence of a default or event of default (however defined) under any Basic Document with respect to the Issuer, the Depositor, the Loan Originator or any of their Affiliates and (ii) upon the date of the termination of this Agreement pursuant

to Article X, the Paying Agent shall withdraw any remaining amounts from the Transfer Obligation Account and remit all such amounts to the Loan Originator.

Section 5.06 Transfer Obligation.

(a) In consideration of the transactions contemplated by the Basic Documents, the Loan Originator agrees and covenants with the Depositor that:

(i) In connection with each Disposition it shall fund, or cause to be funded, reserve funds, pay credit enhancer fees, pay, or cause to be paid, underwriting fees, fund any difference between the cash Disposition Proceeds and the aggregate Note Principal Balance at the time of such Disposition, and make, or cause to be made; such other payments as may be, in the reasonable opinion of the Disposition Agent, commercially reasonably necessary to effect Dispositions, in each case to the extent that Disposition Proceeds are insufficient to pay such amounts;

(ii) In connection with Hedging Instruments, on the Business Day prior to each Payment Date, it shall deliver to the Servicer for deposit into the Transfer Obligation Account any Hedge Funding Requirement (to the extent amounts available on the related Payment Date pursuant to Section 5.01 are insufficient to make such payment), when as and if due to any Hedging Counterparty;

(iii) If any Interest Carry-Forward Amount shall occur, it shall deposit into the Transfer Obligation Account any such Interest Carry-Forward Amount on or before the Business Day preceding such related Payment Date;

(iv) If on any Business Day, there exists an Overcollateralization Shortfall, upon the written direction of the Initial Noteholder, it shall, on such Business Day deposit into the Transfer Obligation Account the full amount of the Overcollateralization Shortfall as of such date, provided, that in the event that notice of such Overcollateralization Shortfall is provided to the Loan Originator after 3:00 p.m. New York City time, the Loan Originator shall make such deposit on the following Business Day; and

(v) Notwithstanding anything to the contrary herein, in the event of the occurrence of an Event of Default under the Indenture, the Loan Originator shall promptly deposit into the Transfer Obligation Account the entire amount of the Unfunded Transfer Obligation;

provided, that notwithstanding anything to the contrary contained herein, the Loan Originator's cumulative payments under or in respect of the Transfer Obligations (after subtracting therefrom any amounts returned to the Loan Originator pursuant to Section 5.05(i)(i)) together with the Servicer's payments in respect of any Servicer Puts shall not in the aggregate exceed the Unfunded Transfer Obligation.

(b) The Loan Originator agrees that the Noteholders, as ultimate assignee of the rights of the Depositor under this Agreement and the other Basic Documents, may enforce the rights of the Depositor directly against the Loan Originator.

ARTICLE VI

STATEMENTS AND REPORTS; SPECIFICATION OF TAX MATTERS

Section 6.01 Statements.

(a) No later than 12 noon (New York City time) on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Initial Noteholder by facsimile, the receipt and legibility of which shall be confirmed by telephone, and with hard copy thereof to be delivered no later than one (1)

Business Day after such Remittance Date, the Servicer's Remittance Report, setting forth the date of such Report (day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2001-2"), and the date of this Agreement, all in substantially the form set out in Exhibit B hereto. Furthermore, on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Initial Noteholder a magnetic tape or computer disk providing, with respect to each Loan in the Loan Pool as of the last day of the related Remittance Period (i) if such Loan is an ARM, the current Loan Interest Rate ; (ii) the Principal Balance with respect to such Loan ; (iii) the date of the last Monthly Payment paid in full; and (iv) such other information as may be reasonably requested by the Initial Noteholder and the Indenture Trustee. In addition, no later than 12:00 noon (New York City time) on the 15th day of each calendar month (or if such day is not a Business Day, the preceding Business Day), the Custodian shall prepare and provide to the Servicer and the Indenture Trustee by facsimile, the Custodian Fee Notice for the Payment Date falling in such calendar month.

(b) (i) No later than 12 noon (New York City time) on each Remittance Date, the Servicer shall prepare (or cause to be prepared) and provide to the Indenture Trustee electronically or via fax, receipt confirmed by telephone, the Initial Noteholder and each Noteholder, a statement (the "Payment Statement"), stating each date and amount of a purchase of Additional Note Principal Balance (day, month and year), the name of the Issuer (i.e.,"Option One Owner Trust 2001-2"), the date of this Agreement and the following information:

(1) the aggregate amount of collections in respect of principal of the Loans received by the Servicer during the preceding Remittance Period;

(2) the aggregate amount of collections in respect of interest on the Loans received by the Servicer during the preceding Remittance Period;

(3) all Mortgage Insurance Proceeds received by the Servicer during the preceding Remittance Period and not required to be applied to restoration or repair of the related Mortgaged Property or returned to the Borrower under applicable law or pursuant to the terms of the applicable Mortgage Insurance Policy;

(4) all Net Liquidation Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(5) all Released Mortgaged Property Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(6) the aggregate amount of all Servicing Advances made by the Servicer during the preceding Remittance Period;

(7) the aggregate of all amounts deposited into the Distribution Account in respect of the repurchase of Unqualified Loans and the repurchase of Loans pursuant to Section 2.05 hereof during the preceding Remittance Period;

(8) the aggregate Principal Balance of all Loans for which a Servicer Call was exercised during the preceding Remittance Period;

(9) the aggregate Principal Balance of all Loans for which a Servicer Put was exercised during the preceding Remittance Period;

(10) the aggregate amount of all payments received under Hedging Instruments during the preceding Remittance Period;

(11) the aggregate amount of all withdrawals from the Distribution Account pursuant to Section 5.01(c)(1)(i) hereof during the preceding Remittance Period;

(12) the aggregate amount of cash Disposition Proceeds received

during the preceding Remittance Period;

(13) withdrawals from the Collection Account in respect of the Servicing Advance Reimbursement Amount with respect to the related Payment Date;

(14) [reserved];

(15) the number and aggregate Principal Balance of all Loans that are (i) 30-59 days Delinquent, (ii) 60-89 days Delinquent, (iii) 90 or more days Delinquent as of the end of the related Remittance Period;

(16) the aggregate amount of Liquidated Loan Losses incurred (i) during the preceding Remittance Period, and (ii) during the preceding three Remittance Periods;

(17) the aggregate of the Principal Balances of all Loans in the Loan Pool as of the end of the related Remittance Period;

(18) the aggregate amount of all deposits into the Distribution Account from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g), and 5.05(h) on the related Payment Date;

(19) the aggregate amount of distributions in respect of Servicing Compensation to the Servicer, and unpaid Servicing Compensation from prior Payment Dates for the related Payment Date;

(20) the aggregate amount of distributions in respect of Indenture Trustee Fees and unpaid Indenture Trustee Fees from prior Payment Dates for the related Payment Date;

(21) the aggregate amount of distributions in respect of the Custodian Fee and unpaid Custodian Fees from prior Payment Dates for the related Payment Date;

(22) the aggregate amount of distributions in respect of the Owner Trustee Fees and unpaid Owner Trustee Fees from prior Payment Dates and for the related Payment Date;

(23) the Unfunded Transfer Obligation and Overcollateralization Shortfall on such Payment Date for the related Payment Date;

(24) the aggregate amount of distributions to the Transfer Obligation Account for the related Payment Date;

(25) the aggregate amount of distributions in respect of Trust/Depositor Indemnities for the related Payment Date;

(26) the aggregate amount of distributions to the holders of the Trust Certificates for the related Payment Date;

(27) the Note Principal Balance of the Notes as of the last day of the related Remittance Period (without taking into account any Additional Note Principal Balance between the last day of such Remittance Period and the related Payment Date) before and after giving effect to distributions made to the holders of the Notes for such Payment Date;

(28) the Pool Principal Balance as of the end of the preceding Remittance Period; and

(29) whether a Performance Trigger or a Rapid Amortization Trigger shall exist with respect to such Payment Date.

Such Payment Statement shall also be provided on the Remittance Date to the Initial Noteholder and Indenture Trustee in the form of a magnetic tape,

computer disk or other electronic form mutually agreed to by and between the Initial Noteholder, the Indenture Trustee and the Servicer. The Indenture Trustee shall have no duty to monitor the occurrence of a Performance Trigger, Rapid Amortization Trigger or any events resulting in withdrawals from the Transfer Obligation Account.

(c) Within 45 days of the end of each financial quarter, the Loan Originator shall prepare and deliver to the Initial Noteholder a quarterly compliance certificate and board report in the form of Exhibit G attached hereto.

Section 6.02 Specification of Certain Tax Matters.

The Paying Agent shall comply with all requirements of the Code and applicable state and local law with respect to the withholding from any distributions made to any Securityholder of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith, giving due effect to any applicable exemptions from such withholding and effective certifications or forms provided by the recipient. Any amounts withheld pursuant to this Section 6.02 shall be deemed to have been distributed to the Securityholders, as the case may be, for all purposes of this Agreement. The Indenture Trustee shall have no responsibility for preparing or filing any tax returns.

Section 6.03 Valuation of Loans, Hedge Value and Retained Securities Value, Market Value Agent.

(a) The Initial Noteholder hereby irrevocably appoints, and the Issuer hereby consents to the appointment of, the Market Value Agent as agent on behalf of the Noteholders to determine the Market Value of each Loan, the Hedge Value of each Hedging Instrument and the Retained Securities Value of all Retained Securities.

(b) Except as otherwise set forth in Section 3.07, the Market Value Agent shall determine the Market Value of each Loan, for purposes of the Basic Documents, in its sole judgment, exercised in good faith. In determining the Market Value of each Loan, the Market Value Agent may consider any information that it may deem relevant and shall base such determination primarily on the lesser of its estimate of the projected proceeds from such Loan's inclusion in (i) a Securitization (inclusive of the projected Retained Securities Value of any Retained Securities to be issued in connection with such Securitization) and (ii) a Whole Loan Sale, in each case net of such Loan's ratable share of all costs and fees associated with such Disposition, including, without limitation, any costs of issuance, sale, underwriting and funding reserve accounts. The Market Value Agent's determination, in its sole judgment, of Market Value shall be conclusive and binding upon the parties hereto, absent manifest error (including without limitation, any error contemplated in Section 2.08).

(c) On each Business Day the Market Value Agent shall determine in its sole judgment, exercised in good faith, the Hedge Value of each Hedging Instrument as of such Business Day. In making such determination the Market Value Agent may rely exclusively on quotations provided by the Hedging Counterparty, by leading dealers in instruments similar to such Hedging Instrument, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

(d) On each Business Day, the Market Value Agent shall determine in its sole judgment, exercised in good faith, the Retained Securities Value of the Retained Securities, if any, expected to be issued pursuant to such Securitization as of the closing date of such Securitization. In making such determination the Market Value Agent may rely exclusively on quotations provided by leading dealers in instruments similar to such Retained Securities, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

ARTICLE VII

HEDGING

Section 7.01 Hedging Instruments.

(a) On each Transfer Date, the Trust shall enter into such Hedging Instruments as the Market Value Agent, on behalf of the Majority Noteholders shall reasonably determine are necessary, in order to hedge the interest rate risk with respect to the Loans being purchased on such Transfer Date. The Market Value Agent shall determine, in its sole discretion, whether any Hedging Instrument conforms to the requirements of Section 7.01(b), (c) and (d).

(b) Each Hedging Instrument shall expressly provide that in the event of a Disposition or other removal of the Loan from the Trust, such portion of the Hedging Instrument shall terminate as the Disposition Agent deems appropriate to facilitate the hedging of the risks specified in Section 7.01(a). In the event that the Hedging Instrument is not otherwise terminated, it shall contain provisions that allow the position of the Trust to be assumed by an Affiliate of the Trust upon the liquidation of the Trust. The terms of the assignment documentation and the credit quality of the successor to the Trust shall be subject to the Hedging Counterparty's approval.

(c) Any Hedging Instrument that provides for any payment obligation on the part of the Issuer must (i) be without recourse to the assets of the Issuer, (ii) contain a non-petition covenant provision in the form of Section 11.13, (iii) limit payment dates thereunder to Payment Dates and (iv) contain a provision limiting any cash payments due on any day under such Hedging Instrument solely to funds available therefor in the Collection Account on such day pursuant to Section 5.01(c)(3)(ii) hereof and funds available therefor in the Transfer Obligation Account.

(d) Each Hedging Instrument must (i) provide for the direct payment of any amounts thereunder to the Collection Account pursuant to Section 5.01(b)(1)(x), (ii) contain an assignment of all of the Issuer's rights (but none of its obligations) under such Hedging Instrument to the Indenture Trustee and shall include an express consent to the Hedging Counterparty to such assignment, (iii) provide that in the event of the occurrence of an Event of Default, such Hedging Instrument shall terminate upon the direction of the Majority Noteholders, (iv) prohibit the Hedging Counterparty from "setting-off or "netting" other obligations of the Issuer or its Affiliates against such Hedging Counterparty's payment obligations thereunder, (v) provide that the appropriate portion of the Hedging Instrument will terminate upon the removal of the related Loans from the Trust Estate and (vi) have economic terms that are fixed and not subject to alteration after the date of assumption or execution.

(e) If agreed to by the Majority Noteholders, the Issuer may pledge its assets in order to secure its obligations in respect of Hedge Funding Requirements, provided that such right shall be limited solely to Hedging Instruments for which an Affiliate of the Initial Noteholder is a Hedging Counterparty.

(f) The aggregate notional amount of all Hedging Instruments shall not exceed the Note Principal Balance as of the date on which each Hedging Instrument is entered into by the Issuer and a Hedging Counterparty.

ARTICLE VIII

THE SERVICER

Section 8.01 Indemnification, Third Party Claims.

(a) The Servicer shall indemnify the Loan Originator, the Owner Trustee, the Trust, the Depositor, the Indenture Trustee and the Noteholders, their respective officers, directors, employees, agents and "control persons," as such term is used under the Act and under the Securities Exchange Act of 1934 as amended (each a "Servicer Indemnified Party") and hold harmless each of them against any and all claims, losses, damages, penalties, fines, forfeitures, reasonable legal fees and related costs, judgments, and other costs and expenses resulting from any claim, demand, defense or assertion based on or grounded upon, or resulting from, a breach of any of the Servicer's representations and warranties and covenants contained in this Agreement or in any way relating to the failure of the Servicer to perform its duties and service the Loans in compliance with the terms of this Agreement except to the extent such loss arises out of such Servicer Indemnified Party's gross negligence or willful misconduct; provided, however, that if the Servicer is not liable pursuant to the provisions of Section 8.01(b) hereof for its failure to perform its duties and service the Loans in compliance with the terms of this Agreement, then the provisions of this Section 8.01 shall have no force and effect with respect to such failure.

(b) None of the Loan Originator, the Depositor or the Servicer or any of their respective Affiliates, directors, officers, employees or agents shall be under any liability to the Owner Trustee, the Issuer, the Indenture Trustee or the Securityholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, directors, officers, employees, agents against the remedies provided herein for the breach of any warranties, representations or covenants made herein, or against any expense or liability specifically required to be borne by such party without right of reimbursement pursuant to the terms hereof, or against any expense or liability which would otherwise be imposed by reason of misfeasance, bad faith or negligence in the performance of the respective duties of the Servicer, the Depositor or the Loan Originator, as the case may be. The Loan Originator, the Depositor, the Servicer and any of their respective Affiliates, directors, officers, employees, agents may rely in good faith on any document of any kind which, prima facie, is properly executed and submitted by any Person respecting any matters arising hereunder.

(c) The Loan Originator agrees to indemnify and hold harmless the Depositor and the Noteholders, as the ultimate assignees from the Depositor (each an "Originator Indemnified Party," together with the Servicer Indemnified Parties, the "Indemnified Parties"), from and against any loss, liability, expense, damage, claim or injury arising out of or based on (i) any breach of any representation, warranty or covenant of the Loan Originator, the Servicer or

their Affiliates, in any Basic Document, including, without limitation, the origination or prior servicing of the Loans by reason of any acts, omissions, or alleged acts or omissions arising out of activities of the Loan Originator, the Servicer or their Affiliates, and (ii) any untrue statement by the Loan Originator, the Servicer or its Affiliates of any material fact or any such Person's failure to state a material fact necessary to make such statements not misleading with respect to any such Person's statements contained in any Basic Document, including, without limitation, any Officer's Certificate, statement, report or other document or information prepared by any such Person and furnished or to be furnished by it pursuant to or in connection with the transactions contemplated thereby and not corrected prior to completion of the relevant transaction including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the Loans or any such Person's business, operations or financial condition, including reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim; provided that the Loan Originator shall not indemnify an Originator Indemnified Party to the extent such loss, liability, expense, damage or injury is due to either an Originator Indemnified

Party's willful misfeasance, bad faith or negligence or by reason of an Originator Indemnified Party's reckless disregard of its obligations hereunder; provided, further, that the Loan Originator shall not be so required to indemnify an Originator Indemnified Party or to otherwise be liable to an Originator Indemnified Party for any losses in respect of the performance of the Loans, the creditworthiness of the Borrowers under the Loans, changes in the market value of the Loans or other similar investment risks associated with the Loans arising from a breach of any representation or warranty set forth in Exhibit E hereto, a remedy for the breach of which is provided in Section 3.06 hereof. The provisions of this indemnity shall run directly to and be enforceable by an Originator Indemnified Party subject to the limitations hereof.

(d) With respect to a claim subject to indemnity hereunder made by any Person against an Indemnified Party (a "Third Party Claim"), such Indemnified Party shall notify the related indemnifying parties (each an "Indemnifying Party") in writing of the Third Party Claim within a reasonable time after receipt by such Indemnified Party of written notice of the Third Party Claim unless the Indemnifying Parties shall have previously obtained actual knowledge thereof. Thereafter, the Indemnified Party shall deliver to the Indemnifying Parties, within a reasonable time after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim. No failure to give such notice or deliver such documents shall effect the rights to indemnity hereunder. Each Indemnifying Party shall promptly notify the Indenture Trustee and the Indemnified Party (if other than the Indenture Trustee) of any claim of which it has been notified and shall promptly notify the Indenture Trustee and the Indemnified Party (if applicable) of its intended course of action with respect to any claim.

(e) If a Third Party Claim is made against an Indemnified Party, while maintaining control over its own defense, the Indemnified Party shall cooperate and consult fully with the Indemnifying Party in preparing such defense, and the Indemnified Party may defend the same in such manner as it may deem appropriate, including settling such claim or litigation after giving notice to the Indemnifying Party of such terms and the Indemnifying Party will promptly reimburse the Indemnified Party upon written request ; provided, however, that the Indemnified Party may not settle any claim or litigation without the consent of the Indemnifying

Party; provided, further, that the Indemnifying Party shall have the right to reject the selection of counsel by the Indemnified Party if the Indemnifying Party reasonably determines that such counsel is inappropriate in light of the nature of the claim or litigation and shall have the right to assume the defense of such claim or litigation if the Indemnifying Party determines that the manner of defense of such claim or litigation is unreasonable.

Section 8.02 Merger or Consolidation of the Servicer.

The Servicer shall keep in full effect its existence, rights and franchises as a corporation, and will obtain and preserve its qualification to do business as a foreign corporation and maintain such other licenses and permits in each jurisdiction necessary to protect the validity and enforceability of each Basic Document to which it is a party and each of the Loans and to perform its duties under each Basic Document to which it is a party; provided, however, that the Servicer may merge or consolidate with any other corporation upon the satisfaction of the conditions set forth in the following paragraph.

Any Person into which the Servicer may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Servicer shall be a party, or any Person succeeding to the business of the Servicer, shall be an Eligible Servicer and shall be the successor of the Servicer, as applicable hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to

the contrary notwithstanding. The Servicer shall send notice of any such merger, conversion, consolidation or succession to the Indenture Trustee and the issuer.

Section 8.03 Limitation on Liability of the Servicer and Others.

The Servicer and any director, officer, employee or agent of the Servicer may rely on any document of any kind which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper authorities respecting any matters arising hereunder. Subject to the terms of Section 8.01 hereof, the Servicer shall have no obligation to appear with respect to, prosecute or defend any legal action which is not incidental to the Servicer's duty to service the Loans in accordance with this Agreement.

Section 8.04 Servicer Not to Resign; Assignment.

The Servicer shall not resign from the obligations and duties hereby imposed on it except (a) with the consent of the Majority Noteholders or (b) upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination pursuant to clause (b) of the preceding sentence permitting the resignation of the Servicer shall be evidenced by an Independent opinion of counsel to such effect delivered (at the expense of the Servicer) to the Indenture Trustee and the Majority Noteholders. No resignation of the Servicer shall become effective until a successor servicer, appointed pursuant to the provisions of Section 9.02 hereof shall have assumed the Servicer's responsibilities, duties, liabilities (other than those liabilities arising prior to the appointment of such successor) and obligations under this Agreement.

Except as expressly provided herein, the Servicer shall not assign or transfer any of its rights, benefits or privileges hereunder to any other Person, or delegate to or subcontract with, or authorize or appoint any other Person to perform any of the duties, covenants or

obligations to be performed by the Servicer hereunder and any agreement, instrument or act purporting to effect any such assignment, transfer, delegation or appointment shall be void.

The Servicer agrees to cooperate with any successor Servicer in effecting the transfer of the Servicer's servicing responsibilities and rights hereunder pursuant to the first paragraph of this Section 8.04, including, without limitation, the transfer to such successor of all relevant records and documents (including any Loan Files in the possession of the Servicer) and all amounts received with respect to the Loans and not otherwise permitted to be retained by the Servicer pursuant to this Agreement. In addition, the Servicer, at its sole cost and expense, shall prepare, execute and deliver any and all documents and instruments to the successor Servicer including all Loan Files in its possession and do or accomplish all other acts necessary or appropriate to effect such termination and transfer of servicing responsibilities.

Section 8.05 Relationship of Servicer to Issuer and the Indenture Trustee.

The relationship of the Servicer (and of any successor to the Servicer as servicer under this Agreement) to the Issuer, the Owner Trustee and the Indenture Trustee under this Agreement is intended by the parties hereto to be that of an independent contractor and not of a joint venturer, agent or partner of the issuer, the Owner Trustee or the Indenture Trustee.

Section 8.06 Servicer May Own Securities.

Each of the Servicer and any Affiliate of the Servicer may in its individual or any other capacity become the owner or pledgee of Securities with the same rights as it would have if it were not the Servicer or an Affiliate thereof except as otherwise specifically provided herein; provided, however, that at any time that Option One or any of its Affiliates is the Servicer,

neither the Servicer nor any of its Affiliates (other than an Affiliate which is a corporation whose purpose is limited to holding securities and related activities and which cannot incur recourse debt) may be a Noteholder. Securities so owned by or pledged to the Servicer or such Affiliate shall have an equal and proportionate benefit under the provisions of this Agreement, without preference, priority, or distinction as among all of the Securities; provided, however, that any Securities owned by the Servicer or any Affiliate thereof, during the time such Securities are owned by them, shall be without voting rights for any purpose set forth in this Agreement unless the Servicer or such Affiliate owns all outstanding Securities of the related class. The Servicer shall notify the Indenture Trustee promptly after it or any of its Affiliates becomes the owner or pledgee of a Security.

Section 8.07 Indemnification of the Indenture Trustee and Initial Noteholder.

The Servicer agrees to indemnify the Indenture Trustee and its employees, officers, directors and agents, and reimburse its reasonable out-of-pocket expenses in accordance with Section 6.07 of the Indenture as if it was a signatory thereto. The Servicer agrees to indemnify the Initial Noteholder in accordance with Section 9.01 of the Note Purchase Agreement as if it were signatory thereto.

ARTICLE IX

SERVICER EVENTS OF DEFAULT

Section 9.01 Servicer Events of Default.

(a) In case one or more of the following Servicer Events of Default by the Servicer shall occur and be continuing, that is to say:

(1) any failure by Servicer to deposit into the Collection Account or the Distribution Account or any failure by the Servicer to make payments therefrom in accordance with Section 5.01; or

(2) any failure on the part of the Servicer duly to observe or perform in any material respect any other of the material covenants or agreements on the part of the Servicer, contained in any Basic Document to which it is a party, which continues unremedied for a period of 30 days (or, in the case of payment of insurance premiums, for a period of 15 days) after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by Holders of 25% of the Percentage Interests of the Notes or the Trust Certificates; or

(3) any breach on the part of the Servicer of any representation or warranty contained in any Basic Document to which it is a party that materially and adversely affects the interests of any of the parties hereto or any Securityholder and which continues unremedied for a period of 30 days after the date on which notice of such breach, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by the Initial Noteholder or Holders of 25% of the Percentage Interests (as defined in the Indenture) of the Notes; or

(4) there shall have been commenced before a court or agency or supervisory authority having jurisdiction in the premises an involuntary proceeding against the Servicer under any present or future federal or state bankruptcy, insolvency or similar law for the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, which action shall not have been dismissed for a period of

60 days; or

(5) the Servicer shall consent to the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to it or of or relating to all or substantially all of its property; or

(6) the Servicer (or the Loan Originator if the Servicer is not Option One) fails to comply with the Financial Covenants; or

(7) the Servicer ceases to be a 100% indirect wholly-owned subsidiary of H&R Block Inc; or

(8) the Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy, insolvency or reorganization statute, make an assignment for the benefit of its creditors, voluntarily suspend payment of its obligations, or take any corporate action in furtherance of the foregoing.

(b) Then, and in each and every such case, so long as a Servicer Event of Default shall not have been remedied, the Indenture Trustee or the Majority Noteholders, by notice in writing to the Servicer may, in addition to whatever rights such Person may have at law or in equity to damages, including injunctive relief and specific performance, may terminate all the rights and obligations of the Servicer under this Agreement and in and to the Loans and the proceeds thereof, as servicer under this Agreement. Upon receipt by the Servicer of such written notice, all authority and power of the Servicer under this Agreement, whether with respect to the Loans or otherwise, shall, subject to Section 9.02 hereof, pass to and be vested in a successor servicer, and the successor servicer is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments and do or cause to be done all other acts or things necessary or appropriate to effect the purposes of such notice of termination, including, but not limited to, the transfer and endorsement or assignment of the Loans and related documents. The Servicer agrees to cooperate with the successor servicer in effecting the termination of the Servicer's responsibilities and rights hereunder, including, without limitation, the transfer to the successor servicer for administration by it of all amounts which shall at the time be credited by the Servicer to each Collection Account or thereafter received with respect to the Loans.

(c) Upon the occurrence of (i) an Event of Default or Default under any of the Basic Documents, (ii) a Servicer Event of Default under this Agreement, (iii) a Rapid Amortization Trigger, or (iv) an event that shall materially impair the ability of the Servicer to service and administer the Loans in accordance with the terms and provisions set forth in the Servicing Addendum (each, a "Term Event"), the Servicer's right to service the Loans pursuant to the terms of this Agreement shall be in effect for an initial period commencing on the date on which such Term Event occurred and shall automatically terminate at 5:00 p.m.,New York City time, on the last business day of the calendar month in which such Term Event occurred (the "Initial Term"). Thereafter, the Initial Term shall be extendible in the sole discretion of the Initial Noteholder by written notice (each, a "Servicer Extension Notice") of the Noteholder for successive one-month terms (each such term ending at 5:00 p.m., New York City time ("EST"), on the last business day of the related month). Following a Term Event, the Servicer hereby agrees that the Servicer shall be bound for the duration of the Initial Term and the term covered by any such Servicer Extension Notice to act as the Servicer pursuant to this Agreement. Following a Term Event, the Servicer agrees that if, as of 3:00 p.m. (EST) on the last business day of any month, the Servicer shall not have received a Servicer Extension Notice from the Initial Noteholder, the Servicer shall give written notice of such non-receipt to the Initial Noteholder by 4:00 p.m. (EST). Following a Term Event, the failure of the Initial Noteholder, to deliver a Servicer Extension

Notice by 5:00 p.m. (EST) shall result in the automatic and immediate termination of the Servicer (the "Termination Date"). Notwithstanding these time

frames, the Servicer and the Initial Noteholder shall comply with all applicable laws in connection with such transfer and the Servicer shall continue to service the Loans until completion of such transfer.

Section 9.02 Appointment of Successor.

On and after the date the Servicer receives a notice of termination pursuant to Section 9.01 hereof or is automatically terminated pursuant to Section 9.01(c) hereof, or the Owner Trustee receives the resignation of the Servicer evidenced by an Opinion of Counsel or accompanied by the consents required by Section 8.04 hereof, or the Servicer is removed as servicer pursuant to this Article IX or Section 4.01 of the Servicing Addendum, then, the Majority Noteholders shall appoint a successor servicer to be the successor in all respects to the Servicer in its capacity as Servicer under this Agreement and the transactions set forth or provided for herein and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, provided, however, that the successor servicer shall not be liable for any actions of any servicer prior to it.

The successor servicer shall be obligated to make Servicing Advances hereunder. As compensation therefor, the successor servicer appointed pursuant to the following paragraph, shall be entitled to all funds relating to the Loans which the Servicer would have been entitled to receive from the Collection Account pursuant to Section 5.01 hereof as if the Servicer had continued to act as servicer hereunder, together with other Servicing Compensation in the form of assumption fees, late payment charges or otherwise as provided in Section 4.15 of the Servicing Addendum. The Servicer shall not be entitled to any termination fee if it is terminated pursuant to Section 9.01 hereof but shall be entitled to any accrued and unpaid Servicing Compensation to the date of termination.

Any collections received by the Servicer after removal or resignation shall be endorsed by it to the Indenture Trustee and remitted directly to the successor servicer. The compensation of any successor servicer appointed shall be the Servicing Fee, together with other Servicing Compensation provided for herein. The Indenture Trustee, the Issuer, any Custodian, the Servicer and any such successor servicer shall take such action, consistent with this Agreement, as shall be reasonably necessary to effect any such succession. Any costs or expenses incurred by the Indenture Trustee in connection with the termination of the Servicer and the succession of a successor servicer shall be an expense of the outgoing Servicer and, to the extent not paid thereby, an expense of such successor servicer. The Servicer agrees to cooperate with the Indenture Trustee and any successor servicer in effecting the termination of the Servicer's servicing responsibilities and rights hereunder and shall promptly provide the successor servicer all documents and records reasonably requested by it to enable it to assume the Servicer's functions hereunder and shall promptly also transfer to the successor servicer all amounts which then have been or should have been deposited in any Trust Account maintained by the Servicer or which are thereafter received with respect to the Loans. Upon the occurrence of an Event of Default, the Majority Noteholders shall have the right to order the Servicer's Loan Files and all other files of the Servicer relating to the Loans and all other records of the Servicer and all documents relating to the Loans which are then or may thereafter come into the possession of the Servicer or any third party acting for the Servicer to be delivered to such custodian or servicer as it selects and the Servicer shall deliver to such custodian or servicer such

assignments as the Majority Noteholders shall request. No successor servicer shall be. held liable by reason of any failure to make, or any delay in making,

any distribution hereunder or any portion thereof caused by (i) the failure of the Servicer to deliver, or any delay in delivering, cash, documents or records to it or (ii) restrictions imposed by any regulatory authority having jurisdiction over the Servicer hereunder. No appointment of a successor to the Servicer hereunder shall be effective until written notice of such proposed appointment shall have been provided to the Initial Noteholder, the Indenture Trustee, the Issuer and the Depositor, the Majority Noteholders and the Issuer shall have consented in writing thereto.

In connection with such appointment and assumption, the Majority Noteholder may make such arrangements for the compensation of such successor servicer out of payments on the Loans as they and such successor servicer shall agree.

Section 9.03 Waiver of Defaults.

The Majority Noteholders may waive any events permitting removal of the Servicer as servicer pursuant to this Article IX. Upon any waiver of a past default, such default shall cease to exist and any Servicer Event of Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall.extend to any subsequent or other default or impair any right consequent thereto except to the extent expressly so waived.

Section 9.04 Accounting Upon Termination of Servicer.

Upon termination of the Servicer under this Article IX, the Servicer shall, at its own expense:

(a) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee the funds in any Trust Account maintained by the Servicer;

(b) deliver to its successor or, if none shall yet have been appointed, to the Custodian all Loan Files and related documents and statements held by it hereunder and a Loan portfolio computer tape;

(c) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee and to the Issuer and the Securityholders a full accounting of all funds, including a statement showing the Monthly Payments collected by it and a statement of monies held in trust by it for payments or charges with respect to the Loans; and

(d) execute and deliver such instruments and perform all acts reasonably requested in order to effect the orderly and efficient transfer of servicing of the Loans to its successor and to more fully and definitively vest in such successor all rights, powers, duties, responsibilities, obligations and liabilities of the Servicer under this Agreement.

ARTICLE X

TERMINATION; PUT OPTION

Section 10.01 Termination.

(a) This Agreement shall terminate upon either: (A) the later of (i) the satisfaction and discharge of the Indenture and the provisions thereof, to the Noteholders of all amounts due and owing in accordance with the provisions hereof or (ii) the disposition of all funds with respect to the last Loan and final payment of the Advance Note and the remittance of all funds due hereunder and the payment of all amounts due and payable, including, in both cases, without limitation, indemnification payments payable pursuant to any Basic Document to the Indenture Trustee, the Owner Trustee, the Issuer, the Servicer and the Custodian, written notice of the occurrence of either of which shall be provided to the Indenture Trustee by the Servicer; or (B) the mutual consent of the Servicer, the Depositor and all Securityholders in writing and delivered to the Indenture Trustee by the Servicer.

(b) The Securities shall be subject to an early redemption or termination at the option of the Servicer and the Majority Noteholders in the manner and subject to the provisions of Section 10.04 of this Agreement.

(c) Except as provided in this Article X, none of the Depositor, the Servicer nor any Certificateholder or Noteholder shall be entitled to revoke or terminate the Trust.

Section 10.02 Optional Termination.

(a) The Servicer may, at its option, effect an early termination of the Trust on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans and the Advance Note at a purchase price, payable in cash, equal to or greater than the Termination Price. The expense of any Independent appraiser required in. connection with the calculation and payment of the Termination Price under this Section 10.02 shall be a nonreimbursable expense of the Servicer.

Any such early termination by the Servicer shall be accomplished by depositing into the Collection Account on the third Business Day prior to the Payment Date on which the purchase is to occur the amount of the Termination Price to be paid. The Termination Price and any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c)(1) hereof) shall be deposited in the Distribution Account and distributed by the Indenture Trustee pursuant to Section 5.01(c)(3) of this Agreement and Section 9.1 of the Trust Agreement on the next succeeding Payment Date; and any amounts received with respect to the Loans and Foreclosure Properties subsequent to the final Payment Date shall belong to the purchaser thereof.

Section 10.03 Notice of Termination.

Notice of termination of this Agreement or of early redemption and termination of the Issuer pursuant to Section 10.01 shall be sent by the Indenture Trustee to the Noteholders in accordance with Section 10.02 of the Indenture.

Section 10.04 Put Option.

The Majority Noteholders may, at their option, effect a put of the entire outstanding Note Principal Balance, or any portion thereof, to the Trust on any date by exercise of the Put Option. The Majority Noteholders shall effect such put by providing notice thereof in accordance with Section 10.05 of the Indenture.

Unless otherwise agreed by the Majority Noteholders, on the third Business Day prior to the Put Date the Issuer shall deposit the Note Redemption Amount into the Distribution Account and, if the Put Date occurs after the termination of the Revolving Period and constitutes a put of the entire outstanding Note Principal Balance, any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c)(1) hereof) shall be deposited in the Distribution Account and distributed by the Paying Agent pursuant to Section 5.01(c)(3) of this Agreement on the Put Date; and any amounts received with respect to the Loans and Foreclosure Properties subsequent to the Put Date shall belong to the Issuer.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.01 Acts of Securityholders.

Except as otherwise specifically provided herein and except with respect

to Section 11.02(b), whenever action, consent or approval of the Securityholders is required under this Agreement, such action, consent or approval shall be deemed to have been taken or given on behalf of, and shall be binding upon, all Securityholders if the Majority Noteholders agree to take such, action or give such consent or approval.

Section 11.02 Amendment.

(a) This Agreement may be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement with notice thereof to the Securityholders, without the consent of any of the Securityholders, to cure any error or ambiguity, to correct or supplement any provisions hereof which may be defective or inconsistent with any other provisions hereof or to add any other provisions with respect to matters or questions arising under this Agreement; provided, however, that such action will not adversely affect in any material respect the interests of the Securityholders, as evidenced by an Opinion of Counsel to such effect provided at the expense of the party requesting such Amendment.

(b) This Agreement may also be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement,

with the prior written consent of the Majority Noteholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, or of modifying in any manner the rights of the Securityholders; provided, however, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, collections of payments on Loans or distributions which are required to be made on any Security, without the consent of the holders of 100% of the Securities, (ii) adversely affect in any material respect the interests of any of the holders of the Securities in any manner other than as described in clause (i), without the consent of the holders of 100% of the Securities, or (iii) reduce the percentage of the Securities, the consent of which is required for any such amendment, without the consent of the holders of 100% of the Securities.

(c) It shall not be necessary for the consent of Securityholders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the execution of any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and rely upon an Opinion of Counsel provided at the expense of the party requesting such amendment stating that the execution of such amendment is authorized or permitted by this Agreement. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment which affects the Issuer's own rights, duties or immunities of the Issuer or the Indenture Trustee, as the case may be, under this Agreement.

Section 11.03 Recordation of Agreement.

To the extent permitted by applicable law, this Agreement, or a memorandum thereof if permitted under applicable law, is subject to recordation in all appropriate public offices for real property records in all of the counties or other comparable jurisdictions in which any or all of the Mortgaged Property is situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Servicer at the Securityholders' expense on direction of the Majority Noteholders but only when accompanied by an Opinion of Counsel to the effect that such recordation materially and beneficially affects the interests of the Securityholders or is necessary for the administration or servicing of the Loans.

Section 11.04 Duration of Agreement.

This Agreement shall continue in existence and effect until terminated as

herein provided.

Section 11.05 Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

Section 11.06 Notices.

All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered personally, mailed by overnight mail, certified mail or registered mail, postage prepaid, or (ii) transmitted by telecopy, upon telephone confirmation of receipt thereof, as follows: (1) in the case of the Depositor, to Option One Loan Warehouse Corporation, 3 Ada, Irvine, California 92618, or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Depositor; (2) in the case of the Trust, to Option One Owner Trust 2001-2, c/o Wilmington Trust Company, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, telephone number: (302) 651-1000, telecopy number: (302) 636-4144, or such other address or telecopy or telephone numbers as may hereafter be furnished to the Noteholders and the other parties hereto in writing by the Trust; (3) in the case of the Loan Originator, to Option One Mortgage Corporation, 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Loan Originator, (4) in the case of the Servicer, to Option One Mortgage Corporation 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Servicer; and (5) in the case of the Indenture Trustee, at the Corporate Trust Office, as defined in the Indenture, any such notices shall be deemed to be effective with respect to any party hereto upon the receipt of such notice or telephone confirmation thereof by such party, except; provided, that notices to the Securityholders shall be effective upon mailing or personal delivery.

Section 11.07 Severability of Provisions.

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

Section 11.08 No Partnership.

Nothing herein contained shall be deemed or construed to create any partnership or joint venture between the parties hereto and the services of the Servicer shall be rendered as an independent contractor.

Section 11.09 Counterparts.

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

Section 11.10 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the Servicer, the Loan Originator, the Depositor, the Indenture Trustee, the Issuer and the Securityholders and their respective successors and permitted assigns.

Section 11.11 Headings.

The headings of the various Sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

Section 11.12 Actions of Securityholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Depositor, the Servicer or the Issuer. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and conclusive in favor of the Depositor, the Servicer and the Issuer if made in the manner provided in this Section 11.12.

(b) The fact and date of the execution by any Securityholder of any such instrument or writing may be proved in any reasonable manner which the Depositor, the Servicer or the Issuer may deem sufficient.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Securityholder shall bind every holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, or omitted to be done, by the Depositor, the Servicer or the Issuer in reliance thereon, whether or not notation of such action is made upon such Security.

(d) The Depositor, the Servicer or the Issuer may require additional proof of any matter referred to in this Section 11.12 as it shall deem necessary.

Section 11.13 Non-Petition Agreement.

Notwithstanding any prior termination of any Basic Document, the Loan Originator, the Servicer, the Depositor and the Indenture Trustee each severally and not jointly covenants that it shall not, prior to the date which is one year and one day after the payment in full of the all of the Notes, acquiesce, petition or otherwise, directly or indirectly, invoke or cause the Trust or the Depositor to invoke the process of any governmental authority for the purpose of commencing or sustaining a case against the Issuer or Depositor under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or Depositor or any substantial part of their respective property or ordering the winding up or liquidation of the affairs of the Issuer or the Depositor.

Section 11.14 Holders of the Securities.

(a) Any sums to be distributed or otherwise paid hereunder or under this Agreement to the holders of the Securities shall be paid to such holders pro rata based on their Percentage Interests;

(b) Where any act or event hereunder is expressed to be subject to the consent or approval of the holders of the Securities, such consent or approval shall be capable of being given by the holder or holders evidencing in the aggregate not less than 51% of the Percentage Interests.

Section 11.15 Due Diligence Fees, Due Diligence.

The Loan Originator acknowledges that the Initial Noteholder has the right to perform continuing due diligence reviews with respect to the Loans, for purposes of verifying compliance with the representations, warranties and specifications made hereunder, or otherwise, and the Loan Originator agrees that upon reasonable prior notice (with no notice being required upon the occurrence of an Event of Default) to the Loan Originator, the Initial Noteholder, the Indenture Trustee and Custodian or its authorized representatives will be permitted during normal business hours to examine, inspect, and make copies and extracts of, the Loan Files and any and all documents, records, agreements, instruments or information relating to such Loans in the possession or under the control of the Servicer and the Indenture Trustee. The Loan Originator also shall make available to the Initial Noteholder a knowledgeable financial or accounting officer for the purpose of answering questions respecting the Loan Files and the Loans. Without limiting the generality of the foregoing, the Loan Originator acknowledges that the Initial Noteholder may purchase Notes based solely upon the information provided by the Loan Originator to the Initial Noteholder in the Loan Schedule and the representations, warranties and covenants contained herein, and that the Initial Noteholder, at its option, has the right at any time to conduct a partial or complete due diligence review on some or all of the Loans securing such purchase, including without limitation ordering new credit reports and new appraisals on the related Mortgaged Properties and otherwise re-generating the information used to originate such Loan. The Initial Noteholder may underwrite such Loans itself or engage a mutually agreed upon third party underwriter to perform such underwriting. The Loan Originator agrees to cooperate with the Initial Noteholder and any third party underwriter in connection with such underwriting, including, but not limited to, providing the Initial Noteholder and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such Loans in the possession, or under the control, of the Servicer. The Loan Originator further agrees that the Loan Originator shall reimburse the Initial Noteholder for any and all reasonable out-of-pocket costs and expenses incurred by the Initial Noteholder in connection with the Initial Noteholder's activities pursuant to this Section 11.15 hereof (the "Due Diligence Fees"), provided that, unless an Event of Default shall occur, the aggregate reimbursement obligation of the Loan Originator under this Agreement shall be limited to $25,000 per annum. In addition to the obligations set forth in Section 11.17 of this Agreement, the Initial Noteholder agrees (on behalf of itself and its Affiliates, directors, officers, employees and representatives) to use reasonable precaution to keep confidential, in accordance with its customary procedures for handling confidential information and in accordance with safe and sound practices, and not to disclose to any third party, any non-public information supplied to it

or otherwise obtained by it hereunder with respect to the Loan Originator or any of its Affiliates (including, but not limited to, the Loan File); provided, however, that nothing herein shall prohibit the disclosure of any such information to the extent required by statute, rule, regulation or judicial process; provided, further that, unless specifically prohibited by applicable law or court order, the Initial Noteholder shall, prior to disclosure thereof, notify the Loan Originator of any request for disclosure of any such non-public information. The Initial Noteholder further agrees not to use any such non-public information for any purpose unrelated to this Agreement and that the Initial Noteholder shall not disclose such nonpublic information to any third party underwriter in connection with a potential Disposition without obtaining a written agreement from such third party underwriter to comply with the confidentiality provisions of this Section 11.15.

Section 11.16 No Reliance.

Each of the Loan Originator, the Depositor and the Issuer hereby acknowledges that it has not relied on the Initial Noteholder or any of its officers, directors, employees, agents and "control persons" as such term is

used under the Act and under the Securities Exchange Act of 1934, as amended, for any tax, accounting, legal or other professional advice in connection with the transactions contemplated by the Basic Documents, that each of the Loan Originator, the Depositor and the Issuer has retained and been advised by such tax, accounting, legal and other professionals as it has deemed necessary in connection with the transactions contemplated by the Basic Documents and that the Initial Noteholder makes no representation or warranty, and shall have no liability with respect to, the tax, accounting or legal treatment or implications relating to the transactions contemplated by the Basic Documents.

Section 11.17 Confidential Information.

In addition to the confidentiality requirements set forth in Section 11.15 of the Agreement, each Noteholder, as well as the Indenture Trustee and the Disposition Agent (each of said parties singularly referred to herein as a "Receiving Party" and collectively referred to herein as the "Receiving Parties"), agrees to hold and treat all Confidential Information (as defined below) in confidence and in accordance with this Section. Such Confidential Information will not, without the prior written consent of the Servicer and the Loan Originator, be disclosed or used by such Receiving Parties or their subsidiaries, Affiliates, directors, officers, members, employees, agents or controlling persons (collectively, the "Information Recipients") other than for the purpose of making a decision to purchase or sell Notes or taking any other permitted action under this Agreement or any other Basic Document. Each Receiving Party agrees to disclose Confidential Information only to its Information Recipients who need to know it for the purpose of making a decision to purchase or sell Notes or taking any other permitted action under this Agreement or any other Basic Document (including in connection with the servicing of the Loans and in connection with any servicing transfers) and who are informed by such Receiving Party of its confidential nature and who agree to be bound by the terms of this Section 11.17. Disclosure that is not in violation of the Right to Financial Privacy Act, the Gramm-Leach-Bliley Act or other applicable law by such Receiving Party of any Confidential Information at the request of its outside auditors or governmental regulatory authorities in connection with an examination of a Receiving Party by any such authority shall not constitute a

breach of its obligations under this Section 11.17 and shall not require the prior consent of the Servicer and the Loan Originator.

Each Receiving Party shall be responsible for any breach of this Section 11.17 by its Information Recipients. The Initial Noteholder may use Confidential Information for internal due diligence purposes in connection with its analysis of the transactions contemplated by the Basic Documents. The Disposition Agent may disclose Confidential Information to the Disposition Participants as required to effect Dispositions. This Section 11.17 shall terminate upon the occurrence of an Event of Default; provided, however, that such termination shall not relieve the Receiving Parties or their respective Information Recipients from the obligation to comply with the Gramm-Leach-Bliley Act or other applicable law with respect to their use or disclosure of Confidential Information following the occurrence of an Event of Default.

As used herein, "Confidential Information" means non-public personal information (as defined in the Gramm-Leach-Bliley Act and its enabling regulations issued by the Federal Trade Commission) regarding Borrowers. Confidential Information shall not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by a Receiving Party or any Information Recipients; (ii) was available to a Receiving Party on a non-confidential basis prior to its disclosure to such Receiving Party by the Servicer or the Loan Originator; (iii) is required to be disclosed by a governmental authority or related governmental agencies or as otherwise required by law; (iv) becomes available to a Receiving Party on a non-confidential basis from a Person other than the Servicer or the Loan Originator who, to the best knowledge of such Receiving Party, is not otherwise bound by a confidentiality agreement with the Servicer or the Loan Originator

and is not otherwise prohibited from transmitting the information to such Receiving Party.

Section 11.18 Conflicts.

Notwithstanding anything contained in the Basic Documents to the contrary, in the event of the conflict between the terms of this Agreement and any other Basic Document, the terms of this Agreement shall control.

Section 11.19 Limitation on Liability.

It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-2, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation,

representation, warranty or covenant made or undertaken by the Issuer under this Agreement or any other related documents.

Section 11.20 No Agency.

Nothing contained herein or in the Basic Documents shall be construed to create an agency or fiduciary relationship between the Initial Noteholder or the Majority Noteholders or any of their Affiliates and the Issuer, the Depositor, the Loan Originator or the Servicer. None of the Initial Noteholder, the Majority Noteholders or any of their Affiliates shall be liable for any acts or actions affected in connection with a disposition of Loans, including without limitation, any Securitization pursuant to Section 3.06, any Loan Originator Put or Servicer Call pursuant to Section 3.07 hereof nor any Whole Loan Sale pursuant to Section 3.07 hereof.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the Issuer, the Depositor, the Servicer, the Indenture Trustee and the Loan Originator have caused their names to be signed by their respective officers thereunto duly authorized, as of the day and year first above written, to this Second Amended and Restated Sale and Servicing Agreement.

OPTION ONE OWNER TRUST 2001-2,

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

BY: /s/ Erwin M. Soriano

Name: Erwin M. Soriano
Title: Assistant Vice President

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

By: /s/ William L. O'Neill

Name: William L. O'Neill
Title: Secretary and Treasurer

OPTION ONE MORTGAGE CORPORATION, as
Loan Originator and Servicer

BY: /s/ William L. O'Neill

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

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, as Indenture Trustee

BY: /s/ Reid Denny

Name: REID DENNY
Title: VICE PRESIDENT

EXHIBIT A

FORM OF NOTICE OF ADDITIONAL NOTE PRINCIPAL BALANCE

[Letterhead of Option One Loan Warehouse Corporation]

[Date]

Option One Owner Trust 2001-2
c/o Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

Wells Fargo Bank Minnesota, National Association
11000 Broken Land Parkway
Columbia, Maryland 21044
Attention: Option One Owner Trust 2001-2

Bank of America, N.A.
901 Main Street
Dallas, Texas 75202
Attention: Garrett Dolt

Re: Mortgage-Backed Notes

Reference is made to the Sale and Servicing Agreement dated as of April 1, 2001 (the "Sale and Servicing Agreement"),. among Option One Owner Trust 2001-2 as Issuer, Option One Loan Warehouse Corporation, as Depositor, Option One Mortgage Corporation, as Loan Originator and Servicer, and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee. Capitalized terms not defined herein shall have the meanings assigned to such terms in the Sale and Servicing Agreement.

The undersigned _____ , a duly appointed _____ of Option One Loan Warehouse Corporation, acting in such capacity, hereby requests an advance of Additional Note Principal Balance in an amount of $ _____, such amount to be advanced on _____, 200_.

Very truly yours,

OPTION ONE LOAN WAREHOUSE
CORPORATION

BY: _____
Name:
Title:

EXHIBIT B

FORM OF SERVICER'S REMITTANCE REPORT TO INDENTURE TRUSTEE

Trial Balance Information Report P 139

Investor#	Category	Loan#	Investor Loan#	Borrower Name	Next Pymt Date	Interest Rate	P&I Pymt	Principal Balance

Collection Activity Information Report S215

Investor#	Category	Loan#	Investor Loan#	Transaction Date	Pymt#	Pymt Due Date	Escrow	Principal	Interest	Service Fees	Net Interest	Total Deposit	Principal Balance	Late Charges

Payoff Activity Information Report S214

Investor#	Category	Loan#	Investor Loan #	Date P&I Paid	Interest Pymt	Service Fee Rate	Next Pymt Date	Principal	Interest	Service Fees	Net Interest	Prepay Premium	Total Collected

EXHIBIT C

FORM OF S&SA ASSIGNMENT

ASSIGNMENT NO. __ OF LOANS ("S&SA Assignment"), dated __, (the "Transfer Date"), by OPTION ONE LOAN WAREHOUSE CORPORATION, (the "Depositor") to OPTION ONE OWNER TRUST 2001-2 (the "Issuer") pursuant to the Sale and Servicing Agreement referred to below.

WITNESSETH:

WHEREAS, the Depositor and the Issuer are parties to the Sale and Servicing Agreement dated as of April 1, 2001 (the "Sale and Servicing Agreement") among the Depositor, the Issuer, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders, hereinafter as such agreement may have been, or may from time to time be, amended, supplemented or otherwise modified;

WHEREAS, pursuant to the Sale and Servicing Agreement, the Depositor wishes to sell, convey, transfer and assign Loans to the Issuer in exchange for cash consideration, the Trust Certificates and other good and valid consideration the receipt and sufficiency of which is hereby acknowledged; and

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

NOW THEREFORE, the Depositor and the Issuer hereby agree as follows:

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

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

3. Conveyance of Loans. The Depositor hereby sells, transfers, assigns and conveys to the Issuer, without recourse, all of the right, title and interest of the Depositor in and to the Loans and all proceeds thereof listed on the Loan Schedule attached hereto, including all interest and principal received by the Depositor or the Servicer on or with respect to the Loans on or after the related Transfer Cut-off Date, together with all right, title and interest in and to the proceeds of any related Mortgage Insurance Policies.

4. Issuer Acknowledges Assignment. As of the Transfer Date, pursuant to this S&SA Assignment and Section 2.01(a) of the Sale and Servicing Agreement, the Issuer acknowledges its receipt of the Loans listed on the attached Loan Schedule and all other related property in the Trust Estate.

5. Acceptance of Rights But Not Obligations. The foregoing sale, transfer, assignment, set over and conveyance does not, and is not intended to, result in a creation or an assumption by the Issuer of any obligation of the Depositor, the Loan Originator or any other Person in connection with this S&SA Assignment or under any agreement or instrument relating thereto except as specifically set forth herein.

6. Depositor Acknowledges Receipt of Sales Price. The Depositor hereby acknowledges receipt of the Sales Price or that is otherwise distributed at its direction.

7. Conditions Precedent. The conditions precedent in Section 2.06(a) of the Sale and Servicing Agreement have been satisfied.

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

9. Counterparts. This S&SA Assignment may be executed in any number of counterparts all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have caused this S&SA Assignment to be duly executed and delivered by their respective duly authorized officers on the day and year first above written.

OPTION ONE LOAN WAREHOUSE CORPORATION,
as Depositor

By: _____
Name:
Title:

OPTION ONE OWNER TRUST 2001-2,
as Issuer

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

By: _____
Name:
Title:

EXHIBIT D

PIGGY-BACKED LOAN UNDERWRITING CRITERIA

UNDERWRITING MATRIX FOR 80/20 PIGGYBACK

	RISK GRADE AA*	FULL INCOME DOCUMENTATION
CREDIT	Mortgage Credit (if renting, VOR is required)	1x30 maximum in the last 12 months . 3x30, 0x60 maximum in the last 24 months. Maximum three rolling 30s counted as one occurrence . All mortgages must be current at time of application and funding. No foreclosure proceedings in the last 60 months.
	FICO	FICO score of 620 minimum required.
	Bankruptcies	Bankruptcies must be discharged, dismissed, or paid for a minimum of 36 months prior to funding.
	Charge Offs, Collections and Judgements	All accounts less than two years old must be paid through closing.
INCOME	Verif. of Income- Wage Earner	Two years 1040s or W-2s and recent pay stubs verifying 24 months of income. of gross rents used)
	Verif. of Income- Self-Employed (>25% ownership)	Must be self-employed for a minimum of three years (with the same company). Recent two years 1040s (with all supporting schedules) and YTD personal bank statements. Income must be averaged, unless income is declining.
	Verif. of Fixed Income	Award letters or 1099's for all fixed income. Foster care income not allowed.
	Verif. of Rental Income (75% of gross rents used)	Most recent two years 1040s (with Schedule E) and YTD personal bank statements.
	Source of Funds	Yes. (Source of funds not required, if short < or = $1,000.)
	Debt Ratio	Maximum debt ratio 45%. The occupants' debt ratio cannot exceed 45% for loans with non-occupant co-borrowers. Deferred student loan payments are included . Auto lease payments, regardless of remaining term, are included.
	Disposable Income	Monthly disposable income must be $600 gross per family member.
PROPERTY	Miscellaneous	Purchase money only. Cannot subordinate tax liens . Maximum combined loan amount is $350,000. No points, fees, or prepayment charges allowed on the piggyback 2nds . Par rates only on the second mortgage. Maximum LTV on the first is 80% . Minimum $20,000 and maximum $50,000 loan amount on the second mortgage. LTV on first may be adjusted to meet the $20,000 second mortgage minimum.
	Property	SFR (no manufactured homes) and Fee Simple Townhouses in good to average condition. Owner-occupied only. No second homes allowed. No appraisal variance is allowed. Minimum 800 square feet. Maximum $1,000 deferred maintenance.

EXHIBIT E

REPRESENTATIONS AND WARRANTIES REGARDING THE LOANS

The Loan Originator hereby represents and warrants to the other parties to the Sale and Servicing Agreement and the Securityholders, with respect to each such Loan as of the related Transfer Date (except as otherwise expressly agreed in writing by the Majority Noteholders):

1) The information set forth in the related Loan Schedule and the information contained on the electronic data file delivered to the Initial

Noteholder is complete, true and correct;

2) All payments required to be made up to the close of business on the Closing Date for such Loan under the terms of the Promissory Note have been made; the Loan Originator has not advanced funds, or induced, solicited or knowingly received any advance of funds from a party other than the owner of the related Mortgaged Property, directly or indirectly, for the payment of any amount required by the Promissory Note or Mortgage; and there has been no delinquency, exclusive of any period of grace, in any payment by the Borrower thereunder during the last twelve months;

3) There are no delinquent taxes, ground rents, water charges, sewer rents, assessments, insurance premiums, leasehold payments, including assessments payable in future installments or other outstanding charges affecting the related Mortgaged Property;

4) The terms of the Promissory Note and the Mortgage have not been impaired, waived, altered or modified in any respect, except by written instruments, recorded in the applicable public recording office if necessary to maintain the lien priority of the Mortgage, and which have been delivered to the Custodian; the substance of any such waiver, alteration or modification has been approved by the insurer under the Primary Insurance Policy, if any, and the title insurer, to the extent required by the related policy, and is reflected on the related Loan Schedule. No instrument of waiver, alteration or modification has been executed, and no Borrower has been released, in whole or in part, except in connection with an assumption agreement approved by the insurer under the Primary Insurance Policy, if any, the title insurer, to the extent required by the policy, and which assumption agreement has been delivered to the Custodian and the terms of which are reflected in the related Loan Schedule;

5) The Promissory Note and the Mortgage are not subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of the Promissory Note and the Mortgage, or the exercise of any right thereunder, render the Mortgage unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto;

6) All buildings upon the Mortgaged Property are insured by an insurer acceptable to Fannie Mae or Freddie Mac against loss by fire, hazards of extended coverage and such other hazards as are customary in the area where the Mortgaged Property is located, pursuant to insurance policies conforming to the requirements of the Servicing Addendum. All such insurance policies contain a standard mortgagee clause naming the Loan Originator, its successors and assigns

as mortgagee and all premiums thereon have been paid. If the Mortgaged Property is in an area identified on a Flood Hazard Map or Flood Insurance Rate Map issued by the Federal Emergency Management Agency as having special flood hazards (and such flood insurance has been made available) a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration is in effect which policy conforms to the requirements of Fannie Mae or Freddie Mac. The Mortgage obligates the Borrower thereunder to maintain all such insurance at the Borrower's cost and expense, and on the Borrower's failure to do so, authorizes the holder of the Mortgage to maintain such insurance at Borrower's cost and expense and to seek reimbursement therefor from the Borrower;

7) Any and all requirements of any federal, state or local law including, without limitation, usury, truth in lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, fair housing or disclosure laws applicable to the origination and servicing of mortgage loans of a type similar to the Loans have been complied with;

8) The Mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the Mortgaged Property has not been released from the lien of the Mortgage, in whole or in part, nor has any instrument been executed that would effect any such satisfaction, cancellation, subordination, rescission or release;

9) The Mortgage is a valid, existing and enforceable first lien (or, with respect to Loans identified as Second Lien Loan on the Loan Schedule, second lien) on the Mortgaged Property, including all improvements on the Mortgaged Property subject only to (a) the lien of current real property taxes and assessments not yet due and payable, (b) covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording being acceptable to mortgage lending institutions generally and specifically referred to in the lender's title insurance policy delivered to the originator of the Loan and which do not adversely affect the Appraised Value of the Mortgaged Property, and (c) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided by the Mortgage or the use, enjoyment, value or marketability of the related Mortgaged Property. Any security agreement, chattel mortgage or equivalent document related to and delivered in connection with the Loan establishes and creates a valid, existing and enforceable first lien and first priority security interest on the property described therein and the Loan Originator has full right to sell and assign the same to the Depositor and the Issuer. The Mortgaged Property was not, as of the date of origination of the Loan, subject to a mortgage, deed of trust, deed to secure debt or other security instrument creating a lien subordinate to the lien of the Mortgage;

10) The Promissory Note and the related Mortgage are genuine and each is the legal, valid and binding obligation of the maker thereof, enforceable in accordance with its terms;

11) All parties to the Promissory Note and the Mortgage had legal capacity to enter into the Loan and to execute and deliver the Promissory Note and the Mortgage, and the Promissory Note and the Mortgage have been duly and properly executed by such parties. The Borrower is a natural person;

12) The proceeds of the Loan have been fully disbursed to or for the account of the Borrower and there is no obligation for the mortgagee to advance additional funds thereunder

and any and all requirements as to completion of any on-site or off-site improvement and as to disbursements of any escrow funds therefor have been complied with. All costs, fees and expenses incurred in making or closing the Loan and the recording of the Mortgage have been paid, and the Borrower is not entitled to any refund of any amounts paid or due to the Loan Originator pursuant to the Promissory Note or Mortgage;

13) The Loan Originator is the sole legal, beneficial and equitable owner of the Promissory Note and the Mortgage and has full right to transfer and sell the Loan to the Depositor and the Issuer free and clear of any encumbrance, equity, lien, pledge, charge, claim or security interest;

14) All parties which have had any interest in the Loan, whether as mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were) in compliance with any and all applicable "doing business" and licensing requirements of the laws of the state wherein the Mortgaged Property is located;

15) The Loan is covered by a lender's title insurance policy (which, in the case of an ARM has an adjustable rate mortgage endorsement) commercially acceptable to prudent mortgage lending institutions, issued by a title insurer licensed and qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring (subject to the exceptions contained in (ix)(a)

and (b) above) the Loan Originator, its successors and assigns as to the first priority lien of the Mortgage in the original principal amount of the Loan and, with respect to any ARM, against any loss by reason of the invalidity or unenforceability of the lien resulting from the provisions of the Mortgage providing for adjustment in the Loan Interest Rate and Monthly Payment. Additionally, such lender's title insurance policy affirmatively insures ingress and egress to and from the Mortgaged Property, and against encroachments by or upon the Mortgaged Property or any interest therein. The Loan Originator is the sole insured of such lender's title insurance policy, and such lender's title insurance policy is in full force and effect and will be in full force and effect, and the issuer will be insured thereunder, upon the consummation of the transactions contemplated by this Agreement. No claims have been made under such lender's title insurance policy, and no prior holder of the related Mortgage, including the Loan Originator, has done, by act or omission, anything which would impair the coverage of such lender's title insurance policy;

16) There is no default, breach, violation or event of acceleration existing under the Mortgage or the Promissory Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration, and the Loan Originator has not waived any default, breach, violation or event of acceleration;

17) There are no mechanics' or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under law could give rise to such lien) affecting the related Mortgaged Property which are or may be liens prior to, or equal or coordinate with, the lien of the related Mortgage;

18) All improvements which were considered in determining the Appraised Value of the related Mortgaged Property lay wholly within the boundaries and building restriction lines

of the Mortgaged Property, and no improvements on adjoining properties encroach upon the Mortgaged Property;

19) The Loan was originated by the Loan Originator or by a savings and loan association, a savings bank, a commercial bank or similar banking institution which is supervised and examined by a federal or state authority, or by a mortgagee approved as such by the Secretary of HUD;

20) Principal payments on the Loan commenced no more than two months after the proceeds of the Loan were disbursed. The Loan bears interest at the Loan Interest Rate. With respect to each Loan unless otherwise stated on the Loan Schedule, the Promissory Note is payable on the first day of each month, in Monthly Payments, which, in the case of each fixed-rate Loan except for Balloon Loans, are sufficient to fully amortize the original principal balance over the original term thereof and to pay interest at the related Loan Interest Rate, and, in the case of each ARM, are changed on each Adjustment Date, and in any case, are sufficient to fully amortize the original principal balance over the original term thereof and to pay interest at the related Loan Interest Rate. The Promissory Note does not permit negative amortization. No Loan is a Convertible Mortgage Loan;

21) The origination and collection practices used by the Loan Originator with respect to each Promissory Note and Mortgage have been in all respects legal, proper, prudent and customary in the mortgage origination and servicing industry. The Loan has been serviced by the Loan Originator and any predecessor servicer in accordance with the terms of the Promissory Note. With respect to escrow deposits and Escrow Payments, if any, all such payments are in the possession of, or under the control of, the Loan Originator and there exist no deficiencies in connection therewith for which customary arrangements for repayment thereof have not been made. No escrow deposits or Escrow Payments or other charges or payments due the Loan Originator have been capitalized under

any Mortgage or the related Promissory Note and no such escrow deposits or Escrow Payments are being held by the Loan Originator for any work on a Mortgaged Property which has not been completed;

22) The Mortgaged Property is free of material damage and waste and there is no proceeding pending for the total or partial condemnation thereof;

23) The Mortgage and related Promissory Note contain customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security provided thereby, including, (a) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (b) otherwise by judicial foreclosure. The Mortgaged Property has not been subject to any bankruptcy proceeding or foreclosure proceeding and the Borrower has not filed for protection under applicable bankruptcy laws. There is no homestead or other exemption available to the Borrower which would interfere with the right to sell the Mortgaged Property at a trustee's sale or the right to foreclose the Mortgage. The Borrower has not notified the Loan Originator and the Loan Originator has no knowledge of any relief requested or allowed to the Borrower under the Soldiers and Sailors Civil Relief Act of 1940;

24) The Loan was underwritten in accordance with the underwriting standards of the Loan Originator in effect at the time the Loan was originated; and the Promissory Note and Mortgage are on forms acceptable to prudent mortgage lending institutions in the secondary market;

25) The Promissory Note is not and has not been secured by any collateral except the lien of the corresponding Mortgage on the Mortgaged Property and the security interest of any applicable security agreement or chattel mortgage referred to in (x) above;

26) The Loan File contains an appraisal of the related Mortgaged Property which satisfied the standards of Fannie Mae or Freddie Mac and was made and signed, prior to the approval of the Loan application, by a qualified appraiser, duly appointed by the Loan Originator, who had no interest, direct or indirect in the Mortgaged Property or in any loan made on the security thereof, whose compensation is not affected by the approval or disapproval of the Loan and who met the minimum qualifications of Fannie Mae or Freddie Mac. Each appraisal of the Loan was made in accordance with the relevant provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989;

27) In the event the Mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by the Issuer to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Borrower;

28) No Loan contains provisions pursuant to which Monthly Payments are (a) paid or partially paid with funds deposited in any separate account established by the Loan Originator, the Borrower, or anyone on behalf of the Borrower, (b) paid by any source other than the Borrower or (c) contains any other similar provisions which may constitute a "buydown" provision. The Loan is not a graduated payment mortgage loan and the Loan does not have a shared appreciation or other contingent interest feature;

29) The Borrower has executed a statement to the effect that the Borrower has received all disclosure materials required by applicable law with respect to the making of fixed rate mortgage loans in the case of fixed-rate Loans, and adjustable rate mortgage loans in the case of ARMs and rescission materials with respect to Refinanced Loans, and such statement is and will remain in the Loan File;

30) No Loan was made in connection with (a) the construction or

rehabilitation of a Mortgaged Property or (b) facilitating the trade-in or exchange of a Mortgaged Property;

31) The Loan Originator has no knowledge of any circumstances or condition with respect to the Mortgage, the Mortgaged Property, the Borrower or the Borrower's credit standing that can reasonably be expected to cause the Loan to be an unacceptable investment, cause the Loan to become delinquent, or adversely affect the value of the Loan;

32) Each Loan listed on the Loan Schedule as being subject to a Primary Mortgage Insurance Policy is and will be subject to a Primary Mortgage Insurance Policy, issued by a Qualified Insurer, which insures that portion of the Loan in excess of the portion of the

Appraised Value of the Mortgaged Property required by Fannie Mae. All provisions of such Primary Insurance Policy have been and are being complied with, such policy is in full force and effect, and all premiums due thereunder have been paid. Any Mortgage subject to any such Primary Insurance Policy obligates the Borrower thereunder to maintain such insurance and to pay all premiums and charges in connection therewith. The Loan Interest Rate for the Loan does not include any such insurance premium;

33) The Mortgaged Property is lawfully occupied under applicable law; all inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy, have been made or obtained from the appropriate authorities;

34) No error, omission, misrepresentation, negligence, fraud or similar occurrence with respect to a Loan has taken place on the part of any person, including without limitation the Borrower, any appraiser, any builder or developer, or any other party involved in the origination of the Loan or in the application of any insurance in relation to such Loan;

35) The Assignment of Mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Property is located;

36) Any principal advances made to the Borrower prior to the Transfer Cut-off Date have been consolidated with the outstanding principal amount secured by the Mortgage, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term. The lien of the Mortgage securing the consolidated principal amount is expressly insured as having first lien priority by a title insurance policy, an endorsement to the policy insuring the mortgagee's consolidated interest or by other title evidence acceptable to Fannie Mae and Freddie Mac. The consolidated principal amount does not exceed the original principal amount of the Loan;

37) Except as set forth on the Loan Schedule, no Loan has a balloon payment feature;

38) If the residential dwelling on the Mortgaged Property is a condominium unit or a unit in a planned unit development (other than a de minimis planned unit development) such condominium or planned unit development project meets the eligibility requirements of Fannie Mae and Freddie Mac;

39) Interest on each Loan is calculated on the basis of a 360-day year consisting of twelve 30-day months;

40) The Mortgaged Property is in material compliance with all applicable environmental laws pertaining to environmental hazards including, without limitation, asbestos, and neither the Loan Originator nor, to the Loan Originator's knowledge, the related Borrower has received any notice of any

violation or potential violation of such law;

41) No Loan is in violation of the Home Ownership and Equity Protection Act of 1994;

42) The Mortgage Loan is a "qualified mortgage" within the meaning of Section 860G(a)(3) or any successor provision thereof of Internal Revenue Code of 1986, as amended;

43) The Issuer has caused or will cause to be performed any and all acts required to preserve the rights and remedies of Noteholders in any insurance policies applicable to the Mortgage Loans including, without limitation, any necessary notifications of insurers, assignments of policies or interests therein, and establishments of coinsured, joint loss payee and mortgagee rights in favor of Noteholders;

44) The origination date is no earlier than four (4) months prior to the date the Mortgage Loan is initially purchased by the Trust,

45) No Borrower is offered or required to purchase single premium credit insurance in connection with the origination of the related Mortgage Loan, and

46) Each Mortgage Loan at the time it was made complied in all material respects with applicable local, state, and federal laws, including, but not limited to, all applicable predatory and abusive lending laws.

EXHIBIT F

SERVICING ADDENDUM

Section 4.01 Duties of the Servicer.

The Servicer, as independent contract servicer, shall service and administer the Loans in accordance with this Agreement and shall have full power and authority, acting alone, to do or cause to be done any and all things in connection with such servicing and administration which the Servicer may deem necessary or desirable and consistent with the terms of this Agreement.

The duties of the Servicer shall include collecting and posting of all payments, responding to inquiries of Borrowers or by federal, state or local government authorities with respect to the Loans, investigating delinquencies, reporting tax information to Borrowers in accordance with its customary practices and accounting for collections and furnishing monthly and annual statements to the Indenture Trustee and the Initial Noteholder, with respect to distributions, making Servicing Advances pursuant hereto. The Servicer shall follow its customary standards, policies and procedures in performing its duties as Servicer. The Servicer shall cooperate with the Indenture Trustee and furnish to the Indenture Trustee with reasonable promptness information in its possession as may be necessary or appropriate to enable the Indenture Trustee to perform its tax reporting duties hereunder, if any.

The Servicer shall give prompt notice to the Indenture Trustee and the Initial Noteholder of any Proceeding, of which the Servicer has actual knowledge, to (i) assert a claim against the Trust or (ii) assert jurisdiction over the Trust.

In the event of a Disposition or other removal of a Loan from the Trust Estate, the Servicer's obligations under this Agreement shall be terminated with respect to such Loan.

The Servicer agrees that in the event that any Notes are outstanding after the applicable Maturity Date and the Majority Noteholders may appoint a successor servicer in accordance with the provisions of Section 9.02. The Majority Noteholders may, by written notice to the Servicer and the Indenture Trustee, elect to have the Servicer continue its duties hereunder after such Maturity Date.

Consistent with the terms of this Agreement, the Servicer may waive, modify or vary any term of any Loan or consent to the postponement of strict compliance with any such term or in any manner grant indulgence to any Borrower if in the Servicer's reasonable and prudent determination such waiver, modification, postponement or indulgence is not materially adverse to the Issuer or the Noteholders; provided, however, that the Servicer shall not permit any modification with respect to any Loan that would change the Loan Interest Rate, defer or forgive the payment thereof or of any principal or interest payments, reduce the outstanding principal amount (except for actual payments of principal), make additional advances of additional principal or extend the final maturity date on such Loan. Without limiting the generality of the foregoing, the Servicer shall continue, and is hereby authorized and empowered, to execute and deliver on behalf of itself, and the Issuer, all instruments of satisfaction or cancellation, or of partial or full release, discharge and all other comparable instruments, with respect to the Loans and with respect to the Mortgaged Property. If

reasonably required by the Servicer, the Issuer shall furnish the Servicer with any powers of attorney and other documents necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties under this Agreement.

In servicing and administering the Loans, the Servicer shall employ procedures including collection procedures and exercise the same care that it customarily employs and exercises in servicing and administering mortgage loans for its own account giving due consideration to accepted mortgage servicing practices of prudent lending institutions and the Issuer's and the Noteholders' reliance on the Servicer.

Section 4.02 Collection of Loan Payments.

Continuously from the date hereof until the principal and interest on all Loans are paid in full, the Servicer shall proceed diligently to collect all payments due under each Loan when the same shall become due and payable and shall, to the extent such procedures shall be consistent with this Agreement and the terms and provisions of any related Primary Insurance Policy, follow such collection procedures as it follows with respect to mortgage loans comparable to the Loans and held for its own account. Further, the Servicer shall take special care in ascertaining and estimating annual ground rents, taxes, assessments, water rates, fire and hazard insurance premiums, mortgage insurance premiums, and all other charges that, as provided in the Mortgage, will become due and payable to the end that the installments payable by the Borrowers will be sufficient to pay such charges as and when they become due and payable.

Section 4.03 Realization Upon Defaulted Loans.

(a) The Servicer shall use its best efforts, consistent with the procedures that the Servicer would use in servicing loans for its own account, to foreclose upon or otherwise comparably convert the ownership of such Mortgaged Properties as come into and continue in default and as to which no satisfactory arrangements can be made for collection of delinquent payments pursuant to Section 4.01. The Servicer shall use its best efforts to realize upon Defaulted Loans in such a manner as will maximize the receipt of principal and interest by the Issuer, taking into account, among other things, the timing of foreclosure proceedings; provided, however, that the Servicer shall not sell any Defaulted Loan unless it has been directed to do so by the Majority

Noteholder. The foregoing is subject to the provisions that, in any case in which Mortgaged Property shall have suffered damage, the Servicer shall not be required to expend its own funds toward the restoration of such property in excess of $2,000 unless it shall determine in its discretion (i) that such restoration will increase the proceeds of liquidation of the related Loan to the Issuer after reimbursement to itself for such expenses, and (ii) that such expenses will be recoverable by the Servicer through Mortgage Insurance Proceeds or Liquidation Proceeds from the related Mortgaged Property. In the event that any payment due under any Loan is not paid when the same becomes due and payable, or in the event the Borrower fails to perform any other covenant or obligation under the Loan and such failure continues beyond any applicable grace period, the Servicer shall take such action as it shall deem to be in the best interest of the Issuer and the Noteholders. The Servicer shall notify the Issuer and the Noteholders in writing of the commencement of foreclosure proceedings. In such connection, the Servicer shall be responsible for all costs and expenses incurred by it in any such proceedings; provided, however, that it shall be entitled to reimbursement thereof from the related Mortgaged Property.

(b) Notwithstanding the foregoing provisions of this Section 4.03, with respect to any Loan as to which the Servicer has received actual notice of, or has actual knowledge of, the presence of any toxic or hazardous substance on the related Mortgaged Property the Servicer shall not either (i) obtain title to such Mortgaged Property as a result of or in lieu of foreclosure or otherwise, or (ii) otherwise acquire possession of, or take any other action, with respect to, such Mortgaged Property if, as a result of any such action, the Issuer would be considered to hold title to, to be a mortgagee-in-possession of, or to be an owner or operator of such Mortgaged Property within the meaning of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, or any comparable law, unless the Servicer has also previously determined, based on its reasonable judgment and a prudent report prepared by a Person who regularly conducts environmental audits using customary industry standards, that:

(1) such Mortgaged Property is in compliance with applicable environmental laws or, if not, that it would be in the best economic interest of the Issuer and the Noteholders to take such actions as are necessary to bring the Mortgaged Property into compliance therewith; and

(2) there are no circumstances present at such Mortgaged Property relating to the use, management or disposal of any hazardous substances, hazardous materials, hazardous wastes, or petroleum-based materials for which investigation, testing, monitoring, containment, clean-up or remediation could be required under any federal, state or local law or regulation, or that if any such materials are present for which such action could be required, that it would be in the best economic interest of the Issuer and the Noteholders to take such actions with respect to the affected Mortgaged Property.

The cost of the environmental audit report contemplated by this Section 4.03 shall be advanced by the Servicer, subject to the Servicer's right to be reimbursed therefor from the Collection Account as provided in Section 5.01(c).

If the Servicer determines, as described above, that it is in the best economic interest of the Issuer and the Noteholders to take such actions as are necessary to bring any such Mortgaged Property into compliance with applicable environmental laws, or to take such action with respect to the containment, clean-up or remediation of hazardous substances, hazardous materials, hazardous wastes, or petroleum-based materials affecting any such Mortgaged Property, then the Servicer shall take such action as it deems to be in the best economic interest of the Issuer and the Noteholders. The cost of any such compliance, containment, cleanup or remediation shall be advanced by the Servicer, subject

to the Servicer's right to be reimbursed therefor from the Collection Account as provided in Section 5.01(c).

(c) The Servicer shall determine, with respect to each Defaulted Loan, when it has recovered, whether through trustee's sale, foreclosure sale or otherwise, all amounts it expects to recover from or on account of such defaulted Loan, whereupon such Loan shall become a "Liquidated Loan" and shall promptly deliver to the Initial Noteholder a related liquidation report with respect to such Liquidated Loan.

Section 4.04 Establishment of Escrow Accounts, Deposits in Escrow Accounts.

The Servicer shall segregate and hold all funds collected and received pursuant to each Loan which constitute Escrow Payments separate and apart from any of its own funds and general assets and shall establish and maintain one or more Escrow Accounts, in accordance with the related Mortgage and applicable law.

The Servicer shall deposit in the Escrow Account or Accounts within two (2) Business Days after receipt, and retain therein, (i) all Escrow Payments collected on account of the Loans, for the purpose of effecting timely payment of any such items as required under the terms of this Agreement, and (ii) all Mortgage Insurance Proceeds which are to be applied to the restoration or repair of any Mortgaged Property. The Servicer shall make withdrawals therefrom only to effect such payments as are required under this Agreement, and for such other purposes as shall be as set forth or in accordance with Section 4.06. The Servicer shall be entitled to retain any interest paid on funds deposited in the Escrow Account by the depository institution other than interest on escrowed funds required by law to be paid to the Borrower and, to the extent required by law, the Servicer shall pay interest on escrowed funds to the Borrower notwithstanding that the Escrow Account is non-interest bearing or that interest paid thereon is insufficient for such purposes.

Section 4.05 Permitted Withdrawals From Escrow Account.

Withdrawals from the Escrow Account may be made by the Servicer (i) to effect timely payments of ground rents, taxes, assessments, water rates, hazard insurance premiums, Primary Insurance Policy premiums, if applicable, and comparable items, (ii) to reimburse the Servicer for any Servicing Advance made by the Servicer with respect to a related Loan but only from amounts received on the related Loan which represent late payments or collections of Escrow Payments thereunder, (iii) to refund to the Borrower any funds as may be determined to be overages, (iv) for transfer to the Collection Account in accordance with the terns of this Agreement, (v) for application to restoration or repair of the Mortgaged Property, (vi) to pay to the Servicer, or to the Borrower to the extent required by law, any interest paid on the funds deposited in the Escrow Account, or (vii) to clear and terminate the Escrow Account on the termination of this Agreement.

Section 4.06 Payment of Taxes, Insurance and Other Charges, Maintenance of Primary Insurance Policies; Collections Thereunder.

With respect to each Loan, the Servicer shall maintain accurate records reflecting the status of ground rents, taxes, assessments, water rates and other charges which are or may become a lien upon the Mortgaged Property and the status of Primary Insurance Policy premiums and fire and hazard insurance coverage and shall obtain, from time to time, all bills for the payment of such charges, including insurance renewal premiums and shall effect payment thereof prior to the applicable penalty or termination date and at a time appropriate for securing maximum discounts allowable, employing for such purpose deposits of the Borrower in the Escrow Account which shall have been estimated and accumulated by the Servicer in amounts sufficient for such purposes, as allowed under the terms of the Mortgage and applicable law. To the extent that the

Mortgage does not provide for Escrow Payments, the Servicer shall determine that any such insurance premium payments are made by the Borrower at the time they first become due and any such tax payments are made in time to avoid loss of the Mortgaged Property in a tax sale. The Servicer assumes full responsibility for the timely payment of all such bills and shall effect payments of all such bills prior to the termination of any such insurance coverage or loss of any such Mortgaged Property in a tax

sale irrespective of the Borrower's faithful performance in the payment of same or the making of the Escrow Payments and shall make advances from its own funds to effect such payments.

The Servicer shall maintain in full force and effect, a Primary Insurance Policy, issued by a Qualified Insurer, with respect to each Loan for which such coverage is required. Such coverage shall be maintained until the Loan-to-Value Ratio of the related Loan is reduced to that amount for which Fannie Mae no longer requires such insurance to be maintained. The Servicer will not cancel or refuse to renew any Primary Insurance Policy, if any, in effect on the Closing Date that is required to be kept in force under this Agreement unless a replacement Primary Insurance Policy, if any, for such canceled or non-renewed policy is obtained from and maintained with a Qualified Insurer. The Servicer shall not take any action which would result in non-coverage under any applicable Primary Insurance Policy of any loss which, but for the actions of the Servicer, would have been covered thereunder. In connection with any assumption or substitution agreement entered into or to be entered into pursuant to Section 4.12, the Servicer shall promptly notify the insurer under the related Primary Insurance Policy, if any, of such assumption or substitution of liability in accordance with the terms of such policy and shall take all actions which may be required by such insurer as a condition to the continuation of coverage under the Primary Insurance Policy, if any. If such Primary Insurance Policy is terminated as a result of such assumption or substitution of liability, the Servicer shall obtain a replacement Primary Insurance Policy as provided above.

In connection with its activities as servicer, the Servicer agrees to prepare and present, on behalf of itself, the Issuer and the Noteholders, claims to the insurer under any Primary Insurance Policy in a timely fashion in accordance with the terms of such policies and, in this regard, to take such action as shall be necessary to permit recovery under any Primary Insurance Policy respecting a defaulted Loan. Pursuant to Section 5.01, any amounts collected by the Servicer under any Primary Insurance Policy shall be deposited in the Collection Account.

Section 4.07 Transfer of Accounts.

The Servicer may transfer the Collection Account or the Escrow Account to a different depository institution from time to time. Such transfer shall be made only upon obtaining the consent of the Initial Noteholder, which consent shall not be unreasonably withheld or delayed. In any case, the Collection Account and the Escrow Account shall be an Eligible Account.

Section 4.08 Maintenance of Hazard Insurance.

The Servicer shall cause to be maintained for each Loan fire and hazard insurance with extended coverage as is customary in the area where the Mortgaged Property is located in an amount which is at least equal to the lesser of (i) 100% of the maximum insurable value of the improvements securing the Loan or (ii) the outstanding principal balance of the Loan, in each case in an amount not less than such amount as is necessary to prevent the Borrower and/or the Issuer from becoming a co-insurer. If the Mortgaged Property is in an area identified on a Flood Hazard Boundary Map or Flood Insurance Rate Map issued by the Flood Emergency Management Agency as having special flood hazards and such flood insurance has been made available, the Servicer will cause to. be maintained a flood insurance policy meeting the requirements of the current

guidelines of the Federal Insurance Administration with a generally acceptable insurance carrier, in an amount representing coverage not less than the lesser of (i) the outstanding principal balance of the Loan

or (ii) the maximum amount of insurance which is available under the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended. The Servicer also shall maintain on any Foreclosure Property, fire and hazard insurance with extended coverage in an amount which is at least equal to the lesser of (i) 100% of the maximum insurable value of the improvements which are a part of such property and (ii) the outstanding principal balance of the related Loan at the time it became a Foreclosure Property, liability insurance and, to the extent required and available under the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended, flood insurance in an amount as provided above. Pursuant to Section 5.01, any amounts collected by the Servicer under any such policies other than amounts to be deposited in the Escrow Account and applied to the restoration or repair of the Mortgaged Property or Foreclosure Property, or released to the Borrower in accordance with the Servicer's normal servicing procedures, shall be deposited in the Collection Account, subject to withdrawal pursuant to Section 5.01. Any cost incurred by the Servicer in maintaining any such insurance shall not, for the purpose of calculating distributions to the Issuer or the Noteholders, be added to the unpaid principal balance of the related Loan, notwithstanding that the terms of such Loan so permit. It is understood and agreed that no earthquake or other additional insurance need be required by the Servicer or the Borrower or maintained on property acquired in respect of the Loan, other than pursuant to such applicable laws and regulations as shall at any time be in force and as shall require such additional insurance. All such policies shall be endorsed with standard mortgagee clauses with loss payable to the Servicer, or upon the direction of the Initial Noteholder to the Indenture Trustee, and shall provide for at least thirty days prior written notice of any cancellation, reduction in the amount of, or material change in, coverage to the Servicer. The Servicer shall not interfere with the Borrower's freedom of choice in selecting either his insurance carrier or agent, provided, however, that the Servicer shall not accept any such insurance policies from insurance companies unless such companies currently reflect a General Policy Rating of B:III or better in Best's Key Rating Guide and are licensed to do business in the state wherein the property subject to the policy is located.

Section 4.09 Maintenance of Mortgage Impairment Insurance Policy.

In the event that the Servicer shall obtain and maintain a mortgage impairment or blanket policy issued by an issuer that has a Best rating of B:III insuring against hazard losses on all of Mortgaged Properties securing the Loans, then, to the extent such policy provides coverage in an amount equal to the amount required pursuant to Section 4.08 and otherwise complies with all other requirements of Section 4.08, the Servicer shall conclusively be deemed to have satisfied its obligations as set forth in Section 4.08, it being understood and agreed that such policy may contain a deductible clause, in which case the Servicer shall, in the event that there shall not have been maintained on the related Mortgaged Property or Foreclosure Property a policy complying with Section 4.08, and there shall have been one or more losses which would have been covered by such policy, deposit in the Collection Account the amount not otherwise payable under the blanket policy because of such deductible clause. In connection with its activities as servicer of the Loans, the Servicer agrees to prepare and present, on behalf of the Issuer and the Noteholders, claims under any such blanket policy in a timely fashion in accordance with the terms of such policy. Upon request of the Initial Noteholder, the Servicer shall cause to be delivered to the Noteholders a certified true copy of such policy and a statement from the insurer thereunder that such policy shall in no event be terminated or materially modified without thirty days prior written notice to the Issuer and the Noteholders.

Section 4.10 Fidelity Bond, Errors and Omissions Insurance.

The Servicer shall maintain, at its own expense, a blanket fidelity bond and an errors and omissions insurance policy, with broad coverage with financially responsible companies on all officers, employees or other persons acting in any capacity with regard to the Loans to handle funds, money, documents and papers relating to the Loans. The fidelity bond and errors and omissions insurance shall be in the form of the Mortgage Banker's Blanket Bond and shall protect and insure the Servicer against losses, including forgery, theft, embezzlement, fraud, errors and omissions and negligent acts of such persons. Such fidelity bond shall also protect and insure the Servicer against losses in connection with the failure to maintain any insurance policies required pursuant to this Agreement and the release or satisfaction of a Loan without having obtained payment in full of the indebtedness secured thereby. No provision of this Section 4.10 requiring the fidelity bond and errors and omissions insurance shall diminish or relieve the Servicer from its duties and obligations as set forth in this Agreement. The minimum coverage under any such bond and insurance policy shall be at least equal to the corresponding amounts required by Fannie Mae in the Fannie Mae Servicing Guide or by Freddie Mac in the Freddie Mac Sellers' and Servicers' Guide. Upon request of the Initial Noteholder, the Servicer shall cause to be delivered to the Noteholders a certified true copy of the fidelity bond and insurance policy and a statement from the surety and the insurer that such fidelity bond or insurance policy shall in no event be terminated or materially modified without thirty days' prior written notice to the Initial Noteholder.

Section 4.11 Title, Management and Disposition of Foreclosure Property.

In the event that title to the Mortgaged Property is acquired in foreclosure or by deed in lieu of foreclosure, the deed or certificate of sale shall be taken in the name of the person designated by the Issuer, or in the event such person is not authorized or permitted to hold title to real property in the state where the Foreclosure Property is located, or would be adversely affected under the "doing business" or tax laws of such state by so holding title, the deed or certificate of sale shall be taken in the name of such Person or Persons as shall be consistent with an opinion of counsel obtained by the Servicer from an attorney duly licensed to practice law in the state where the Foreclosure Property is located. Any Person or Persons holding such title other than the Issuer shall acknowledge in writing that such title is being held as nominee for the benefit of the Issuer and the Noteholders.

The Servicer shall either itself or through an agent selected by the Servicer, manage, conserve, protect and operate each Foreclosure Property (and may temporarily rent the same) in the same manner that it manages, conserves, protects and operates other foreclosed property for its own account, and in the same manner that similar property in the same locality as the Foreclosure Property is managed. If a REMIC election is or is to be made with respect to the arrangement under which the Mortgage Loans and any Foreclosure Property are held, the Servicer shall manage, conserve, protect and operate each Foreclosure Property in a manner which does not cause such Foreclosure Property to fail to qualify as "foreclosure property" within the meaning of Section 860G(a)(8) of the Code or result in the receipt by such REMIC of any "income from non-permitted assets" within the meaning of Section 860F(a)(2)(B) of the Code or any "net income from foreclosure property" within the meaning of Section 860G(c)(2) of the Code. The Servicer shall cause each Foreclosure Property to be inspected promptly upon the acquisition of title thereto and shall cause each Foreclosure Property to be inspected at least annually thereafter. The Servicer shall make or cause to be made a written report of each such inspection. Such reports shall be

retained in the Loan File and copies thereof shall be forwarded by the Servicer to the Issuer. The Servicer shall use its best efforts to dispose of the Foreclosure Property as soon as possible. The Servicer shall report monthly to

the Issuer and the Noteholders as to the progress being made in selling such Foreclosure Property, and if, with the written consent of the Initial Noteholder, a purchase money mortgage is taken in connection with such sale, such purchase money mortgage shall name the Servicer as mortgagee, and a separate servicing agreement between the Servicer and the Issuer shall be entered into with respect to such purchase money mortgage. Notwithstanding the foregoing, if a REMIC election is made with respect to the arrangement under which the Loans and the Foreclosure Property are held, such Foreclosure Property shall be disposed of within three years after the end of the tax year in which such property becomes Foreclosure Property or such other period as may be permitted under Section 860G(a)(8) of the Code.

The final sale by the Servicer of any Foreclosure Property ("REO Disposition") shall be carried out by the Servicer at such price and upon such terms and conditions as the Servicer deems to be in the best interest of the Issuer and the Noteholders only with the prior written consent of the Initial Noteholder. If as of the date title to any Foreclosure Property was acquired by the Issuer there were outstanding unreimbursed Servicing Advances with respect to the Foreclosure Property, the Servicer, upon an REO Disposition of such Foreclosure Property, shall be entitled to reimbursement for any related unreimbursed Servicing Advances from Liquidation Proceeds received in connection with such REO Disposition. The Net Liquidation Proceeds from the REO Disposition shall be deposited in the Collection Account promptly following receipt thereof for distribution on the succeeding Payment Date in accordance with Section 5.01.

Section 4.12 Assumption Agreements.

The Servicer shall, to the extent it has knowledge of any conveyance or prospective conveyance by any Borrower of the Mortgaged Property (whether by absolute conveyance or by contract of sale, and whether or not the Borrower remains or is to remain liable under the Promissory Note and/or the Mortgage), exercise its rights to accelerate the maturity of such Loan under any "due-on-sale" clause applicable thereto; provided, however, that the Servicer shall not exercise any such rights if prohibited by law from doing so or if the exercise of such rights would impair or threaten to impair any recovery under the related Primary Insurance Policy, if any, and shall not be required to exercise such rights if the transferee of the Mortgaged Property would qualify for an assumption or substitution under the Servicer's underwriting guidelines. If the Servicer reasonably believes it is unable under applicable law to enforce such "due-on-sale" clause, the Servicer shall enter into an assumption agreement with the person to whom the Mortgaged Property has been conveyed or is proposed to be conveyed, pursuant to which such person becomes liable under the Promissory Note and, to the extent permitted by applicable state law, the Borrower remains liable thereon. Where an assumption is allowed pursuant to this Section 4.12, the Servicer, with the prior written consent of the insurer under the Primary Insurance Policy, if any, is authorized to enter into a substitution of liability agreement with the person to whom the Mortgaged Property has been conveyed or is proposed to be conveyed pursuant to which the original Borrower is released from liability and such Person is substituted as Borrower and becomes liable under the related Promissory Note. Any such substitution of liability agreement shall be in lieu of an assumption agreement.

In connection with any such assumption or substitution of liability, the Servicer shall follow the underwriting practices and procedures of prudent mortgage lenders in the state in which the

related Mortgaged Property is located. With respect to an assumption or substitution of liability, Loan Interest Rate, the amount of the Monthly Payment, and the final maturity date of such Promissory Note may not be changed. The Servicer shall notify the Issuer and the Noteholders that any such substitution of liability or assumption agreement has been completed and shall forward to the Custodian the original of any such substitution of liability or assumption agreement, which document shall be added to the related Loan File and shall, for all purposes, be considered a part of such Loan File to the same

extent as all other documents and instruments constituting a part thereof. Any fee collected by the Servicer for entering into an assumption or substitution of liability agreement shall be deemed additional Servicing Compensation.

Notwithstanding the foregoing paragraphs of this Section or any other provision of this Agreement, the Servicer shall not be deemed to be in default, breach or any other violation of its obligations hereunder by reason of any assumption of a Loan by operation of law or any assumption which the Servicer may be restricted by law from preventing, for any reason whatsoever. For purposes of this Section 4.12, the term "assumption" is deemed to also include a sale of the Mortgaged Property subject to the Mortgage that is not accompanied by an assumption or substitution of liability agreement.

Section 4.13 Satisfaction of Mortgages and Release of Loan Files.

Upon the payment in full of any Loan, or the receipt by the Servicer of a notification that payment in full will be escrowed in a manner customary for such purposes, the Servicer will immediately notify the Issuer and the Initial Noteholder by a certification of a servicing officer of the Servicer (a "Servicing Officer"), which certification shall include a statement to the effect that all amounts received or to be received in connection with such payment which are required to be deposited in the Collection Account pursuant to Section 5.01 have been or will be so deposited, and shall request execution of any document necessary to satisfy the Loan and delivery to it of the portion of the Loan File held by Custodian. Upon receipt of a Request for Release and Receipt, the Custodian shall promptly release the related mortgage documents to the Servicer in accordance with the Custodial Agreement and the Servicer shall prepare and process any satisfaction or release. No expense incurred in connection with any instrument of satisfaction or deed of reconveyance shall be chargeable to the Collection Account or the Issuer.

In the event the Servicer satisfies or releases a Mortgage without having obtained payment in full of the indebtedness secured by the Mortgage or should it otherwise prejudice any right the Issuer or the Noteholders may have under the mortgage instruments, the Servicer, upon written demand, shall remit to the Issuer the then outstanding principal balance of the related Loan by deposit thereof in the Collection Account. The Servicer shall maintain the fidelity bond insuring the Servicer against any loss it may sustain with respect to any Loan not satisfied in accordance with the procedures set forth herein.

From time to time and as appropriate for the servicing or foreclosure of the Loan, including for this purpose collection under any Primary Insurance Policy, the Custodian shall, upon request of the Servicer and delivery to the Custodian of a servicing receipt signed by a Servicing Officer, release the requested portion of the Loan File held by the Custodian to the Servicer. Such servicing receipt shall obligate the Servicer to return the related Mortgage documents to the Custodian when the need therefor by the Servicer no longer exists, unless the Loan has been liquidated and the

Liquidation Proceeds relating to the Loan have been deposited in the Collection Account or the Loan File or such document has been delivered to an attorney, or to a public trustee or other public official as required by law, for purposes of initiating or pursuing legal action or other proceedings for the foreclosure of the Mortgaged Property either judicially or non judicially, and the Servicer has delivered to the Custodian a certificate of a Servicing Officer certifying as to the name and address of the Person to which such Loan File or such document was delivered and the purpose or purposes of such delivery. Upon receipt of a certificate of a Servicing Officer stating that such Loan was liquidated, the servicing receipt shall be released by the Custodian to the Servicer.

Section 4.14 Advances by the Servicer.

(a) Not later than the close of business on the Business Day preceding each Remittance Date, the Servicer shall deposit in the Collection Account an

amount equal to all payments not previously advanced by the Servicer, whether or not deferred pursuant to Section 4.01, of principal (due after the Transfer Cut-off Date) and interest not allocable to the period prior to the Transfer Cutoff Date, at the Loan Interest Rate net of the Servicing Fee, which were due on a Loan and delinquent at the close of business on the related Remittance Date; provided, however, that the Servicer shall not be required to deposit such amount if the amount on deposit in the Collection Account on that Remittance Date (exclusive of any Monthly Advance required to be effective pursuant to this Section 4.14) is at least sufficient to fund in full the items described in Sections 5.01(c)(3)(i) through 5.01(c)(3)(v) hereof on the related Payment Date, and, if the amount on deposit in the Collection Account is less than the sum of such items, the Servicer shall only be required to deposit an amount equal to the shortfall. The obligation of the Servicer to make such Monthly Advances is mandatory, notwithstanding any other provision of this Agreement, and, with respect to any Loan or Foreclosure Property, shall continue until a Final Recovery Determination in connection therewith; provided that, notwithstanding anything herein to the contrary, no Monthly Advance shall be required to be made hereunder by the Servicer if such Monthly Advance would, if made, constitute a Nonrecoverable Monthly Advance. The determination by the Servicer that it has made a Nonrecoverable Monthly Advance or that any proposed Monthly Advance, if made, would constitute a Nonrecoverable Monthly Advance, shall be evidenced by an Officers' Certificate delivered to the Issuer and the Indenture Trustee.

(b) The Servicer will pay all out-of-pocket costs and expenses incurred in the performance of its servicing obligations including, but not limited to, the cost of (i) Preservation Expenses, (ii) any enforcement or judicial proceedings, including foreclosures, (iii) inspection fees and expenses and (iv) the management and liquidation of Foreclosure Property but is only required to pay such costs and expenses to the extent the Servicer reasonably believes such costs and expenses will increase Net Liquidation Proceeds on the related Loan. Each such amount so paid will constitute a "Servicing Advance." The Servicer may recover Servicing Advances (x) from the Borrowers to the extent permitted by the Loans, from Liquidation Proceeds realized upon the liquidation of the related Loan and (y) as provided in Sections 5.01(c)(1)(ii) or 5.01(c)(3)(i) hereof. In no case may the Servicer recover Servicing Advances from principal and interest payments on any Loan or from any amounts relating to any other Loan except as provided pursuant to Sections 5.01(c)(1)(ii) or 5.01(c)(3)(i) hereof.

Section 4.15 Servicing Compensation.

As compensation for its services hereunder, the Servicer shall, subject to Section 5.01(c), be entitled to withdraw from the Collection Account or to retain from interest payments on the Loans the amounts provided for as the Servicer's Servicing Fee. Additional servicing compensation in the form of assumption fees, non-sufficient fund fees, modification fees, substitution fees and other ancillary income, as provided in Section 4.12, and late payment charges or otherwise shall be retained by the Servicer to the extent not required to be deposited in the Collection Account. The Servicer shall be required to pay all expenses incurred by it in connection with its servicing activities hereunder and shall not be entitled to reimbursement therefor except as specifically provided for.

Section 4.16 Notification of Adjustments.

On each Adjustment Date, the Servicer shall make interest rate adjustments for each ARM in compliance with the requirements of the related Mortgage and Promissory Note. The Servicer shall execute and deliver the notices required by each Mortgage and Promissory Note regarding interest rate adjustments. The Servicer also shall provide timely notification to the Noteholders of all applicable data and information regarding such interest rate adjustments and the Servicer's methods of implementing such interest rate adjustments. Upon the discovery by the Servicer or the any Noteholder that the Servicer has failed to adjust a Loan Interest Rate or a Monthly Payment pursuant to the terms of the related Promissory Note and Mortgage, the Servicer shall immediately deposit in the Collection Account from its own funds the amount of any interest loss caused

thereby without reimbursement therefor.

Section 4.17 Statement as to Compliance.

The Servicer will deliver to the Issuer, the Indenture Trustee and the Initial Noteholder not later than 90 days following the end of each fiscal year of the Servicer, which as of the Closing Date ends on April 30, an Officers' Certificate stating, as to each signatory thereof, that (i) a review of the activities of the Servicer during the preceding year and of performance under this Agreement has been made under such officers' supervision and (ii) to the best of such officers' knowledge, based on such review, the Servicer has fulfilled all of its obligations under this Agreement throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to such officer and the nature and status thereof.

Section 4.18 Independent Public Accountants' Servicing Report.

Not later than 90 days following the end of each fiscal year of the Servicer, the Servicer at its expense shall cause a firm of independent public accountants (which may also render other services to the Servicer) which is a member of the American Institute of Certified Public Accountants to furnish a statement to the Issuer, the Indenture Trustee and the Initial Noteholder to the effect that such firm has examined certain documents and records relating to the servicing of the Loans under this Agreement and that, on the basis of such examination conducted substantially in compliance with the Uniform Single Attestation Program for Mortgage Bankers, such firm confirms that such servicing has been conducted in compliance with such pooling and servicing agreements except for such significant exceptions or errors in records that, in the opinion of such firm, the Uniform Single Attestation Program for Mortgage Bankers requires it to report.

Section 4.19 Access to Certain Documentation.

The Servicer shall provide to the Office of Thrift Supervision, the FDIC and any other federal or state banking or insurance regulatory authority that may exercise authority over the Issuer or any Noteholder access to the documentation regarding the Loans serviced by the Servicer required by applicable laws and regulations. Such access shall be afforded without charge, but only upon reasonable request and during normal business hours at the offices of the Servicer. In addition, access to the documentation will be provided to the Issuer or any Noteholder and any Person identified to the Servicer by the Issuer or any Noteholder without charge, upon reasonable request during normal business hours at the offices of the Servicer.

Section 4.20 Reports and Returns to be Filed by the Servicer.

The Servicer shall file information reports with respect to the receipt of mortgage interest received in a trade or business, reports of foreclosures and abandonments of any Mortgaged Property and information returns relating to cancellation of indebtedness income with respect to any Mortgaged Property as required by Sections 6050H, 6050J and 6050P of the Code. Such reports shall be in form and substance sufficient to meet the reporting requirements imposed by such Sections 6050H, 6050J and 6050P of the Code.

Section 4.21 Compliance with REMIC Provisions.

If a REMIC election has been made with respect to the arrangement under which the Loans and Foreclosure Property are held, the Servicer shall not take any action, cause the REMIC to take any action or fail to take (or fail to cause to be taken) any action that, under the REMIC Provisions, if taken or not taken, as the case may be, could (i) endanger the status of the REMIC as a REMIC or (ii) result in the imposition of a tax upon the REMIC (including but not limited to the tax on "prohibited transactions" as defined in Section 860F(a)(2) of the Code and the tax on "contributions" to a REMIC set forth in Section 860G(d) of

the Code) unless the Servicer has received an Opinion of Counsel (at the expense of the party seeking to take such action) to the effect that the contemplated action will not endanger such REMIC status or result in the imposition of any such tax.

Section 4.22 Subservicing Agreements Between Servicer and Subservicers.

The Servicer may enter into Subservicing Agreements for any servicing and administration of Loans with any institution which is in compliance with the laws of each state necessary to enable it to perform its obligations under such Subservicing Agreement and is an Eligible Servicer. The Servicer shall give notice to the Indenture Trustee and the Initial Noteholder of the appointment of any Subservicer which is not an Affiliate of the Servicer and shall furnish to the Indenture Trustee and the Initial Noteholder a copy of the Subservicing Agreement (along with any modifications thereto) between the Servicer and any Subservicer that is not an Affiliate of the Servicer. For purposes of this Agreement, the Servicer shall be deemed to have received payments on Loans when any Subservicer has received such payments. Any such Subservicing Agreement shall be consistent with and not violate the provisions of this Agreement.

Section 4.23 Successor Subservicers.

Upon notice to the Indenture Trustee and the Initial Noteholder (except if the Subservicer is an Affiliate of the Servicer), the Servicer shall be entitled to terminate any Subservicing Agreement in accordance with the terms and conditions of such Subservicing Agreement and to either itself directly service the related Loans or enter into a Subservicing Agreement with a successor Subservicer which qualifies under Section 4.22.

Section 4.24 Liability of Servicer.

The Servicer shall not be relieved of its obligations under this Agreement notwithstanding any Subservicing Agreement or any of the provisions of this Agreement relating to agreements or arrangements between the Servicer and a Subservicer or otherwise, and the Servicer shall be obligated to the same extent and under the same terms and conditions as if it alone were servicing and administering the Loans. The Servicer shall be entitled to enter into any agreement with a Subservicer for indemnification of the Servicer by such Subservicer and nothing contained in such Subservicing Agreement shall be deemed to limit or modify this Agreement. The Trust shall not indemnify the Servicer for any losses due to the Servicer's negligence.

Section 4.25 No Contractual Relationship Between Subservicer and Indenture Trustee or the Securityholders.

Any Subservicing Agreement and any other transactions or services relating to the Loans involving a Subservicer shall be deemed to be between the Subservicer and the Servicer alone and no party hereto nor the Securityholders shall be deemed parties thereto and shall have no claims, rights, obligations, duties or liabilities with respect to any Subservicer except as set forth in Section 4.26.

Section 4.26 Assumption or Termination of Subservicing Agreement by Successor Servicer.

In connection with the assumption of the responsibilities, duties and liabilities and of the authority, power and rights of the Servicer hereunder by a successor Servicer pursuant to Section 9.02, it is understood and agreed that the Servicer's rights and obligations under any Subservicing Agreement then in force between the servicer and a Subservicer may be assumed or terminated by the successor Servicer at its option without the payment of any fee (notwithstanding any contrary provision in any Subservicing Agreement).

The Servicer shall, upon request of the successor Servicer, but at the expense of the Servicer, deliver to the assuming parry documents and records

relating to each Subservicing Agreement and an accounting of amounts collected and held by it and otherwise use its best reasonable efforts to effect the orderly and efficient transfer of the Subservicing Agreements to the assuming party, without the payment of any fee by the successor Servicer, notwithstanding any contrary provision in any Subservicing Agreement.

EXHIBIT G

FORM OF QUARTERLY COMPLIANCE CERTIFICATE

OPTION ONE MORTGAGE CORPORATION

Dated:_____

Pursuant to that certain SALE AND SERVICING AGREEMENT, dated as of April 1, 2000 (the "Agreement"), among OPTION ONE OWNER TRUST 2001-2 (the "Issuer"), OPTION ONE LOAN WAREHOUSE CORPORATION (the "Depositor"), OPTION ONE MORTGAGE CORPORATION (the "Servicer" or "Option One") and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION (the "Indenture Trustee"), [name], [title] of Option One, do hereby certify that Option One is in compliance with all provisions and terms of the Agreement as of [insert compliance reporting period], including, but not limited to, those provisions and terms listed below. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Agreement.

1. Pursuant to Section 9.01(a)(6) "Servicer Events of Default":

(a) Option One must maintain a minimum "Tangible Net Worth" (defined and determined in accordance with GAAP and exclusive of (i) any loans outstanding to any officer or director of Option One or its Affiliates and (ii) any intangibles (other than originated or purchased servicing rights)) of $200 million as of any day.

IN COMPLIANCE ____ NOT IN COMPLIANCE ____

(b) Option One may not exceed a maximum leverage ratio (the ratio of total liabilities (exclusive of non-recourse debt), determined in accordance with GAAP, to its Tangible Net Worth) of 6.0x as of any day.

IN COMPLIANCE _____ NOT IN COMPLIANCE ____

(c) Option One may not exceed a maximum non-warehouse leverage ratio (the ratio of (i) the sum of (A) all funded debt (excluding debt from H&R Block or any of its Affiliates and all non-recourse debt) less (B) 100% of its mortgage loan inventory held for sale less (C) 80% of servicing advance receivables (determined and valued in accordance with GAAP) to (ii) Tangible Net Worth) of 0.50x at any time.

IN COMPLIANCE ______ NOT IN COMPLIANCE _____

(d) Option One will maintain a minimum liquidity facility (defined as a committed, unsecured, non-amortizing liquidity facility from H&R Block, not to mature (scheduled or accelerated) prior to the Maturity Date) in an amount no less than $150 million. Such facility from

H&R Block cannot contain covenants or termination events more restrictive than the covenants or termination events contained in the Agreement.

IN COMPLIANCE _____ NOT IN COMPLIANCE _____

2. Pursuant to the definition of Rapid Amortization Trigger in the Agreement :

(a) The aggregate Principal Balance of all Loans that are 30 to 59 days Delinquent as of any Determination Date divided by the Pool Principal Balance as of such Determination Date is less than 7%.

IN COMPLIANCE _____ NOT IN COMPLIANCE _____

(b) The aggregate Principal Balance of all Loans that are 60 to 89 days Delinquent as of any Determination Date divided by the Pool Principal Balance as of such Determination Date is less than 3%.

IN COMPLIANCE _____ NOT IN COMPLIANCE _____

(c) (x) The aggregate Liquidated Loan Losses for the three calendar months preceding any Determination Date divided by (y) the average Pool Principal Balance of the Loans during such three calendar months (measured for each calendar month at the end of the Remittance Period) is less than 0.25%.

IN COMPLIANCE _____ NOT IN COMPLIANCE _____

(d) The Net Portfolio Yield averaged for any three consecutive months is greater than 1.75%. Net Portfolio Yield is defined as the annualized percentage equivalent of a fraction: (i) the numerator of which is equal to accrued interest on the Loans (excluding accrued interest on Loans Delinquent over 30 days) for the related Accrual Period, less all interest, fees and expenses due to the Noteholders and less any Servicing Fees, and (ii) the denominator of which is the average Note Principal Balance for such Accrual Period plus the product of (a) 10% minus the Unfunded Transfer Obligation Percentage times (b) the aggregate average Collateral Values for such Accrual Period.

IN COMPLIANCE _____ NOT IN COMPLIANCE _____

(e) The Delinquency Ratio is less than 15%. The Delinquency Ratio is defined as the percentage equivalent of a fraction: (i) the numerator of which is equal to the aggregate outstanding Principal Balance of all Loans that are Delinquent 60 days or more, including Foreclosure Property, and (ii) the denominator of which is equal to the average aggregate outstanding Principal Balance of all Loans for the three immediately preceding calendar months as of the date of determination.

IN COMPLIANCE _____ NOT IN COMPLIANCE _____

(f) The Maximum Cumulative Loss Ratio has not been exceeded. Maximum Cumulative Loss Ratio is defined as, with respect to all mortgage loans originated in the same calendar year (each year's loans being considered as a single pool) and serviced by Option One (whether or not

such mortgage loans are sold or contributed to the Depositor), beginning with mortgage loans originated in 1997 (measured on a static pool basis), the cumulative losses on each such pool may not exceed 1.50% in the first year, 2.25% in the second year, 2.85% in the third year, 3.60% in the fourth year and 4.25% thereafter.

IN COMPLIANCE _____ NOT IN COMPLIANCE _____

CALCULATIONS:

1(a) TANGIBLE NET WORTH:	Actual	Required
GAAP Net Worth:	$	

less: Goodwill:	$	
less: Officer / Director Loans	$	
TANGIBLE NET WORTH	$	$200,000,000

1(b) MAXIMUM LEVERAGE RATIO:

	Actual	Required
Total Liabilities	$	
less: non-recourse debt	$	
ADJUSTED TOTAL LIABILITIES	$	
divided by: Tangible Net Worth (from above)	$	
LEVERAGE RATIO	_._x	6.0x

1(c) MAXIMUM NON-WAREHOUSE DEBT RATIO:

Total Funded Debt	Actual	Required
less: debt payable to H&R Block	$	
less: non-recourse debt	$	
ADJUSTED FUNDED DEBT	$	
less: 100% mortgage loan inventory	$	
less: 80% of servicing advance receivables	$	
TOTAL NON-WAREHOUSE DEBT	$	
divided by: Tangible Net Worth (from above)	$	
NON-WAREHOUSE DEBT LEVERAGE RATIO		_._x 0.50x

1(d) MINIMUM LIQUIDITY FACILITY:

	Actual	Required
H&R Block Facility	$	$150,000,000

IN WITNESS WHEREOF, I have signed this certificate and affixed the seal of Option One.

Date: _____, 200_

By: _____
Name:
Title:

(SEAL]

I, _____, _____ of Option One, do hereby certify that _____ is the duly elected or appointed, qualified and acting of Option One, and the signature set forth above is the genuine signature of such officer on the date hereof.

By: _____
Name:
Title:

EXHIBIT H

CAPITAL ADEQUACY TEST

*For each field multiply the HRB% by the Balance Sheet Amount for Required Capital

	HRB TEST	BALANCE SHEET	REQUIRED CAPITAL
Unrestricted Cash and Equivalents	0%		
Restricted Cash	0%		
Loans Held for Sale	9%		
Servicing Advances	10%		

Beneficial Interests in trusts	10%
Subprime Mortgage NIM Residual Interest	60%
Real Estate Held for Sale	10%
Furniture and Equipment	0%
Mortgage Servicing Rights	25%
Prepaid Expenses and Other Assets	10%
Accrued interest receivable	10%
Receivable from H&R Block	0%
Intangibles and goodwill	100%
Deferred Tax Assets	10%
Derivative Assets	10%
TOTAL REQUIRED CAPITAL	

Total Owners Equity on Balance Sheet Date
Less: Receivables from H&R Block

Adjusted Net Worth _____

Adjusted Net Worth divided by Required Capital = Ratio for Capital Adequacy Test

Exhibit 10.46

AMENDED AND RESTATED

NOTE PURCHASE AGREEMENT

among

OPTION ONE OWNER TRUST 2002-3,
as the Company,

UBS REAL ESTATE SECURITIES INC.
as the Note Purchaser

and

OPTION ONE MORTGAGE CORPORATION,
as the Loan Originator

Dated as of March 18, 2005

TABLE OF CONTENTS

EXHIBITS

AMENDED AND RESTATED NOTE PURCHASE AGREEMENT, dated as of March 18, 2005, between Option One Owner Trust 2002-3, a Delaware business trust (the "Company"), and UBS REAL ESTATE SECURITIES INC. a Delaware corporation (the "Note Purchaser"), and Option One Mortgage Corporation, a California corporation ("OOMC", or the "Loan Originator").

WITNESSETH:

WHEREAS, pursuant to the Sale and Servicing Agreement or one or more transactions under the Disposition Agreement, the Company is expected to purchase from Option One Owner Trust 2001-1A, a Delaware business trust, Option One Owner Trust 2001-1B, a Delaware business trust, Option One Owner Trust 2001-2, a Delaware business trust or Option One Loan Warehouse Corporation, a California corporation ("OOLWC") (any of the foregoing, in its capacity as a seller of Loans to the Company, the "Immediate Transferor"), from time to time (i) certain Loans that are acquired by the Immediate Transferor (if other than OOLWC) from OOLWC, which Loans were originally acquired by OOLWC from Option One Mortgage Corporation ("OOMC", or the "Loan Originator"), and (ii) the Other Assets relating to such Loans; and

WHEREAS, the Company desires to obtain a series of advances (each, an "Advance") from the Note Purchaser to be evidenced by one or more promissory notes substantially in the form of Exhibit A to the Facility Administration Agreement (each, a "Secured Note") to finance in whole or in part the purchase of such Loans; and

WHEREAS, to induce the Note Purchaser to make one or more Advances, the Company has agreed, among other inducements set forth herein, to grant to the Note Purchaser a first priority perfected Lien in and on all of the Loans, together with the related Other Assets and other Collateral, all of which collectively constitute the Collateral to secure the Advances; and OOMC has agreed, among other inducements set forth herein, to make directly to the Note Purchaser certain of the representations and warranties set forth herein; and

WHEREAS, a list of the Loans to be included in the Collateral on the date of the Initial Advance is set forth in Schedule I hereto (the "Collateral Schedule" or "Loan Schedule"), which Collateral Schedule shall be supplemented as and when additional Loans are purchased and acquired by the Company from the Loan Originator pursuant to the Sale and Servicing Agreement with the proceeds of the issuance of one or more additional or substitute Secured Notes;

WHEREAS, this Amended and Restated Note Purchase Agreement amends and restates the Note Purchase Agreement dated as of July 2, 2002, between the parties hereto, as amended;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Company, the Note Purchaser and OOMC hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below. In addition, capitalized terms used herein and not defined herein shall have their respective meanings as set forth in the Sale and Servicing Agreement, the Custodial Agreement or the Facility Administration Agreement.

"Accepted Servicing Practices" shall mean the Servicer's normal servicing practices in servicing and administering mortgage loans for its own account, which in general shall conform to the mortgage servicing practices of prudent mortgage lending institutions which service for their own account mortgage loans of the same type as the Loans in the jurisdictions in which the related Mortgaged Properties are located and which shall (i) give due consideration to the Noteholders' reliance on the Servicer, and (ii) comply in all material respects with all applicable laws, rules, regulations and orders.

"Actual Note Issuance Proceeds" shall have the meaning as described in Section 2.4(d).

"Act of Insolvency" shall mean, with respect to the Company, the Immediate Transferor, OOLWC, OOMC or any other Affiliate of the Company, (i) the commencement by such Person as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, moratorium, dissolution, delinquency or similar law, or such Person seeking the appointment or election of a receiver, conservator, trustee, custodian or similar official for such Person or any substantial part of its property, or the convening of any meeting of creditors for purposes of commencing any such case or proceeding or seeking such an appointment or election, (ii) the commencement of any such case or proceeding against such Person, or the seeking by another person of any such appointment or election, which (A) is consented to or not timely contested by such Person, or (B) results in the entry of an order for relief, such as an appointment or election, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 60 days

(unless such Person provides to the Note Purchaser evidence reasonably satisfactory to the Note Purchaser that such case or proceeding will be promptly dismissed), (iii) the making by such Person of a general assignment for the benefit of creditors, (iv) the failure by such Person generally to pay its debts as they become due or (v) the admission in writing by such Person of its inability to pay its debts as they become due.

"Advance Amount" shall mean, with respect to any Advance, the initial amount of such Advance, which shall be equal to the sum of (i) the aggregate Collateral Value of the Loans Pledged hereunder in connection with the making of such Advance, and (ii) the aggregate Market Value of all Interim Collateral, if any, Pledged hereunder in connection with the making of such Advance, minus, if applicable, any portion of the foregoing sum that, if advanced, would cause the aggregate Principal Balances of the Secured Notes to exceed the Borrowing Base.

"Advance Date" shall mean the date upon which an Advance is made available as specified in Section 2.4, which date shall be a Business Day.

"Advance Rate" shall have the meaning specified in the Pricing Side Letter.

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

"Affiliate Transfer Agreement" shall mean each agreement between (i) OOMC, as "seller," and OOLWC, as "purchaser," (ii) if the Immediate Transferor is not OOLWC, OOLWC, as "seller," and the Immediate Transferor, as "purchaser", or (iii) between OOMC or any other Affiliate of the Company, as "seller" and any Affiliate of the Company other than OOMC, as "purchaser," for the purchase and sale or other transfer of Loans that are Collateral for the Secured Notes, and includes each Mortgage Loan Purchase and Contribution Agreement.

"Agreement" shall mean this Amended and Restated Note Purchase Agreement, as amended, supplemented or otherwise modified and in effect from time to time, including any Schedules and Exhibits hereto.

"Applicable Limitations" shall have the meaning specified in the Pricing Side Letter.

"assignee" (or any word of similar import) shall mean, with respect to any Person, any immediate or mediate assignee, pledgee or other transferee of such Person.

"Basic Documents" shall mean, collectively, this Agreement, the Secured Notes, the Loan Purchase and Contribution Agreement, the Custodial Agreement, the Facility Administration Agreement, the Sale and Servicing Agreement, each other Transfer Agreement, if any, the Disposition Agreement, the Company Administration Agreement, the Trust Agreement and any and all other agreements, certificates, instruments and other documents executed and delivered in connection herewith and therewith or in connection with the transactions contemplated hereby and thereby.

"Bankruptcy Code" shall mean Title 11 of the United States Code, 11 U.S.C. Sections. 101 et seq., as amended, supplemented or otherwise modified and in effect from time to time.

"Borrowing Base" shall mean, as of any date of determination, the sum of: (i) the aggregate Collateral Values of all Loans Pledged as such date; (ii) the Market Value of all related Interim Collateral on such date; and (iii)

the amount of principal collections then on deposit in the Collection Account with respect to all Loans.

"Business Day" shall mean any day other than a Saturday, Sunday, or any other day on which banks in New York, California, Minnesota, Maryland or Pennsylvania are authorized or required by law to close.

"Change in Control" shall mean (i) OOMC's failure to be a wholly-owned Subsidiary of H&R Block Inc., (ii) OOLWC's failure to be a wholly-owned Subsidiary (direct or indirect) of OOMC, or (iii) for an Immediate Transferor other than OOLWC, the Immediate Transferor's failure to be a wholly-owned Subsidiary of OOLWC.

"Chief Executive Office" shall have the meaning assigned to such term in Article 9 of the UCC.

"Closing Date" shall mean July 8, 2002.

"Collateral" shall mean all of the Company's right, title and interest in and to: (i) all Loans purchased or acquired by the Company from time to time, whether pursuant to the Sale and Servicing Agreement or otherwise (including all Qualified Substitution Loans substituted pursuant to Section 5.1), (ii) all Related Security and Collections relating to such Loans, (iii) all Interim Collateral, (iv) the Sale and Servicing Agreement (including the right to cause the Loan Originator to repurchase Loans as provided in Section 3.06 of the Sale and Servicing Agreement and including the right to terminate all of OOMC's rights and obligations as the Servicer as provided in Section 9.01 of the Sale and Servicing Agreement), (v) the Loan Purchase and Contribution Agreement, (vi) all other Affiliate Transfer Agreements and other Transfer Agreements, if any, relating to the Loans purchased or acquired by the Company from time to time (including all rights and remedies provided thereunder in the event of a breach of representation or warranty by the related transferors), (vii) all other Basic Documents now or at any time hereafter in effect, (viii) all right, title and interest of the Company, and of each of OOLWC and the Loan Originator (to the extent assigned to the Company) in and under the Basic Documents, including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement pursuant to which OOLWC acquired the Loans from the Loan Originator, and (ix) all Proceeds of any and all of the foregoing (including all monies, investments and other properties held from time to time in the Collection Account or any other account established pursuant to any other Basic Document).

"Collateral Schedule" or "Loan Schedule" shall mean, with respect to any Advance, the list of all of the Loans and Interim Collateral, if any, Pledged in connection with the making of such Advance, and, where the context requires, shall mean all such Collateral Schedules collectively, as amended from time to time pursuant to the Basic Documents. The Collateral Schedule shall be transmitted either electronically or in hard copy, and shall set forth the following information with respect to each Loan so Pledged:

(i) the Loan Originator's Loan identifying number;

(ii) the Mortgagor's name and social security number;

(iii) the street address of the Mortgaged Property, including the state and zip code;

(iv) a code indicating whether the Mortgaged Property was represented by the Mortgagor as being owner-occupied on the date of origination;

(v) the type of Residential Dwelling constituting the Mortgaged Property;

(vi) the months to maturity at origination, based on the original amortization schedule;

(vii) the loan-to-value ratio at origination;

(viii) the rate of interest in effect on the Advance Date;

(ix) the day of the month on which the first monthly payment was due, and, if different, the day of the month on which monthly payments are due as of the Advance Date;

(x) the stated maturity date;

(xi) the amount of the monthly payment due at origination;

(xii) the amount of the monthly payment due on the first due date after the Advance Date;

(xiii) the interest paid-through date;

(xiv) the last monthly payment date on which any portion of the monthly payment was applied to the reduction of principal;

(xv) the original principal amount;

(xvi) the UPB as of the close of business on the notice date;

(xvii) if the Loan is an adjustable-rate loan, the initial adjustment date thereunder, including the look-back period;

(xviii) if the Loan is an adjustable-rate loan, the gross margin over the applicable interest rate index;

(xix) a code indicating the purpose of the Loan, as indicated by the Mortgagor (i.e., purchase financing, rate/term refinancing or cash-out refinancing);

(xx) if the Loan is an adjustable-rate loan, the maximum interest rate;

(xxi) if the Loan is an adjustable-rate loan, the minimum interest rate;

(xxii) the interest rate at origination;

(xxiii) if the Loan is an adjustable-rate loan, the periodic rate cap and the maximum adjustment in the interest rate that may be made on the first adjustment date immediately following the Advance Date;

(xxiv) a code indicating the documentation program (i.e., full documentation, limited documentation or stated income);

(xxv) if the Loan is an adjustable-rate loan, the applicable interest rate index to which the gross margin is added, including the source of such index;

(xxvi) if the Loan is an adjustable-rate loan, the first adjustment date thereunder to occur after the Advance Date;

(xxvii) the risk grade;

(xxviii) any risk upgrade;

(xxix) the appraised value of the Mortgaged Property at origination;

(xxx) if different from the appraised value, the dollar value of the review appraisal of the Mortgaged Property at origination;

(xxxi) the sale price of the Mortgaged Property, if applicable;

(xxxii) the product type code (e.g., 3/27, 2/28, balloon, etc.);

(xxxiii) a code indicating whether the Loan is a first-lien loan or a second-lien loan;

(xxxiv) if the Loan is a second-lien loan, the outstanding principal balance of the first lien on the date of origination of such Loan;

(xxxv) if the Loan is a second-lien loan, the combined loan-to-value ratio of such Loan and the first lien to which it is subject, as of the origination date of such Loan;

(xxxvi) the prepayment penalty code;

(xxxvii) the prepayment penalty term;

(xxxviii) the late charge;

(xxxix) the rounding code (next highest or nearest 0.125%); and

(xl) the Mortgagor's FICO score, if any;

(xli) if there is mortgage insurance with respect to the Loan, a code so indicating;

(xlii) the date the Loan was originated;

(xliii) if the Loan is negatively amortizing, a code so indicating;

(xliv) if the Loan is a Section 32 loan, a code so indicating;

(xlv) the Mortgagor's debt to income ratio;

(xlvi) the number of units included in the Mortgaged Property;

(xlvii) the remaining term of the Loan, stated in months;

(xlviii) the age of the Loan, in months;

(xlix) the first monthly payment date under the Loan;

(l) if the Loan is an adjustable-rate loan, the frequency at which the interest rate is adjusted;

(li) if the Loan is an adjustable-rate loan, the frequency at which the monthly payment amount is adjusted;

(lii) if the Loan is an adjustable-rate loan, the next reset date

to occur after the Advance Date;

(liii) if the Loan is an adjustable-rate loan, the maximum change that may be made in the interest rate on any adjustment date; and

(liv) if the loan is a Wet Funded Loan or not

The Collateral Schedule delivered with respect to any Advance Date shall also set forth the following information with respect to the Loans set forth thereon: (1) the number of Loans set forth thereon; (2) the aggregate UPB of all such Loans as of the close of business on the related notice date; (3) the weighted average interest rate of all such Loans as of the related notice date; (4) the weighted average months to maturity of all such Loans; and (5) the weighted average loan-to-value ratio of all such Loans.

"Collateral Value" shall have the meaning specified in the Pricing Side Letter.

"Collection Account" shall mean the account denominated as such that is established and maintained in the name of the Facility Administrator pursuant to the terms of the Facility Administration Agreement for the deposit by the Servicer (subject to the provisions of the Disposition Agreement) of monthly remittances of principal and

interest, prepayments of principal (whether full or partial) received with respect to Loans, liquidation proceeds and other amounts related to Loans.

"Collections" shall mean, with respect to any Loan, all cash collections and other cash proceeds (other than Escrow Payments) related to a Loan received by the Servicer or any other Person on or after the applicable Advance Date, including all principal and interest payments made by the Mortgagor thereon and all cash proceeds of the Related Security with respect to such Loan.

"Commitment Amount" shall have the meaning specified in the Pricing Side Letter.

"Commitment Term" shall mean that period of time commencing on March 19, 2005 and continuing until the earlier of (i) September 8, 2005 (or, if applicable, such later date as may be in effect from time to time pursuant to Section 2.10(d)), and (ii) the date upon which the Obligations are declared to be, or become, due and payable in full in accordance with Article X.

"Company Administration Agreement" shall mean the Administration Agreement, dated as of July 2, 2002, among the Servicer, the Company, and the Loan Originator (including any applicable amendments, supplements, exhibits and schedules thereto).

"Custodial Agreement" shall mean the Custodial Agreement, dated as of July 2, 2002, among the Servicer, the Company, the Note Purchaser, the Facility Administrator and the Custodian (including any applicable amendments, supplements, exhibits and schedules thereto).

"Custodial Loan File" shall mean, with respect to any Loan, the documents identified in clauses (i) through (vii) of Section 2(b) of the Custodial Agreement which are delivered or required to be delivered by the Company to the Note Purchaser or its designee (including the Custodian) pursuant to this Agreement.

"Custodian" shall mean Wells Fargo Bank Minnesota, National Association, a national banking association, as custodian under the Custodial Agreement, or any successor thereto.

"Default" shall mean any situation that, with the giving of notice or the passage of time, or both would, unless cured or waived, become an Event of Default.

"Default Rate" shall mean, for any day, an annualized rate equal to the One-Month LIBOR Rate plus 400 basis points per annum.

"Determination Date" shall have the meaning assigned to such term in the Sale and Servicing Agreement.

"Disposition Agreement" shall mean the Master Disposition Confirmation Agreement dated as of July 2, 2002, among the Company, the Note Purchaser, the

Facility Administrator, the Loan Originator and the other parties thereto (including any applicable amendments, supplements, exhibits and schedules thereto).

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, supplemented or otherwise modified and in effect from time to time, and the rules and regulations promulgated thereunder.

"Escrow Payments" shall have the meaning specified in Article I of the Sale and Servicing Agreement.

"Event of Default" shall have the meaning specified in Section 9.1.

"Facility Administration Agreement" shall mean the Facility Administration Agreement, dated as of July 2, 2002, among the Company, the Note Purchaser, the Servicer and the Facility Administrator (including any applicable amendments, supplements, exhibits and schedules thereto).

"Facility Administrator" shall mean Wells Fargo Bank, National Association, a national banking association, as administrator under the Facility Administration Agreement, or any successor thereto.

"GAAP" shall mean generally accepted accounting principles applied on a consistent basis as required thereby.

"GAAP Net Worth" shall mean, as of any date of determination and with respect to OOMC, the "tangible net worth", as defined and determined in accordance with GAAP, of OOMC as of such date, exclusive of any loans outstanding to any officer or director of OOMC or its Affiliates.

"Governmental Authority" shall include any nation, government, or state, or any political subdivision of any of them, or any court, entity, or agency exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to government.

"Grant" shall mean mortgage, pledge, bargain, warrant, alienate, remise, release, convey, assign, transfer, create, grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to this Agreement. A Grant of rights in any Collateral (including any agreement or instrument included within the definition thereof) shall include all rights, powers and options (but none of the obligations) of the Granting party with respect thereto or thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for principal and interest payments in respect of the Collateral and all other monies 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 Person or otherwise and generally to do and receive anything that the Granting Person is or may be entitled to do or receive thereunder or with respect thereto.

"Initial Advance" shall mean the Advance relating to the Secured Note issued and sold hereunder on the initial Advance Date.

"Interest Period" shall mean, with respect to each Secured Note, (i) the period beginning on (and including) the issuance date of such Secured Note and ending on (but excluding) the initial Payment Date thereon, and (ii) each subsequent period beginning on (and including) a Payment Date and ending on (but excluding) the next succeeding Payment Date.

"Interim Collateral" shall mean any of (i) cash and (ii) direct obligations of the U.S. Treasury that are backed by the full faith and credit of the United States of America.

"Lien" shall mean any lien, pledge, security interest, charge or other encumbrance that secures an obligation, of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any lien or security interest) and however created.

"LIBOR Business Day" shall mean a Business Day on which trading in U.S. dollars is conducted between banks in the London interbank market.

"Loan" shall mean a fixed- or variable-rate, first-lien loan or second-lien loan to one or more obligors, in each case, that is secured by a Mortgage on a Residential Dwelling located in the United States.

"Loan Documents" shall mean each Mortgage, each Promissory Note and each other agreement, instrument or other document executed by one or more Mortgagors or other obligors that constitutes a portion of the Related Security with respect to any Loan.

"Loan Purchase and Contribution Agreement" shall mean the Loan Purchase and Contribution Agreement, dated as of July 2, 2002, between the Loan Originator as "Loan Originator" and Option One Loan Warehouse Corporation as "Depositor" (including any applicable amendments, supplements, exhibits and schedules thereto).

"Margin" shall have the meaning specified in the Pricing Side Letter.

"Margin Option" shall have the meaning specified in Section 2.11.

"Market Value" shall mean, with respect to any item of Collateral as of any date of determination, the market value thereof as determined by the Note Purchaser in its capacity as Market Value Agent in accordance with the relevant provisions of the Sale and Servicing Agreement; provided that, in making any determination pursuant to this definition, the "Market Value" of any Loan as to which, at the time of such determination, (p) a breach of any representation or warranty set forth on Exhibit B or in Section 4.1(m) (or in Section 4.1(k) or 4.2(h), to the extent that Section 4.1(k) or 4.2(h) applies to the representations and warranties set forth on Exhibit B or in Section 4.1(m))

exists that, in the good faith judgment of the Note Purchaser, materially and adversely affects the validity, enforceability, collectibility or value of such Loan or the interest of the Note Purchaser or any Noteholder therein, or (q) any portion of any payment of principal or interest due thereunder is more than 90 days past due, shall be deemed to be zero.

"Material Adverse Effect" shall mean any event or condition which would have a material adverse effect on (i) the validity, enforceability,

collectibility or value of any Collateral or of any of the Basic Documents, (ii) the interest of the Note Purchaser or any of its assignees in such Collateral or in any of the Basic Documents, (iii) the validity or enforceability of, or the ability of the Company to perform its obligations under any of the Basic Documents or (iv) the validity or enforceability of, or the ability of any of the Immediate Transferor, OOLWC and OOMC to perform its obligations under, the Basic Documents.

"Maturity Date" shall mean March 31, 2035.

"Minimum Margin Contribution" shall have the meaning specified in Section 2.11.

"Minimum Usage Fee" shall have the meaning specified in the Pricing Side Letter.

"Mortgage" shall mean, with respect to any Loan, the mortgage, deed of trust, deed to secure debt or other instrument securing such Loan and the related Promissory Note and creating a Lien on and in the related Mortgaged Property.

"Mortgaged Property" shall mean the underlying real property that secures a Loan, in each case consisting of a parcel or parcels of land improved by a Residential Dwelling.

"Mortgagor" shall mean the obligor or obligors on a Promissory Note, including any Person that has acquired the related Mortgaged Property and assumed the obligations of the original obligor or obligors under the Promissory Note.

"Net Income" shall mean, for any period, and with respect to a Person, the net income of the Person for such period as determined in accordance with GAAP.

"Non-Warehouse Leverage Ratio" shall mean the ratio of (x) the aggregate "liabilities" of such Person less any liabilities constituting "warehouse" lending (i.e., liabilities primarily secured by an interest in mortgage loans for the purpose of financing such mortgage loans on an interim basis until the disposition of such mortgage loans and liabilities associated with servicing advance receivables (up to 80% of the GAAP book value of the servicing advance receivable)) to (y) the Tangible Net Worth of such Person. For the purposes of this definition, the term "liability" shall mean those obligations or liabilities that, in accordance with GAAP, would be included in the liability side of such Person's balance sheet and shall include, without limitation, all indebtedness subordinated to any other obligation of the Company; provided however,

that liabilities secured by intangible assets, shall be included only to the extent of the excess, if any, of the amount of liabilities over the fair market value of such intangible assets.

"Noteholder" shall mean the Note Purchaser or any subsequent holder of a Secured Note registered as such on the Custodial Register maintained by the Facility Administrator pursuant to the Facility Administration Agreement.

"Notice of Borrowing" shall mean a notice with respect to each Advance, in substantially the form set forth in Exhibit C, delivered to the Note Purchaser and the Facility Administrator by the Company in the method and manner set forth herein.

"Obligations" shall mean all amounts due and owing by the Company to the Note Purchaser in connection with any Basic Document, including: (i) the unpaid principal and, interest (including interest accruing thereon after the Maturity Date and after the filing of any petition in bankruptcy, or the

commencement of any insolvency, reorganization or like proceedings, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in the proceeding) on any Secured Note, when and as due, whether at maturity, by acceleration or otherwise; and (ii) all other obligations and liabilities of every nature of the Company from time to time owing to the Note Purchaser, in each case whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred (including any monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in the proceeding).

"One-Month LIBOR Rate" shall mean, for each day, the rate of interest per annum for dollar deposits with a duration of one month that is displayed (i) on the Telerate Page 3750 at about 11:00 a.m. (London time) on the second LIBOR Business Day prior to such day, or (ii) if that page ceases to display the necessary information, then on whatever page replaces it on that service for the purpose of displaying that information (the "Telerate Rate"). If the Telerate Rate cannot be determined, then the "One-Month LIBOR Rate" for any day means the arithmetic mean of the rates of interest offered by two prime banks in the London interbank market (selected by the Facility Administrator) in respect of dollar deposits with a duration of one month at about 11:00 a.m. (London time) on the second LIBOR Business Day prior to such day. Each determination of the "One-Month LIBOR Rate" by the Facility Administrator pursuant to the provisions of this Agreement or the Facility Administration Agreement shall be conclusive and binding absent manifest error.

"Optional Redemption Date" shall mean, with respect to any Secured Note and at any time, the day on which the then-current Commitment Term is scheduled to end or, if such date is not a Business Day, the immediately preceding Business Day.

"Other Assets" shall mean, with respect to any Loan purchased or acquired from time to time by the Company (whether pursuant to the Sale and Servicing Agreement or otherwise), any and all Related Security and Collections relating to such Loan and any and all Proceeds of such Loan, Related Security or Collections.

"Payment Date" shall mean the 10th day of each calendar month (or, if such day is not a Business Day, the next succeeding Business Day), together with the Redemption Date, the Maturity Date, and such additional Payment Dates as may be designated pursuant to Section 5.4(f) of the Facility Administration Agreement.

"Person" (whether or not capitalized) shall mean any corporation, limited liability company, partnership, firm, joint venture, entity, natural person, trust, estate, unincorporated organization, association, enterprise, government or political subdivision thereof or governmental department or agency.

"Pledge" shall mean the Grant by the Company under the Facility Administration Agreement of its right, title and interest in any portion of the Collateral pursuant to Section 2.2 thereof or any other provision thereof.

"Pledged Loan" shall mean, as of any date of determination, any Loan that has been purchased or acquired by the Company (whether pursuant to the Sale and Servicing Agreement or otherwise, including any Qualified Substitution Loan substituted for one or more other Loans pursuant to Section 5.1) and Pledged to the Note Purchaser under the terms of this Agreement as of such date; provided, however, that such term shall not include any Loan that as of such date has been released from the Lien created herein as provided in Section 3.6.

"Principal Amount" shall mean, with respect to each issued and outstanding Secured Note of the Company, an amount equal to the sum of (i) the initial Advance Amount of such Secured Note, minus (ii) all payments of

principal on such Secured Note pursuant to the terms hereof.

"Proceeds" (whether or not capitalized) shall mean (i) "proceeds" as defined in Article 9 of the UCC, with respect to any of the Collateral, including all cash and non-cash proceeds and further including all accounts, accounts receivable, contract rights, money, claims for money (whether or not earned by performance), checks, deposit accounts, documents, instruments, chattel paper, investment property (including securities, securities entitlements, securities accounts, commodity contracts and commodity accounts), general intangibles, rights to proceeds of letters of credit and other property (including goods, fixtures, products and accessions), and (ii) whether or not constituting "proceeds" as defined in Article 9 of the UCC: (x) any and all proceeds of any insurance policy, indemnity, warranty, or guaranty payable to the Company from time to time with respect to any of the Collateral; (y) all payments (in any form whatsoever) made or due and payable to the Company from time to time in connection with any reacquisition, confiscation, condemnation, seizure or forfeiture of any part of the Collateral by any Governmental Authority or any sale, transfer or other disposition of any part of the Collateral; and (z) dividends and any other amounts or property paid or distributed, or payable or distributable, on or in respect of, or in connection with, any of the Collateral.

"Promissory Note" shall mean the original executed promissory note or other evidence of indebtedness evidencing the indebtedness of a Mortgagor under a Loan, together with any rider, addendum or amendment thereto.

"Qualified Institutional Buyer" shall mean a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act.

"Qualified Loan" shall mean, as of any date of determination (including the date of issuance of any related Secured Note), a Loan with respect to which each of the representations and warranties set forth on Exhibit B is true and correct in all material respects.

"Qualified Substitution Loan" shall mean any Loan (i) that meets all the requirements of this Agreement with respect to substitutions of Collateral (including that each of the representations and warranties set forth on Exhibit B be true and correct in all material respects with respect thereto), and (ii) as to which the Company has (a) the right, either directly or through assignments of such rights under one or more Affiliate Transfer Agreements, to cause the Loan Originator to repurchase such Loan on substantially the same terms and conditions as those set forth in Section 3.06 of the Sale and Servicing Agreement, and (b) the right to Pledge such rights to the Note Purchaser as provided herein.

"Records" shall mean all Loan Documents and other material documents held or maintained by or for the Loan Originator or the Company (or other originator or transferor of any Loan under any Transfer Agreement) or any of their respective agents with respect to (i) any Loans sold to the Company pursuant to the Sale and Servicing Agreement or otherwise acquired by the Company, or (ii) the related Mortgagors or other obligors under any Related Security, including any and all Required Documents and all Servicing Records maintained by or for the benefit of the Servicer, including print-outs of Loan histories and other records with respect to any Loan stored in the Servicer's computerized servicing systems; provided that the foregoing definition of "Records" is not intended to entitle any Person to direct access to the computerized systems of any other Person.

"Redemption Date" shall mean, with respect to any Secured Note, the date on which such Secured Note is redeemed by the Company at the Note Purchaser's election as provided in Section 2.10. Such date may be any Business Day on or after the Optional Redemption Date and prior to the Maturity Date of such Secured Note, as designated by the Note Purchaser in a written notice delivered to the Company at least two (2) Business Days prior to such date.

"Related Security" shall mean, with respect to any Loan, all of the Company's right, title and interest in and to:

(i) the Mortgaged Property securing such Loan;

(ii) all other Liens, if any (and the property subject thereto), from time to time purporting to secure payment of such Loan or performance of

any obligation with respect thereto, whether pursuant to the related Loan Documents or otherwise, together with all financing statements or other documents executed or filed for the purpose of perfecting any such Lien or placing such Lien of public record or otherwise imparting actual or constructive notice thereof;

(iii) all guarantees, indemnities, warranties, insurance (and proceeds and refunds of premiums in respect thereof) or other agreements or arrangements of any kind from time to time supporting or securing payment of such Loan or performance of any obligation with respect thereto, whether pursuant to the Loan Documents related to such Loan or otherwise;

(iv) the right to service such Loan, including all agreements relating to the servicing and administration of such Loan and all agreements relating to the custody of the Records relating to such Loan;

(v) all Records related to such Loan; and

(vi) all Proceeds of any of the foregoing.

"Remittance Period" shall have the meaning assigned to such term in the Sale and Servicing Agreement.

"Residential Dwelling" shall mean any one of the following, none of which is a cooperative: (i) an attached or detached one-family dwelling, (ii) an attached or detached two- to four-family dwelling, (iii) an attached or detached one-family dwelling unit in a Fannie Mae eligible condominium project, (iv) an attached or detached one-family dwelling in a planned unit development, or (v) a mobile home affixed to and constituting real property under applicable state law.

"Responsible Officer" shall mean, as to any Person, the chief executive officer, the president, the chief operating officer, any executive vice president or the chief financial officer of such Person.

"Sale and Servicing Agreement" shall mean the Amended and Restated Sale and Servicing Agreement, dated as of March 18, 2005, among the OOLWC as "Depositor", the Company, the Loan Originator and the Facility Administrator (including any applicable amendments, supplements, exhibits and schedules thereto).

"Secured Note" shall mean a Secured Note issued by the Company in order to finance the purchase from the Loan Originator of one or more Loans.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Securitization" shall have the meaning assigned to such term in the Disposition Agreement.

"Servicer" shall mean OOMC in its capacity as servicer of the Loans, and, to the extent applicable, each other Person as may be appointed from time to time in accordance with the provisions hereof to act as servicer or Subservicer of any or all of the Loans.

"Shortfall" shall have the meaning specified in Section 2.11.

"Subservicer" shall mean such Person as may be appointed from time to time by the Servicer to act as a subservicer of any or all of the Loans that are part of the Collateral, provided that such Person is acceptable to and approved by the Company and the Note Purchaser.

"Subsidiary" of a Person shall mean any other Person more than fifty percent (50%) of the outstanding voting securities of which shall at any time be owned or controlled, directly or indirectly, by such Person or by one or more Subsidiaries of such Person. For purposes of this definition, "voting securities" shall mean shares, interests, participations or other equivalents of corporate stock, partnership or limited liability company interests or any other participation, right or other interest in the nature of an equity interest that ordinarily have voting power for the election of directors, managers or trustees, whether at all times or only so long as no senior class of equity interest has such voting power by reason of any contingency.

"Tangible Equity" shall mean, with respect to any Person, the aggregate "assets" of such Person less (i) the aggregate "liabilities" of such Person, (ii) all intangible assets (including capitalized servicing) of such Person; provided, however that with respect to residual interests and retained interests in warehouse facilities only 50% of the value of such intangible assets will be deducted from the related Person's aggregate "assets" and provided, further that 50% of any deferred tax component of the write-up in the value of any residual interests will be added to the aggregate "assets" of such Person for purposes of determining its Tangible Equity, and (iii) any investments in or loans to the shareholders, directors, officers, employees, Subsidiaries and Affiliates of such Person (excluding investments in or loans to such Person's parent or to H&R Block Inc.). For the purposes of this definition, (x) the term "asset" shall have the meaning ascribed to such term by GAAP, but shall also include so-called deferred points and fees; and (y) the term "liability" shall mean those obligations or liabilities that, in accordance with GAAP, would be included in the liability side of such Person's balance sheet and shall include, without limitation, all indebtedness subordinated to any other obligation of the Company; provided however, that liabilities secured by intangible assets, shall be included only to the extent of the excess, if any, of the amount of liabilities over the fair market value of such intangible assets.

"Tangible Equity Requirement Failure" shall mean, as of any date of determination and with respect to OOMC, that OOMC's Tangible Equity as of such date is less than $130,000,000.

"Tangible Net Worth" shall be defined and determined in accordance with GAAP and exclusive of (i) any loans outstanding to any officer or director of OOMC or its Affiliates, (ii) any intangibles, and (iii) any receivables from H&R Block Inc.

"Telerate Rate" shall have the meaning specified in the definition of "One-Month LIBOR Rate."

"Transfer Agreement" shall mean an agreement between OOMC or any Affiliate thereof as the "purchaser," and a third party originator or seller (including any Affiliate of OOMC) as the "seller" or other transferor, for the purchase and sale or other transfer of Loans that are Collateral for a Secured Note.

"Transferor" shall mean a third party originator or seller

(including any Affiliate of OOMC) that is a "seller" or other transferor under a Transfer Agreement.

"Trust Agreement" means the trust agreement pursuant to which the Company is organized.

"UCC" shall mean the Uniform Commercial Code, as in effect in the relevant jurisdiction, as amended, supplemented or otherwise modified from time to time.

"Underwriting Standards" shall mean the Loan Originator's underwriting policies and guidelines (including any and all amendments, supplements or other modifications thereto) as set forth in Exhibit D (as such Exhibit may be amended, supplemented or modified from time to time, subject to Section 7.2(f)).

"UPB" shall mean, with respect to any Loan as of any date of determination, the unpaid principal balance (determined without taking into account any principal payments made with respect to such Loan on such date).

"Wet Funding Custodial File Delivery Date" As defined in the Sale and Servicing Agreement.

"Wet Funded Loan" shall mean a Loan which is pledged to the Note Purchaser, simultaneously with the origination thereof by the Company pursuant to Section 2.4(d) and is funded in part or in whole with proceeds of the purchase of Notes. A Loan shall cease to be a Wet Funded Loan when documents are received by the Custodian as provided in Section 2.4(d)(iii).

"Wet Funding Schedule" shall have the meaning specified in Section 2.4(d)(ii).

Section 1.2 Usage of Terms. For purposes of this Agreement: (i) the singular includes the plural and the plural includes the singular; (ii) words importing any gender include the other genders; (iii) the words "and" and "or" are used in the conjunctive or disjunctive as the sense and circumstances may require, (iv) references to "writing" include printing, typing, lithography and other means of reproducing words in a visible form; (v) references to agreements and other contractual instruments include all subsequent amendments thereto or changes therein entered into in accordance with their respective terms and not prohibited by this Agreement or the Sale and Servicing Agreement; (vi) references to Persons include their permitted successors and assigns; (vii) any form of the word "include" shall be deemed to be followed by the words "without limitation"; (viii) the phrase "in and to" shall be deemed to include "under" and "with respect to" whenever appropriate; (ix) unless the context clearly requires otherwise, the word "finance" shall be deemed to include "refinance"; (x) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; and (xi) Article, Section, Schedule and Exhibit references, unless otherwise specified, refer to Articles and Sections of and Schedules and Exhibits to this Agreement. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

ARTICLE II

COMMITMENT AND ADVANCES

Section 2.1 Commitment to Purchase. (a) Subject to the terms and conditions set forth herein, the Company hereby agrees to sell to the Note Purchaser, and the Note Purchaser hereby agrees to purchase from the Company, during the Commitment Term, one or more Secured Notes in the method and manner set forth herein. The purchase price for each Secured Note shall be equal to the

original Principal Amount thereof. The aggregate Principal Amount of all Secured Notes issued and outstanding shall not exceed the Commitment Amount, unless the Note Purchaser in its sole discretion consents in writing to an increase in the aggregate Principal Amount that may be issued and outstanding hereunder.

(b) The Custodian shall be required under the Custodial Agreement to amend (which may be manually) the Collateral Schedule upon the addition or deletion of Collateral related thereto, and the Borrowing Base shall be adjusted accordingly.

(c) With the exception of the Principal Amount, the calculation of the Advance Amount reflected thereon and the Maturity Date, each Secured Note shall have substantially the same terms as each other Secured Note, including the base interest rate, the Payment Date and the Optional Redemption Date. Each Secured Note shall be secured by all of the Collateral, equally and ratably with each other Secured Note issued hereunder.

Section 2.2 Minimum Usage. The Company and OOMC hereby acknowledge that the Note Purchaser is entering into this facility with the understanding that the Note Purchaser expects to receive the Minimum Usage Fee as and when provided in the Pricing Side Letter.

Section 2.3 Principal Amount of Secured Notes. The initial Principal Amount of each Secured Note shall be the related Advance Amount; provided that the Note Purchaser shall not be required to make any Advance in an amount that is less than twenty million dollars ($20,000,000). Under no circumstances shall a Noteholder other than the Note Purchaser be required to make any Advance at all hereunder.

Section 2.4 Procedures for Making Advances.

(a) If the Company desires to obtain an Advance hereunder, other than the Initial Advance, the Company shall deliver a Notice of Borrowing to the Note Purchaser and to the Facility Administrator, specifying the amount of Advance requested and the requested Advance Date, not later than 3:30 p.m., New York City time, two (2) Business Days prior to the requested Advance Date for any Loans which are not Wet Funded Loans, and (ii) 4:30 p.m., New York City time, one (1) Business Day prior to the Advance Date for any Loans which are Wet Funded Loans. Each Notice of Borrowing shall (i) specify the requested Advance Date, (ii) include a Mortgage Loan Tape in electronic form containing detailed information with respect to the Loans (other than the Wet Funded Loans) that the Company proposes to pledge to the Note Purchaser and to be included in the Borrowing Base in connection with such Notice of Borrowing, and (iii) attach a different certificate of the Company as required by Section 6.02(c) hereof. With respect to Wet Funded Loans, the Company shall provide the Note Purchaser with (i) a detailed listing of the Wet Funded Loans the Company proposed to pledge by 9:00 a.m. New York City time on the related Advance Date and (ii) a final listing of the Wet Funded Loans the Company proposed to pledge by 4:00 p.m. New York City time on the related Advance Date.

(b) If on the designated Advance Date the conditions of this Agreement (including those of the related Notice of Borrowing) have been either satisfied by the Company or waived by the Note Purchaser, the related Advance Amount shall be funded on such Advance Date by the Note Purchaser. Each Advance shall be made available to the Company in immediately available funds to the account identified by the Company against delivery by the Company to the Note Purchaser of a Secured Note, duly executed on behalf of the Company by the Facility Administrator, in a Principal Amount equal to the Advance Amount.

(c) In the case of a Loan which is not a Wet Funded Loan, the Company shall release to the Custodian, no later than 7:30 a.m. Pacific time, two (2) Business Days (or such later time as the Custodian and the Company may agree) prior to the requested Advance Date, the Custodial Loan File pertaining to each Loan to be pledged to the Note Purchaser and included in the Borrowing

Base on such requested Advance Date, in accordance with the terms and conditions hereof and of the Custodial Agreement.

(d) With respect to each Loan which is a Wet Funded Loan pledged to the Facility Administrator and included in the Borrowing Base on a requested Advance Date:

(i) Not later than 4:30 p.m. New York City time at least one Business Day prior to the related Advance Date, the Company shall deliver to the Facility Administrator a report detailing the approximate outstanding principal balance of Wet Funded Loans to be pledged to the Note Purchaser on such Advance Date and the approximate principal amount of the related Notes.

(ii) An amount up to the expected original principal amount of each Wet Funded Loan, shall be remitted, in whole or in part, as requested by the Company, by the Note Purchaser, provided that, on or prior to the related Advance Date, the Company shall provide to the Note Purchaser a schedule (the "Wet Funding Schedule") setting forth the mortgage loan identification number, the Mortgagor name, the outstanding principal balance of Wet Funded Loans, the amount to be remitted for each Wet Funded Loan to be pledged to the Facility Administrator on such Advance Date and the aggregate of all such amounts, to be remitted on such Advance Date.

(iii) The Company shall deliver the Custodial Loan File related thereto to the Custodian for receipt by the Custodian no later than the Wet Funded Custodial File Delivery Date.

(iv) No later than the close of business, New York City time, on the Business Day following each Advance Date, the Company shall forward to the Note Purchaser a schedule with respect to each Wet Funded Loan funded on such Advance Date setting forth the related Loan number, the Mortgagor name, the amount of each such Wet Funded Loan, and a list of each wire actually issued in respect to such Wet Funded Loan, setting forth the amount, the payee, and the wire reference number, as appropriate. Any amounts with respect to each Wet Funded Loan which have not funded will be remitted by the Company back to the Note Purchaser no later than the close of business on the Business Day following each Advance Date.

(e) Pursuant to the Custodial Agreement, the Custodian shall:

Issue a Trust Receipt by 1:00 p.m. Pacific time in connection with each delivery of Loans to the Custodian under the Custodial Agreement (or any change in the Loans held by the Custodian hereunder, including the conversion of Wet Funded Loans to Loans that are not Wet Funded Loans prior to 1:00 p.m. Pacific time on the date of issuance of such Trust Receipt), and a cumulative Exceptions Report and cumulative Loan Schedules shall be attached to such Trust

Receipt. Separate Trust Receipts will be delivered in connection with Wet Funded Loans and Loans which are not Wet Funded Loans. Upon the issuance of a new Trust Receipt for Wet Funded Loans or for Loans which are not Wet Funded Loans, the prior Trust Receipt for such Loans shall be deemed canceled. If any Wet Funded Loans have not funded pursuant to Section 2.4(d)(iv), then the Custodian shall issue a new Trust Receipt reflecting such unfunded Wet Funded Loans.

(f) The Company shall furnish to the Note Purchaser a preliminary Mortgage Loan Schedule with respect to Wet Funded Loans not later than 4:30 p.m. New York City time on the Business Day preceding the related Advance Date, confirmed by near-final Mortgage Loan Schedule for such Wet Funded Loans received by the Note Purchaser not later than 6:00 p.m. New York City time on the Business Day prior to the related Advance Date.

(g) Subject to Section 6 hereof, the purchase price of each Advance required under Section 2.1 will then be made available (or deemed made available) to the Company by the Note Purchaser by means of transfer, via wire transfer, of the funds made available to the Note Purchaser for the Advance, to the following account of the Company (or such other account as it may identify by notice given to the Note Purchaser not later than the third Business Day before the relevant Advance Date):_____, for the A/C of the Company, in trust, ABA#_____, Attn:_____., in funds immediately available to the Company.

Section 2.5 Interest Rate. The Principal Amount of each Secured Note shall bear interest, for each day, at a rate per annum equal to the One-Month LIBOR Rate plus the Margin, in each case computed on the basis of a 360-day year for the actual number of days elapsed.

Section 2.6 Interest Payments.

All interest accrued on each Secured Note for each Interest Period shall be payable in arrears on each Payment Date for the related Interest Period from amounts allocable to interest on the Loans on deposit in the Collection Account (including net investment earnings on deposit in such Account) on the Determination Date immediately preceding the Payment Date, together with such additional amounts, if any, as may be deposited into the Collection Account prior to such Payment Date by the Servicer pursuant to the Sale and Servicing Agreement, and to the extent that such interest receipts and deposits by the Servicer are insufficient, from the Company directly. Any interest receipts remaining in the Collection Account with respect to the Remittance Period then most recently ended following payment of the interest due on the related Payment Date shall be immediately released to the Company. All interest accrued and unpaid as of the Maturity Date of any Secured Note, or, if earlier, the applicable Redemption Date, shall be payable thereon.

Section 2.7 Maximum Interest Rate.

If, by the terms of this Agreement or any Secured Note, the Company at any time is required or obligated to pay interest at a rate in excess of the maximum rate permitted by applicable law, the rate of interest payable with respect to the affected Secured Notes shall be immediately reduced to that maximum rate and the portion of all prior applicable interest payments in excess of the maximum rate permitted by applicable law shall be applied in reduction of the Principal Amounts of the affected Secured Notes.

Section 2.8 Funds; Manner of Payment.

Each payment under or in connection with this Agreement or any Secured Note shall be paid by the Company, or (without limiting the Company's obligation to make any and all payments required hereunder or under any Secured Note) by the Facility Administrator on behalf of the Company, in each case, without set-off or counterclaim (except as the parties may otherwise agree in the normal course of business) and in immediately available funds, to the Note Purchaser at its office located at 1285 Avenue of the Americas, New York, New York or to any other location that the Note Purchaser or any Noteholder specifies to the Company, not later than 3:00 p.m. New York City time on the date on which the payment is payable. If the date for any payment of principal is extended or any reason, by operation of law or otherwise, interest shall accrue at the then-applicable rate during the extension (subject, if applicable, to Section 10.4).

Section 2.9 Issuance, Registration and Transfer of Secured Notes.

Each Advance shall be evidenced by the issuance of a new Secured Note. Each Secured Note shall be duly executed by the Company and be payable to the Note Purchaser, or its registered assigns, in an initial Principal Amount equal to the related Advance Amount. Each Secured Note shall be dated the date of the related Advance, be stated to mature on the Maturity Date, and provide for the payment of interest in accordance with Sections 2.5, 2.6, 2.7, 2.8, 2.10 and 10.4.

The final payment of principal to be made on any Secured Note shall be made only upon surrender of such Secured Note to the Company (or the Facility Administrator on behalf of the Company at its corporate trust office in Columbia, Maryland). Any sale or transfer of a Secured Note may be made only in a transaction that is exempt from the registration requirements of the Securities Act, and only to a Person that the selling or transferring Person reasonably believes to be a Qualified Institutional Buyer, and the Secured Notes shall bear a legend to that effect. Every Secured Note presented or surrendered to the Facility Administrator for registration of transfer or exchange shall be accompanied by a written instrument, executed by the transferee, substantially in the form of Exhibit C to the Facility Administration Agreement and otherwise reasonably satisfactory to the Note Purchaser, indicating that such sale or transfer is being effected in full compliance with, or is exempt from, the registration requirements of the Securities Act. Any new Secured Note issued in

exchange for a Secured Note shall be executed by the Facility Administrator on behalf of the Company and delivered by the Facility Administrator.

Section 2.10 Principal Payments; Payment on Maturity Date.

(a) In addition to such payments of principal as the Company may be required to make pursuant to Section 5.1 or Article X or as provided in Subsection 2.10(b), 2.10(c) or 2.11, on each Payment Date, the Company shall prepay the Secured Notes in an amount equal to the sum of the aggregate amount held in the Collection Account in respect of the principal of Loans (whether as part of a regular monthly installment of principal and interest, in respect of any whole or partial prepayment of any Loan, or in respect of the liquidation of any Loan) at the close of business on the Determination Date immediately preceding such Payment Date. Each payment of principal shall be applied to the repayment of the principal of the Secured Notes in proportion to the amounts of principal collected with respect to each Secured Note.

(b) From time to time, the Note Purchaser may, in the exercise of its rights under Article IV and Section 6.3 of the Trust Agreement (and in compliance therewith), direct that the Company sell one or more Loans to one or more identified Persons and on specified terms and conditions, and apply the proceeds of such sale (i) to the extent required to avoid the occurrence of a Shortfall upon giving effect to such sale, to the prepayment of the principal of the Secured Notes, and (ii) to the payment of accrued and unpaid interest on that portion of the Secured Notes so prepaid, to the date of prepayment. The Company shall comply with all such directions, and, upon the closing of such sale, shall apply the proceeds thereof in accordance with the preceding sentence.

(c) The Company shall repay the Principal Amount of each Secured Note in full on the Maturity Date, together with all accrued and unpaid interest thereon to the Maturity Date and all other accrued and unpaid Obligations under the Basic Documents. In addition, if the Note Purchaser so elects in its sole discretion (such election to be made by the Note Purchaser in writing and delivered to the Company at least two (2) Business Days prior to the date specified in the writing as the Redemption Date), the Company shall repay the respective Principal Amounts of all issued and outstanding Secured Notes in full on the Optional Redemption Date, together with all accrued and unpaid interest

thereon to the Optional Redemption Date and all other accrued and unpaid Obligations under the Basic Documents. Pursuant to the preceding sentence, the Note Purchaser hereby elects, and the Company hereby acknowledges receipt of such notice of election, to require the Company to repay the respective Principal Amounts of all issued and outstanding Secured Notes in full on the Optional Redemption Date (which shall be the Redemption Date), together with all accrued and unpaid interest thereon to, but not including, the Redemption Date and all other accrued and unpaid Obligations under the Basic Documents; provided, however, that the Note Purchaser and the Company may mutually agree to revoke such election on any date that is 90 or more days prior to the Optional Redemption Date. Any extension of the Commitment Term effected pursuant to Section 2.10(d) shall automatically extend the then-current Optional Redemption Date and Redemption Date.

(d) (i) The Company, by notice in writing delivered to the Note Purchaser (each such notice, an "Extension Request") no later than the date that is 180 days before the then-current Optional Redemption Date, may request that the Note Purchaser agree to extend the Commitment Term for an additional period, in each case, ending on a Business Day not more than three hundred sixty-four (364) days from the date upon which the Note Purchaser approves such request (if applicable).

(ii) Upon receipt of any Extension Request from the Company, the Note Purchaser shall undertake a credit assessment of the Company consistent with the Note Purchaser's then-current credit standards and practices, and, if the Note Purchaser decides, in its sole and total discretion, to extend the Commitment Term for an additional period as described in the preceding clause (i), the Note Purchaser shall so notify the Company that it has approved the Extension Request, and of the last day of the Commitment Term, as so extended, which shall be a Business Day not more than 364 days after the date of such Notice. If the Note Purchaser does not respond to the Company within thirty (30) days after the date on which it receives the Extension Request, the Note Purchaser shall be deemed to have declined the Extension Request.

(iii) The Company and OOMC acknowledge that the Note Purchaser has not made any representations to the Company or OOMC regarding its intention to extend the Commitment Term as set forth in this Section 2.10(a), and that the Note Purchaser shall not have any obligation to extend the Commitment Term.

(e) For the avoidance of doubt, any Minimum Usage Fee shall be calculated as of the last day of the relevant Minimum Usage Period , and shall be due and payable on the last day of such Minimum Usage Period (whether or not it is the Redemption Date) or, if applicable, the last day of the Commitment Term, and shall constitute an accrued and unpaid Obligation for purposes of calculating the amounts required to be paid in connection with any prepayment of the Secured Notes in full.

Section 2.11 Margin Option.

At any time and from time to time, the Note Purchaser shall have the right to determine whether the Borrowing Base supports the aggregate Principal Amounts of the Secured Note. The right to make such determination includes the right to determine the Market Value of each Loan with respect to the acquisition of which a Secured Note was issued at any time and from time to time. If at any time the Note Purchaser determines that the aggregate Principal Amounts of the Secured Notes exceed the Borrowing Base, then, in each such case, a "Shortfall" shall exist.

The Note Purchaser shall give written notice to the Company and OOLWC of such determination and of the amount of such Shortfall (each such notice, a "Margin Option") and, if notice is provided by 11:00 a.m. New York City time, within one Business Day (and otherwise, within two Business Days) after receipt of such Margin Option, (a) OOLWC has contributed to the Company (i) to the extent held by or reasonably available to OOLWC, Qualified

Substitution Loans having an aggregate Collateral Value equal to at least the amount of such Shortfall, and (ii) to the extent that

sufficient Qualified Substitution Loans are not so held by, or reasonably available to, OOLWC, cash in an amount equal to at least the difference between the amount of such Shortfall and the aggregate Collateral Value of such Qualified Substitution Loans as are contributed by OOLWC to the Company (the "Minimum Margin Contribution"); and (b) the Company has Pledged such Qualified Substitution Loans, together with all Other Assets related thereto, to the Note Purchaser and has paid such cash to the Note Purchaser, for immediate application to the repayment of the principal of the Secured Notes, then the Shortfall shall be deemed to have been cured. If, within such period, the Shortfall has not been so cured, or if, prior to expiration of such period, OOLWC has notified the Note Purchaser that OOLWC does not intend to effect the Minimum Margin Contribution, such occurrence shall constitute an Event of Default; provided, however, that nothing contained herein shall either obligate OOLWC to effect any Minimum Margin Contribution or impose any liability to the Note Purchaser on OOLWC for any election by OOLWC not to effect a Minimum Margin Contribution.

If any portion of the proceeds of an Advance are made available to the Company in connection with the inclusion in the Borrowing Base of a proposed Wet Funded Loan which is not actually made on the Advance Date, the Company shall not later than one Business Day after that Advance Date prepay that portion of the principal amount of the Notes which corresponds to such proposed Wet Funded Loan. The interest accrued on the amount of the prepayment from and including the relevant Advance Date and to but excluding the date of the prepayment (or, if the prepayment is made on the Advance Date, one day's interest thereon) shall be included in the interest payable hereunder on the next following Payment Date.

Notwithstanding any other provision of this Agreement or any other Basic Document to the contrary, if OOLWC effects all or any portion of a Minimum Margin Contribution, the Company shall immediately (x) Pledge to the Note Purchaser all Qualified Substitution Loans, together with all Other Assets related thereto, and (y) pay, or cause to be paid, to the Note Purchaser, all cash contributed to the Company by OOLWC in response to the precipitating Margin Option. All such cash shall be immediately applied to repayment of the principal of the Secured Notes.

ARTICLE III

SECURITY

Section 3.1 Lien.

The due and punctual payment and performance by the Company of all of its obligations hereunder, including the payment of any and all amounts required to be paid pursuant to the Secured Notes and the payment of any and all other Obligations, shall at all times be secured by a Lien on and in all of the Company's right, title and interest of any kind and nature whatsoever (whether now owned or existing or at any time hereafter acquired or arising) in and to the Collateral, which shall at all times be a Lien of first priority. Such Lien shall be granted by the Company, pursuant to the Facility

Administration Agreement, to the Facility Administrator as collateral agent and secured party for the benefit and on behalf of the Note Purchaser.

Section 3.2 Further Assurances.

Promptly upon the Note Purchaser's request from time to time, the Company shall perform (or cause to be performed) such further acts and shall execute, acknowledge and deliver (or cause to be executed, acknowledged and delivered) to the Note Purchaser or its designee such further documents, consistent with the terms of this Agreement (including UCC-1 financing statements naming the Company as debtor and the Facility Administrator as secured party and any continuation statements relating thereto), as the Note Purchaser may deem necessary or advisable in order to evidence, establish, maintain, protect, enforce or defend its rights in and to the Collateral (including any and all of the Pledged Loans) or otherwise to carry out the intent and accomplish the purposes of this Agreement. To the fullest extent permitted by applicable law, the Facility Administrator shall be permitted from time to time to sign and file continuation statements and amendments thereto and assignments thereof without the Company's signature. In all cases, carbon, photographic or other reproduction of this Agreement or any financing statement shall be sufficient as a financing statement.

Section 3.3 Power of Attorney.

The Company hereby appoints each of the Note Purchaser and the Facility Administrator as the Company's true and lawful attorney-in-fact, with the right (but not the obligation) to act in the Company's name, place and stead, with full power of substitution and delegation, for the purpose of carrying out the provisions of this Agreement and taking any action and executing any documents consistent with the terms of this Agreement and the Facility Administration Agreement that the Note Purchaser shall deem necessary or advisable to accomplish the purposes hereof (including any financing or continuation statements that may be necessary to perfect or continue any Lien granted to the Facility Administrator as described in Section 3.1). This appointment as attorney-in-fact is irrevocable and is coupled with an interest until such time as the Commitment Term has ended, all Obligations have been paid in full, and all other obligations of the Company under the Basic Documents have been performed in full. Without in any way limiting the generality of the foregoing, the Facility Administrator shall have the right and power to receive, endorse and collect all checks made payable to the order of the Company on account of the principal of or interest on any of the Pledged Loans and to give full discharge of the same.

Section 3.4 Duty of Care.

Neither the Note Purchaser nor the Facility Administrator shall have any duty with respect to any of the Collateral except to use commercially reasonable care in the safekeeping and preservation of any of the Collateral that may come into its actual possession. To the fullest extent permitted under applicable law, the Company hereby waives the defense of impairment of the Collateral. The Company shall take any reasonable and necessary action appropriate to preserve the Note Purchaser's or the

Facility Administrator's rights in the Collateral against any other Person, and shall defend the Collateral against all claims and demands of all Persons, at all times, that are adverse to the Note Purchaser or the Facility Administrator, in its capacity as collateral agent and secured party for the benefit and on behalf of the Note Purchaser.

Section 3.5 Earnings on Collateral.

With respect to each Secured Note, so long as an Event of Default shall not have occurred, the aggregate interest collected on all of the Loans constituting related Collateral that relates to the prior Remittance Period as of the related Determination Date may, to the extent not required to pay interest on such Secured Note that accrued during the related Interest Period or to discharge any other Obligation (including the payment of interest on any other Secured Note), be paid by the Facility Administrator to the Company or as otherwise provided in the Facility Administration Agreement, and if by being so

paid it is distributed in any manner other than to the Note Purchaser or any person acting on behalf of the Note Purchaser (e.g., the Facility Administrator), then the distributions shall be released from the Lien granted to the Facility Administrator by the Facility Administration Agreement. The Note Purchaser may, in its sole discretion after the occurrence and during the continuation of an Event of Default, direct the Facility Administrator to remit all amounts that would otherwise be available for distribution to the Company or its designee (including any Certificateholder under the Trust Agreement) with respect to the Collateral to be transferred directly to the Note Purchaser.

Section 3.6 Release of Collateral.

(a) Release Upon Repurchase or Prepayment of Loan. At any time that a Loan that has been Pledged by the Company hereunder is repurchased or prepaid in full (whether to cover a Shortfall pursuant to Section 5.1 or otherwise), the Company may obtain a release from the Facility Administrator of its Lien with respect to the Loan(s) that are repurchased or as to which a prepayment is made, and the Note Purchaser shall so instruct the Facility Administrator.

(b) Release Upon Sale of Loans and Prepayment of Secured Notes. If the Note Purchaser shall direct the sale of any Loan as described in Subsection 2.10(b), then, provided that immediately after giving effect to such sale (and taking into account the application of the proceeds of such sale, in whole or in part, to the prepayment of the Secured Notes), no Shortfall would exist, (i) the Note Purchaser shall cause the Facility Administrator to release its Lien with respect to such Loan and (ii) provided, further, that no Default or Event of Default then exists or would be caused thereby, the Note Purchaser shall cause the Facility Administrator to release its Lien with respect to that portion, if any, of the proceeds of such sale in excess of the amount required under Section 2.10(b) to be applied to the payment of the principal of and interest on the Secured Notes.

(c) Documentation. Any release of the Facility Administrator's Lien with respect to any part of the Collateral as a result of a repurchase or prepayment shall be evidenced by the execution and delivery by the Facility Administrator of appropriate

documentation to evidence the release, such documentation to be prepared at the expense of the Company.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Company's Representations and Warranties; Representations and Warranties Regarding the Loans.

(i) The Company and OOMC jointly and severally represent and warrant to the Note Purchaser, with respect to Section 4.1(m), on the date of the Pledge hereunder of the related Loan; and (ii) the Company severally represents and warrants to the Note Purchaser, with respect to each other subsection of this Section 4.1, on the date of this Agreement, on the date of each Advance and on each date on which any Collateral is released to it or substituted by it, that:

(a) Due Organization. The Company is a business trust duly organized, validly existing and in good standing under the laws of the State of Delaware and has all power and all material governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted. The Company is duly qualified to do business in, and is in good standing in, every other jurisdiction in which the nature of its business requires it to be so qualified.

(b) Authorization; Binding Effect. The Company has full power and authority to execute and deliver this Agreement and each Secured Note and to

perform its obligations under the Basic Documents to which it is a party. The Basic Documents to which the Company is a party have been duly authorized by all necessary action and do not require any additional approval by anyone that has not already been obtained. The Basic Documents to which the Company is a party have been duly executed and delivered by the Company and constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, and similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity and equitable remedies, regardless of whether enforcement is considered in a proceeding in equity or at law.

(c) No Conflict. Neither the execution and delivery nor the performance by the Company of the Basic Documents to which it is a party will conflict with the governing instruments of the Company or conflict with, result in a breach, violation or acceleration of, or constitute a default or require any consent under any instrument or agreement to which the Company is a party or by which the Company or its properties may be bound, or any law, order, or regulation applicable to the Company of any Governmental Authority having jurisdiction over the Company or its properties, and do not and will not result in or require the creation of any Lien (other than pursuant to this Agreement) with respect to any of the Company's properties.

(d) Approvals. Neither the execution and delivery nor the performance by the Company of the Basic Documents to which it is a party requires any authorization, approval, consent, license, exemption (other than any self-executing exemption), filing, registration, or any other action except those which have been obtained and are in full force and effect or where the failure to comply with the requirement would not adversely affect the delivery, execution or performance by the Company of the Basic Documents.

(e) No Defaults. Neither the Company nor any of its Affiliates is in default under any mortgage, borrowing agreement or other instrument or agreement pertaining to indebtedness for borrowed money to which it is a party or by which its properties are bound, which default is likely to result in a Material Adverse Effect. No Event of Default has occurred and is continuing under this Agreement.

(f) Good Title. The Company holds good and indefeasible title to, and is the sole owner of, all right, title and interest in and to the Collateral (including any and all Loans and the related Other Assets given as security for any of the Company's obligations hereunder), free and clear of all Liens, participations and rights of others (except for the Lien created by this Agreement), and on each date this representation is made, the Note Purchaser has a first priority Lien with respect to the Collateral and no further action in the nature of delivery of possession or filing, including any filing of any document (other than the filing of a UCC-1 financing statement with the Secretary of the State of California naming the Company as "debtor" and the Note Purchaser as "secured party" and describing the Collateral as the "collateral" therein, but only if such filing has not previously been made), is required to establish and (insofar as a security interest may be perfected by filing or possession) perfect the Lien with respect to the Collateral in favor of the Note Purchaser against all third parties in any jurisdiction.

(g) Chief Executive Office. The Company's Chief Executive Office is located at 3 Ada, Irvine, CA 92618. The Custodial Loan Files concerning the Pledged Loans are held in the offices of the Custodian under the Custodial Agreement in the State of California.

(h) Taxpayer Identification Number. The Company's federal taxpayer identification number is 3543125.

(i) Tax Liens. There are no delinquent federal, state, city, county, or other taxes relating to any of the Company, the Immediate Transferor, OOLWC

or OOMC except those taxes (i) that are being contested by such Person in good faith, (ii) that are not material in amount, (iii) with respect to which payment has been stayed by a court of competent jurisdiction, (iv) that relate to a Mortgage Property, or (v) that would not have a Material Adverse Effect.

(j) No Litigation. There are no actions, suits, investigations or other proceedings pending or, to the best knowledge of the Company after due inquiry, threatened against or affecting the Company by or before any court, arbitrator, or Governmental Authority (i) asserting the invalidity of this Agreement or any of the other

Basic Documents, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any of the other Basic Documents, or (iii) which is reasonably likely to materially and adversely affect the validity, enforceability, collectibility or value of any Pledged Loan that is being Pledged on such date or other Collateral that is being Pledged on such date or the interest of the Note Purchaser or any Noteholder. There are no preliminary or permanent injunctions or orders by any court or other Governmental Authority pending adversely affecting this Agreement or any of the other Basic Documents or any of the transactions contemplated hereby or thereby.

(k) All Documents True and Correct. All representations and warranties made, and all information, reports, financial statements (including financial statements of OOMC), exhibits, schedules, and documents or copies of documents furnished to the Note Purchaser by or on behalf of the Company pursuant to or in connection with the negotiation, preparation, delivery or performance of this Agreement and the other Basic Documents to which the Company is a party, or with the transactions contemplated hereby, are true and correct and, when considered as a whole, complete in every material respect or (in the case of projections, based on reasonable estimates), at the time when made or, if limited to a specific date, as of the date to which they refer, and no such writing or information contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading. There is no fact known to a Responsible Officer of the Company or the Loan Originator that, after due inquiry, could reasonably be expected to have a Material Adverse Effect that has not been disclosed herein, in the other Basic Documents to which the Company is a party or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished to the Note Purchaser for use in connection with the transactions contemplated hereby or thereby.

(l) Investment Company Act. The Company is not, nor is it controlled by, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(m) Qualified Loans. Each and every Loan that is a Pledged Loan is also a Qualified Loan.

(n) Ownership of the Company. The Company is, indirectly, a wholly-owned Subsidiary of OOMC and is wholly-owned, directly, by OOLWC.

(o) Debt. The Company does not have any outstanding debt obligation for money borrowed (other than debt arising under this Agreement), any other (i.e., debt arising for reasons other than money borrowed) material debt obligations other than amounts owed to the Immediate Transferor in consideration of assets purchased by the Company under the Sale and Servicing Agreement or pursuant to the Disposition Agreement.

(p) Ordinary Course. The transactions contemplated by this Agreement are in the ordinary course of business of the Company. The Company will

engage in each acquisition of Loans under the Sale and Servicing Agreement or pursuant to the Disposition Agreement as a principal and not as an agent.

(q) Solvency. The Company is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations hereunder. The Company will not be rendered insolvent by the execution and delivery of this Agreement or the performance of its obligations hereunder. No petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Company. (r) No Intent to Hinder or Defraud. In incurring any obligation or making any "transfer" (as defined in Section 101 of the Bankruptcy Code) of property or any interest therein pursuant to this Agreement (whether in connection with an Advance or otherwise), the Company does not intend to hinder, delay or defraud any Person to which the Company is or will become, on or after the date on which such obligation is incurred or such transfer is made, indebted.

(s) Reasonably Equivalent Value. With respect to any obligation incurred by the Company or any "transfer" (as defined in Section 101 of the Bankruptcy Code) of property or any interest therein made by the Company pursuant to this Agreement (whether in connection with an Advance or otherwise), (i) the Company has received "reasonably equivalent value" within the meaning of Section 548(a)(1)(B)(i) of the Bankruptcy Code for such obligation or transfer, (ii) the Company is not and will not become "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code at the time of or as a result of incurring such obligation or making such transfer, (iii) the Company is not engaged in, and is not about to engage in, any business or transaction for which the any property remaining with the Company constitutes "unreasonably small capital" within the meaning of Section 548(a)(1)(B)(ii)(II) of the Bankruptcy Code, and (iv) the Company does not intend to incur, and does not believe that it will incur, "debts" within the meaning of Section 101(12) of the Bankruptcy Code that would be beyond the Company's ability to pay as such debts matured.

(t) Contemporaneous Exchange. With respect to any "transfer" (as defined in Section 101 of the Bankruptcy Code) of property or any interest therein made by the Company pursuant to this Agreement (including the Company's Grant to the Note Purchaser of a Lien with respect to Pledged Loans in exchange for an Advance to the Company to finance its purchase of such Pledged Loans), such transfer is intended as a "contemporaneous exchange for new value" given to the Company within the meaning of Section 547(c)(1) of the Bankruptcy Code.

(u) Underwriting Standards. The Note Purchaser has been provided with true and complete copies of the Underwriting Standards, a copy of which is attached hereto as Exhibit D.

Section 4.2 OOMC's Representations and Warranties.

OOMC severally represents and warrants to the Note Purchaser, with respect to each subsection of this Section 4.2 on the date of this Agreement, on the date

of each Advance and on each date on which any Collateral is released to the Company or substituted by the Company, that:

(a) Due Organization. OOMC is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has all corporate power and all material governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted. OOMC is duly qualified to do business in, and is in good standing in, every other jurisdiction in which the nature of its business requires it to be so qualified.

(b) Authorization; Binding Effect. OOMC has full corporate power and authority to execute and deliver this Agreement and each other Basic Document to

which it is a party and to perform its obligations hereunder and thereunder. The Basic Documents have been duly authorized by all necessary corporate action on the part of OOMC and do not require any additional approval by anyone that has not already been obtained. The Basic Documents to which OOMC is a party have been duly executed and delivered by OOMC and constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, and similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity and equitable remedies, regardless of whether enforcement is considered in a proceeding in equity or at law.

(c) No Conflict. Neither the execution and delivery nor the performance by OOMC of the Basic Documents to which it is a party will conflict with the Articles of Incorporation or bylaws of OOMC or conflict with, result in a breach, violation or acceleration of, or constitute a default or require any consent under any instrument or agreement to which OOMC is a party or by which OOMC or its properties may be bound, or any law, order, or regulation applicable to OOMC of any Governmental Authority having jurisdiction over OOMC or its properties, and do not and will not result in or require the creation of any Lien with respect to any of OOMC's properties.

(d) Approvals. Neither the execution and delivery nor the performance by OOMC of the Basic Documents to which it is a party requires any authorization, approval, consent, license, exemption (other than any self-executing exemption), filing, registration, or any other action except those which have been obtained and are in full force and effect or where the failure to comply with the requirement would not adversely affect the delivery, execution or performance by OOMC of the Basic Documents to which it is a party.

(e) No Defaults. Neither OOMC nor any of its Affiliates is in default under any mortgage, borrowing agreement or other instrument or agreement pertaining to indebtedness for borrowed money to which it is a party or by which its properties are bound, which default is likely to result in a Material Adverse Effect.

(f) Tax Liens. There are no delinquent federal, state, city, county, or other taxes relating to any of the Company, the Immediate Transferor, OOLWC or

OOMC except those taxes (i) that are being contested by such Person in good faith, (ii) that are not material in amount, (iii) with respect to which payment has been stayed by a court of competent jurisdiction, (iv) that relate to a Mortgage Property, or (v) that would not have a Material Adverse Effect.

(g) No Litigation. There are no actions, suits, investigations or other proceedings pending or, to the best knowledge of OOMC after due inquiry, threatened against or affecting OOMC by or before any court, arbitrator, or Governmental Authority (i) asserting the invalidity of this Agreement or any of the other Basic Documents, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any of the other Basic Documents, or (iii) which is reasonably likely to materially and adversely affect the validity, enforceability, collectibility or value of any Pledged Loan that is being Pledged on such date or other Collateral that is being Pledged on such date or the interest of the Note Purchaser or any Noteholder. There are no preliminary or permanent injunctions or orders by any court or other Governmental Authority pending adversely affecting this Agreement or any of the other Basic Documents or any of the transactions contemplated hereby or thereby.

(h) All Documents True and Correct. All representations and warranties made, and all information, reports, financial statements, exhibits, schedules, and documents or copies of documents furnished to the Note Purchaser by or on behalf of OOMC pursuant to or in connection with the negotiation, preparation, delivery or performance of this Agreement and the other Basic Documents to which OOMC is a party, or with the transactions contemplated

hereby, are true and correct and, when considered as a whole, complete in every material respect or (in the case of projections, based on reasonable estimates), at the time when made or, if limited to a specific date, as of the date to which they refer, and no such writing or information contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading. There is no fact known to a Responsible Officer of OOMC that, after due inquiry, could reasonably be expected to have a Material Adverse Effect that has not been disclosed herein, in the other Basic Documents to which OOMC is a party or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished to the Note Purchaser for use in connection with the transactions contemplated hereby or thereby.

(i) Investment Company Act. OOMC is not, nor is it controlled by, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(j) Ownership of the Company. The Company is, indirectly, a wholly-owned Subsidiary of OOMC and is wholly-owned, directly, by OOLWC.

ARTICLE V

BREACH OF REPRESENTATION OR WARRANTY

Section 5.1 General.

If, after giving effect to the reduction of the Market Value of any one or more Pledged Loans to zero in accordance with the definition of "Market Value" by reason of the breach of a representation or warranty set forth on Exhibit B or in Section 4.1(m) (or in Section 4.1(k) or 4.2(h) to the extent that Section 4.1(k) or 4.2(h) relates to the representations and warranties set forth on Exhibit B or in Section 4.1(m)), a Shortfall would exist, then:

(i) if such breach is curable, not later than ninety (90) days after the earlier of the Company's or OOMC's discovery of such breach and the Company's or OOMC's receipt of notice to that effect from the Note Purchaser or any other Noteholder, or

(ii) if such breach is not curable, within two Business Days after the earlier of the Company's or OOMC's discovery of such breach and the Company's or OOMC's receipt of notice to that effect from the Note Purchaser or any other Noteholder,

the Company and OOMC, jointly and severally, shall (x) if such breach is curable, cure, or require the Loan Originator (if the breach is also a breach of the Loan Originator's representations and warranties pursuant to Section 3.05 of the Sale and Servicing Agreement) to cure, the breach in all material respects, or (y) whether or not such breach is curable, (1) prepay on any Business Day the affected Secured Notes in an amount at least equal to such Shortfall, (2) pledge (or, in the case of OOMC, cause to be pledged) additional Qualified Substitution Loans the Collateral Value of which equals or exceeds the amount of the Shortfall (subject to satisfaction of the conditions set forth herein and such other conditions as the Note Purchaser shall reasonably specify, which shall not include the payment of any breakage fee), or (3) enforce the Company's right to require the Loan Originator (if the breach is also a breach of the Loan Originator's representations and warranties pursuant to Section 3.05 of the Sale and Servicing Agreement) to repurchase the affected Pledged Loan at the applicable Repurchase Price. If the Company and OOMC fail so to cure a Shortfall within the applicable cure period set forth in the preceding sentence, then the Note Purchaser or Noteholder, in addition to any other right, remedy, power or privilege it may have in respect of such failure, may, if applicable, enforce the Company's rights against the Loan Originator pursuant to either clause (x) or subclause (3) of clause (y) of the preceding sentence.

If the Company demands that the Loan Originator repurchase a Loan that the Loan Originator is required to repurchase pursuant to the Sale and Servicing Agreement and the Loan Originator shall fail to do so, the Company shall nevertheless be required to cure such breach by taking other curative action permitted by this Section 5.1.

Without in any way derogating from the Company's obligation to deliver to the Custodian with respect to each Pledged Loan the Custodial Loan File required to be delivered pursuant to Section 2 of the Custodial Agreement, the parties agree that not later than three (3) Business Days after the earlier of (p) the Company's receipt of notice from the Note Purchaser or any Noteholder or from the Custodian, and (q) the Company's discovery that the Custodial Loan File required to be delivered pursuant to Section 2 of the Custodial Agreement have not been so delivered, the Company shall (a) cure the breach in all material respects, (b) substitute for the affected Pledged Loans one or more Qualified Substitution Loans the aggregate Collateral Value of which equals or exceeds the aggregate Collateral Value of the affected Pledged Loans (subject to satisfaction of the conditions set forth herein and such other conditions as the Note Purchaser shall reasonably specify, which shall not include the payment of any breakage fee), or (c) or repurchase, or cause the Loan Originator (if the breach is also a breach of the Loan Originator's representations and warranties pursuant to Section 3.05 of the Sale and Servicing Agreement) to repurchase, the affected Pledged Loan(s) for an amount equal to the Collateral Value thereof.

Section 5.2 Sole Remedy.

Apart from the determination of "Market Value" as provided in Section 1.1, the right of the Note Purchaser to give notice of Margin Options as provided in Section 2.11, Section 5.1 provides the sole remedy available to the Note Purchaser with respect to the breach of any representation or warranty set forth on Exhibit B or in Section 4.1(m) (or in Section 4.1(k) or 4.2(h), to the extent that Section 4.1(k) or 4.2(h) applies to the representations and warranties set forth on Exhibit B or in Section 4.1(m)). Notwithstanding the foregoing, the parties acknowledge that (i) the Note Purchaser is the assignee of, and may enforce directly against the Loan Originator, all rights with respect to the Loan Originator's obligations under Sections 2.05 and 3.06 of the Sale and Servicing Agreement, and (ii) the Note Purchaser is the assignee of, and may enforce directly against the related Transferor, all rights and remedies provided under any applicable Transfer Agreement in the event of a breach of any representation or warranty with respect to a Pledged Loan.

ARTICLE VI

CONDITIONS PRECEDENT TO ADVANCES

Section 6.1 Receipt by the Note Purchaser of Certain Documents.

No Advance will be made by the Note Purchaser unless, in addition to the conditions precedent set forth in Section 6.2 having been satisfied on or before the relevant Advance Date, the Note Purchaser shall have received:

(i) On the initial Advance Date (i.e., the Advance Date of the initial Secured Note issued and sold hereunder), in addition to the documents set forth in

paragraph (ii) below, each of the following documents, each in form and substance reasonably satisfactory to the Note Purchaser:

(a) A copy of this Agreement, executed and delivered on behalf of each of the Company and the Loan Originator by a duly authorized officer of

the Company or the Loan Originator, as the case may be.

(b) A copy of each of the following Basic Documents, executed and delivered be each party thereto other than the Note Purchaser, certified (with respect to documents to which the Note Purchaser is not a party) by a duly authorized officer of the Company as being true and correct copies of the originals thereof:

(1) The Custodial Agreement;

(2) The Facility Administration Agreement; and the Agreement of Depository Bank referred to therein;

(3) The Loan Purchase and Contribution Agreement;

(4) The Sale and Servicing Agreement;

(5) The Issuer Administration Agreement;

(6) The Amended and Restated Master Disposition Agreement; and

(7) That certain Guaranty Agreement executed by H&R Block Corporation in favor of the Note Purchaser with respect to Wet Funded Loans.

(c) Opinions of counsel (A) with respect to certain bankruptcy, non-consolidation and "true sale" matters, (B) to the effect that the Note Purchaser will have a first perfected security interest in the Promissory Notes and the Mortgages and that portion of the other Collateral in which a security interest may be perfected by filing, (C) that the Secured Notes will be treated as indebtedness of the Company, and (D) with respect to such other matters the Note Purchaser may reasonably require.

(d) A certificate by a duly authorized officer of the Owner Trustee of the Company ("Owner Trustee") relating to: (A) copies of the Trust Agreement (including all amendments, supplements, and modifications thereto), and (B) the authority of the Owner Trustee to execute and deliver on behalf of the Company each of the Basic Documents to which the Company is or is to become a party.

(e) A certificate of the Loan Originator by a duly authorized officer of the Loan Originator relating to: (A) a copy of the resolutions of the Loan Originator's board of directors authorizing the Loan Originator's execution, delivery and performance of the Basic Documents to which the Loan Originator is or is to become a

party and the transactions contemplated thereby, in form and substance satisfactory to the Note Purchaser, which certificate shall state that the resolutions have not been amended, modified, revoked, or rescinded; (B) copies of the Articles of Incorporation and bylaws of the Loan Originator (including any and all amendments, supplements, and modifications thereto); and (C) all permits, licenses, approvals and consents required in connection with the execution, delivery and performance by each of the Company, OOMC and OOLWC, and the validity and enforceability against each such Person, of each of the Basic Documents to which such Person is or is to become a party having been obtained and being in full force and effect, without having been amended, modified, revoked or rescinded.

(f) A certificate of OOLWC relating to: (A) a copy of the resolutions of OOLWC's board of directors authorizing OOLWC's execution, delivery and performance of the Basic Documents to which OOLWC is or is to become a party and the transactions contemplated thereby, in form and substance satisfactory to the Note Purchaser, which certificate shall state that the

resolutions have not been amended, modified, revoked, or rescinded; and (B) copies of the Articles of Incorporation and bylaws of OOLWC (including any and all amendments, supplements, and modifications thereto).

(ii) On each Advance Date, all of the following documents, each (except as otherwise provided below) in form and substance reasonably satisfactory to the Note Purchaser:

(a) The Secured Note relating to the Advance to be made thereon, substantially in the form of Exhibit A to the Facility Administration Agreement, executed and delivered on behalf of the Company by a duly authorized officer of the Facility Administrator.

(b) A Collateral Schedule satisfactory to the Note Purchaser in its sole discretion.

(c) A copy of the Trust Receipt issued by the Custodian with respect to the Loans identified on the Collateral Schedule.

(d) If requested by the Note Purchaser, copies, certified as being true and correct copies of the originals, each Basic Document not specifically required to be delivered as a condition precedent to such Advance.

(e) A release of each Lien, if any, existing with respect to any Loan (other than a Wet Funded Loan) being Pledged on such Advance Date (other than the Lien in favor of the Note Purchaser created hereby), duly executed by or on behalf of the holder of such Lien.

(f) A copy of a direction from the Company addressed to and acknowledged by the Servicer (it being understood that, pursuant to the Sale and Servicing Agreement, the Servicer shall service and administer each Loan being added to the Collateral) stating that after the Servicer is notified in writing by the Note Purchaser

that an Event of Default has occurred and is continuing, the Servicer shall no longer accept any instructions from the Company that involve any material modification of any Loan, whether by way of amendment, consent, forbearance, or otherwise, unless the direction is in writing and consented to in writing by the Note Purchaser.

(g) To the extent not previously delivered to the Note Purchaser, a copy of each agreement with a service provider that the Company is required to obtain pursuant to Section 7.1(k).

(h) With respect to any Advance for which the Borrowing Base includes any Wet Funded Loan:

(x) at least one Business Day prior to the related Advance Date, the Note Purchaser shall have received notice of the Estimated Note Issuance Proceeds;

(y) on or prior to the related Advance Date, the Note Purchaser shall have received the related Wet Funding Schedule.

(i) A certificate from the Company stating that it has not experienced any material adverse change or material adverse event since April 1, 2000.

Section 6.2 Conditions Precedent to all Advances and Substitutions.

The making of any Advance or the substitution of any Collateral is subject (in addition to (i) the satisfaction of the applicable conditions precedent set forth in Section 6.1 and, (ii) in the case of a substitution of Collateral, the satisfaction of the conditions set forth in Section 6.3) to the

satisfaction, on or before the relevant Advance Date or date of such substitution of Collateral, of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by the Company and OOMC in this Agreement shall be true and correct in all material respects on that date, both before and after giving effect to the Advance or the substitution, as though made on that date.

(b) No Default; No Interruption of Funding Period. Before and after giving effect to the Advance or the substitution, no Default or Event of Default shall have occurred and be continuing; the Funding Period under the Sale and Servicing Agreement shall be in effect; and no default or event of default shall have occurred and be continuing under either the Greenwich Facility or the B of A Facility (as defined in the Disposition Agreement).

(c) Certificates. Both immediately prior to each Advance and also after giving effect thereto and to the intended use of the proceeds thereof, the representations and warranties made by the Company in each of the Basic Documents, shall be true, correct and complete on and as of the date of the making of such Advance in all material respects with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a

specific date, as of such specific date). The Note Purchaser shall have received a certificate signed by a Designated Agent of the Company certifying as to the truth, accuracy and completeness of the above, which certificate shall specifically include a statement that the Company is in compliance with all governmental licenses and authorizations and, if relevant under applicable law, is qualified to do business and in good standing in all required jurisdictions.

(d) No Violation. The consummation of the transactions contemplated hereby and by the other Basic Documents shall not violate or conflict with, nor involve the Note Purchaser in a violation of, any applicable law, rule, regulation or order.

(e) Due Diligence Fees and Other Expenses. To the extent billed, the due diligence fees related to such Advance or substitution and the legal fees and other "out-of-pocket" expenses of the Note Purchaser in connection with the purchase of the related Secured Note (for which the Company shall be billed quarterly) shall have been paid in full (subject to any previously agreed upon maximum) in cash, as specified in Section 8.3.

(f) Information. All information provided by the Company to the Note Purchaser concerning each of the Loans to be Pledged on such Advance Date or date of substitution shall be true and correct in all material respects as of such Advance Date or date of substitution.

(g) Proceedings. All corporate and legal proceedings and all instruments in connection with such Advance Date or date of substitution, or otherwise in connection with this Agreement and the transactions contemplated hereby, shall be reasonably satisfactory in form and substance to the Note Purchaser, and the Note Purchaser shall have received from the Company copies of all documents (including records of corporate proceedings) relevant to the transactions herein contemplated as the Note Purchaser may reasonably have requested. Such documents shall include, in addition to the documents listed in Section 6.1, a certificate of the Secretary or Assistant Secretary of the Company certifying the names and signatures of the officers authorized on its behalf to execute this Agreement and any other documents to be delivered by it hereunder on such Advance Date or date of substitution.

(h) Servicing Reports. The Note Purchaser shall have received the most recent available standard servicing or loan reports in summary form, if any, with respect to all of the Pledged Loans.

(i) Due Diligence. The Note Purchaser or its designee shall have been authorized by the Company, the Immediate Transferor, OOLWC and OOMC, as may be appropriate, to perform both (i) its standard loan review of each pool of Loans to be Pledged, which may entail a loan-by-loan review, at the discretion of the Note Purchaser, and (ii) prior to the initial Advance Date, or at the discretion of the Note Purchaser, a detailed review of OOMC's underwriting and servicing procedures, template legal documents and other relevant materials.

(j) Limitations. The initial Principal Amount of the Secured Note relating to the Advance, when added to the aggregate Principal Amount of all issued and outstanding Secured Notes, shall not exceed either (i) the Commitment Amount, or (ii) the Borrowing Base, and the Loans to be purchased with the proceeds of such Advance shall not, when aggregated with all other Pledged Loans, cause any of the Applicable Limitations to be exceeded.

(k) Servicing. The Servicer (i) shall not be in material default of its servicing, administrative or other obligations under the Sale and Servicing Agreement, and (ii) shall be an Eligible Servicer (as defined therein).

Section 6.3 Additional Collateral.

No pledge of additional or substitute Loans shall be accepted unless the Company shall have delivered to the Custodian the related Custodial Loan File in accordance with the Custodial Agreement and the Custodian shall have delivered a replacement Trust Receipt, and amended the Collateral Schedule, with respect to each of the Custodial Loan Files (or, if applicable, Promissory Notes) delivered.

ARTICLE VII

COVENANTS

Section 7.1 Affirmative Covenants.

Until (i) the Commitment Term has ended, (ii) all Obligations have been paid in full and (iii) all other obligations of the Company under the Basic Documents have been performed in full, the Company, covenants and agrees that it will do all of the following:

(a) Existence; Conduct of Business. Continue to engage in the business now conducted by it and preserve and maintain in full force and effect its existence and all permits, licenses, approvals, consents, rights, privileges, and franchises necessary or desirable in the conduct or transaction of its business or the ownership of its properties.

(b) Taxes. Pay and discharge, or cause the Servicer to pay and discharge, all taxes, levies, liens, and other charges on its assets and on the Collateral that, in each case, in any manner would create any lien or charge upon the Collateral.

(c) Laws. Comply in all material respects with all laws, ordinances, rules, and regulations of any federal, state, municipal, or other public authority having jurisdiction over the Company or any of its assets.

(d) Name and Locations. Advise the Note Purchaser in writing at least thirty (30) days prior to the opening of any new chief executive office or the closing of any such office and of any change in the Company's name or the places where the books and records pertaining to the Collateral are kept.

(e) Records. Maintain records with respect to the Collateral and the

conduct and operation of its business in conformity with general standards in the subprime mortgage loan servicing industry and with no less a degree of prudence than if the Collateral were held by the Company for its own account, and furnish the Note Purchaser, upon reasonable request by the Note Purchaser, with information with respect to the Collateral.

(f) Reports. Provide, or cause the Servicer to provide, to the Note Purchaser a magnetic tape, floppy disk or electronic transmission, as the Note Purchaser shall elect from time to time, containing the Servicer's standard monthly remittance report, which report shall be in substantially the form required under the Sale and Servicing Agreement .

(g) Pay Obligations. Pay, discharge, or otherwise satisfy before they become delinquent all material obligations of whatever nature, except when (i) the failure to pay, discharge or satisfy such obligations before they become delinquent is consistent with Accepted Servicing Practices or (ii) the amount or validity thereof is currently being contested in good faith by appropriate proceedings and the Company has established adequate reserves with respect thereto and no liens have attached to any portion of the Collateral.

(h) Notices. Promptly, and in any event within one Business Day of the occurrence thereof, notify the Note Purchaser in writing of (i) the occurrence of any event of default by any Person under any indenture, mortgage, deed of trust, agreement, or other instrument or contractual obligation to which the Company or any Affiliate of the Company is a party or by which its properties may be bound or affected, if such occurrence could reasonably be expected to have a Material Adverse Effect, or (ii) the occurrence of any Default or Event of Default.

(i) Ownership of Company. At all times be wholly-owned (i) directly, by OOLWC, and (ii) indirectly, by OOMC.

(j) Financial Statements. Furnish or cause to be furnished to the Note Purchaser:

(i) Within 90 days after the last day of each fiscal year of OOMC, consolidated and consolidating statements of income (and, in the case of the consolidated statement, sources and uses of funds) for OOMC for such year and consolidated and consolidating balance sheets for OOMC as of the end of such year, presented fairly in all material respects in accordance with GAAP and accompanied by (A) an unqualified report of a firm of independent certified public accountants of nationally recognized standing and (B) a copy of any management letter issued by such certified public accountants in connection with the preparation of their report; and

(ii) Within 45 days after the last day of each fiscal quarter of OOMC, (A) unaudited consolidated and consolidating statements of income for

OOMC for such quarter, and unaudited consolidated and consolidating balance sheets for OOMC as of the end of such quarter, and (B) a certificate of a Responsible Officer of OOMC stating that such financial statements are presented fairly in all material respects and in accordance with GAAP, subject to year-end audit adjustments, and further certifying that neither OOMC nor any of its Subsidiaries is in default under the terms and conditions of the Basic Documents or any other material agreement evidencing or securing any indebtedness of such Person.

(k) Sale and Servicing Agreement. Cause the Pledged Loans to be serviced and administered by the Servicer (including any Subservicers) in substantial compliance with Accepted Servicing Practices and, at all times, enforce the obligations of the Servicer (including any Subservicers) under the Sale and Servicing Agreement.

(l) Collections. Cause each of its agents (including the Servicer) to agree to hold in trust and to deposit, in accordance with its normal and customary practices and procedures, all Collections received from time to time in respect of the Pledged Loans (net of Servicing Fees and ancillary amounts that are payable to the Servicer under the Sale and Servicing Agreement) to the Collection Account maintained pursuant to the Facility Administration Agreement or to such other account or accounts as may be specified and maintained by the Note Purchaser or its designee from time to time.

(m) Certain Agreements. Comply in all material respects with the terms of both the Custodial Agreement and the Facility Administration Agreement.

(n) Material Modifications. Except as otherwise permitted in the Sale and Servicing Agreement, agree to any material modification of any Pledged Loan only with the prior written consent of the Note Purchaser.

(o) Custodial Loan Files. Deliver all Custodial Loan Files to the Custodian as provided in the Custodial Agreement.

(p) Bankruptcy Petitions. Cause each service provider engaged by the Company that is an Affiliate of the Company to agree and covenant that such service provider shall not, prior to a date which is one year and one day after the payment in full of all Obligations (i) petition or otherwise invoke, directly or indirectly, the process of any Governmental Authority for the purpose of (A) commencing or sustaining a case against the Company under any federal or state bankruptcy, insolvency or similar law or (B) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or any substantial part of its property or (C) ordering the winding up or liquidation of the affairs of the Company, or (ii) acquiesce to any of the foregoing.

(q) Purpose. Use the funds derived from issuing and selling the Secured Notes solely to purchase Loans and other Collateral from the Immediate Transferor.

(r) Inspections. Permit representatives of the Note Purchaser, at the Note Purchaser's expense (except as otherwise provided herein with respect to any due diligence activities undertaken by or for the Note Purchaser) at any reasonable time prior to the occurrence of an Event of Default and at the Company's expense at any time thereafter, to (i) visit and inspect any of the Company's properties and examine and make copies of or abstracts from any of its books and records in any way relating to the Collateral or to the Company's compliance with the provisions of this Agreement or any other Basic Document at any reasonable time and as often as may reasonably be desired by the Note Purchaser (but, prior to the occurrence of any Default or Event of Default, only upon not less than five Business Days' prior notice), and (ii) discuss the business, operations, properties, assets and financial and other condition of the Company with the Company's officers and employees of the Company and with its independent certified public accountants (it being agreed that the Company shall cause such officers, employees and accountants to be available for such purposes and to cooperate fully with such representatives); provided, however, that the results of any such visit, inspection, examination, discussion or audit, to the extent such results are proprietary and non-public, shall be kept confidential by the Note Purchaser and its Affiliates except (x) as may be required by law or regulation or by any governmental agency or regulatory body having authority over the Note Purchaser or its Affiliates, (y) to the extent that such information may be communicated to the legal counsel, auditors and other advisers of the Note Purchaser or its Affiliates, and (z) in connection with any legal or other proceedings for the enforcement of any right, remedy, power or privilege of the Note Purchaser under any Basic Document or for the protection of the Note Purchaser's interests thereunder.

(s) ERISA. Promptly give the Note Purchaser written notice upon becoming aware that the Company is not in compliance in all material respects

with ERISA or that any Lien exists on any of the Pledged Loans under ERISA.

(t) Company's Books and Records. Keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all requirements of law shall be made of all dealings and transactions in relation to its business and activities.

(u) Bringdown Certificates, Etc. Supply the Note Purchaser with bring-down good standing certificates, legal opinions, officer's certificates and similar such items, promptly upon the Note Purchaser's reasonable request. The Note Purchaser will not, however, request such items more frequently than once in any period of 90 consecutive days unless either a Default or an Event of Default shall have occurred and be continuing.

(v) Recordings and Filings. Within ten (10) days of the initial Advance Date, file all material instruments and documents (including UCC-1 financing statements and continuation statements) required to be filed to create in favor of the Note Purchaser a perfected Lien with respect to the Collateral shall have been duly prepared (and, if applicable executed or acknowledged) by the Company and delivered to the Note Purchaser in the proper form for filing in each office in each relevant jurisdiction.

Section 7.2 Negative Covenants.

Until (i) the Commitment Term has ended, (ii) all Obligations have been paid in full and (iii) all other obligations of the Company under the Basic Documents have been performed in full, the Company covenants and agrees that it will not:

(a) Liens. Create, incur, assume, or suffer to exist, any Lien with respect to any of the Collateral whether now owned or existing or hereafter acquired or arising, other than liens in favor of the Note Purchaser, or permit any financing statement (except any financing statements in favor of the Note Purchaser) or assignment (except for any assignments in favor of the Note Purchaser) to be on file in any public office with respect thereto.

(b) Dispositions. Sell, lease, license, transfer, assign, convey, dispose of, alienate, terminate or relinquish any of the Company's right, title or interest in or to the Collateral, except as specifically provided herein.

(c) Mergers. Either (i) merge with or into or consolidate with any other Person, regardless of whether the Company is the surviving entity in such merger or consolidation, or transfer all or substantially all of its assets to any other Person to accomplish a similar purpose, or (ii) wind up, liquidate, or dissolve, or (iii) agree to do any of the foregoing.

(d) Amendments. Without obtaining the prior written approval of the Note Purchaser in each case, either (i) amend, supplement or otherwise modify (or agree to amend, supplement or otherwise modify) the Company's charter, bylaws or other organizational documents (unless such amendment, supplement or other modification cannot reasonably be expected to have a Material Adverse Effect) or (ii) amend, supplement or otherwise modify (or agree to amend, supplement or otherwise modify, or, to the extent its consent is required therefor, consent to any amendment or supplement to or modification of) the Sale and Servicing Agreement or any other Basic Document, or any other document, instrument or agreement in any way relating to the transactions contemplated hereunder or thereunder.

(e) Structural Changes. Change its name, chief executive office, or location where its books and records are kept with respect to the Collateral, on less than thirty (30) days' prior written notice to the Note Purchaser; or., except with the Note Purchaser's prior written consent, change its structure or ownership.

(f) Underwriting Standards. Prior to pledging the affected Loans hereunder, approve any proposed amendments, supplements or other modifications to the Underwriting Standards that are material in nature without first providing the Note Purchaser with a copy of such proposed modifications; provided that if, within 15 Business Days after receipt of a copy thereof, the Note Purchaser informs the Company that it disapproves of one or more of such proposed modifications, "Underwriting Standards" shall mean, for purposes of this Agreement and the other Basic Documents, the Underwriting Standards previously in effect, modified only to the extent of such

modifications as have not been disapproved by the Note Purchaser pursuant to this Subsection 7.2(f).

(g) Use of Proceeds. Use the proceeds of the Advances made pursuant to this Agreement, directly or indirectly, for the purpose of purchasing or carrying any margin stock or for the purpose of reducing or retiring any debt which was originally incurred to purchase or carry margin stock or for any other purpose which might constitute the Advances under this Agreement as being "purpose credit" within the meaning of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System.

(h) Other Debts. Incur or otherwise become liable for any debt obligation for money borrowed (other than debt arising under this Agreement), or for any other (i.e., debt arising for reasons other than money borrowed) material debt obligations other than amounts owed to the Immediate Transferor in consideration of assets purchased by the Company under the Sale and Servicing Agreement or pursuant to the Disposition Agreement), without first obtaining the specific written consent of the Note Purchaser (which consent may be given or withheld in the Note Purchaser's sole discretion).

(i) Unauthorized Assignment. Attempt to assign this Agreement or any rights hereunder without first obtaining the specific written consent of the Note Purchaser (which consent may be given or withheld in the Note Purchaser's sole discretion).

ARTICLE VIII

INDEMNIFICATION AND REIMBURSEMENT

Section 8.1 Indemnification.

(a) The Company hereby covenants and agrees to indemnify, defend and hold harmless the Note Purchaser and its assignees hereunder from and against any and all loss, liability, damage, judgment, claim, deficiency, or expense (including interest, penalties, reasonable attorneys', expert witnesses' and consultants' fees and disbursements and amounts paid in settlement) to which the Note Purchaser or any such assignee may become subject insofar as such loss, liability, damage, judgment, claim, deficiency, or expense arises out of or is based upon (i) a breach by the Company of its representations, warranties and covenants contained herein or in any other Basic Document or (ii) any information certified in any schedule or certificate delivered by the Company hereunder or in connection with this Agreement or the other Basic Documents being untrue in any material respect at any time, in each case, except to the extent provided in Section 5.1 with respect to any breach of the representations and warranties set forth on Exhibit B or in Section 4.1(m) (or in Section 4.1(k) or 4.2(h), to the extent that Section 4.1(k) or 4.2(h) applies to the representations and warranties set forth on

Exhibit B or in Section 4.1(m)) and except to the extent that such loss, liability, damage, judgment, claim, deficiency, or expense is the result of the

indemnified party's own negligence, willful misfeasance or bad faith.

(b) OOMC hereby covenants and agrees to indemnify, defend and hold harmless the Note Purchaser and its assignees hereunder from and against any and all loss, liability, damage, judgment, claim, deficiency, or expense (including interest, penalties, reasonable attorneys', expert witnesses' and consultants' fees and disbursements and amounts paid in settlement) to which the Note Purchaser or any such assignee may become subject insofar as such loss, liability, damage, judgment, claim, deficiency, or expense arises out of or is based upon (i) a breach by OOMC of its representations, warranties and covenants contained herein or in any other Basic Document or (ii) any information certified in any schedule or certificate delivered by OOMC hereunder or in connection with this Agreement or the other Basic Documents being untrue in any material respect at any time, in each case, except to the extent provided in Section 5.1 with respect to any breach of the representations and warranties set forth on Exhibit B or in Section 4.1(m) (or in Section 4.1(k) or 4.2(h), to the extent that Section 4.1(k) or 4.2(h) applies to the representations and warranties set forth on Exhibit B or in Section 4.1(m)) and except to the extent that such loss, liability, damage, judgment, claim, deficiency, or expense is the result of the indemnified party's own negligence, willful misfeasance or bad faith.

Section 8.2 Taxes and Other Governmental Charges.

Any tax, fee, governmental charge or other liability (excluding any tax liability arising from the receipt by the Note Purchaser of interest income on any Advance) incurred by the Note Purchaser as a result of the Note Purchaser's status as the Note Purchaser under this Agreement or beneficial holder or secured party with respect to the Collateral shall be borne, jointly and severally, by the Company. Until the Commitment Term has ended and all of the Obligations have been paid in full, the Company and OOMC jointly and severally agree to indemnify and defend and hold the Note Purchaser harmless from and against any tax, fee, governmental charge or other liability inuring to the Note Purchaser as a result of the Note Purchaser's status as the Note Purchaser under this Agreement or beneficial holder or secured party with respect to the Collateral (except any tax liability arising from the receipt by the Note Purchaser of interest income on any Advance). The Company and OOMC jointly and severally agree to indemnify and defend and hold harmless the Note Purchaser from and against all liabilities and expenses to which the Note Purchaser may become subject relating to any fees, taxes or liability to any third party resulting from any action taken or omitted by or upon instructions of the Company or OOMC with respect to the Collateral.

Section 8.3 Reimbursement of Expenses.

The Company and OOMC hereby jointly and severally covenant and agree to pay (or to reimburse the Note Purchaser promptly upon demand therefor) all reasonable out-of-pocket costs and expenses of the Note Purchaser incident to this Agreement and the other Basic Documents and the transactions contemplated hereunder

and thereunder, including (i) all reasonable fees, expenses and disbursements of the Note Purchaser's counsel incurred in connection with negotiation, drafting and subsequent administration of this Agreement and the other Basic Documents and the transactions contemplated hereunder and thereunder, provided that the Company and OOMC shall not be required to pay or reimburse under this clause (i) in respect of the negotiation and drafting of the Basic Documents any amount in excess of $75,000, (ii) the costs and expenses of any due diligence conducted by the Note Purchaser in connection with this Agreement and the other Basic Documents and the transactions contemplated hereunder and thereunder, including the cost of any third-party contract underwriter acceptable to the Note Purchaser (such costs and expenses of due diligence not to exceed $7,500 per any calendar month in connection with the Note Purchaser's ongoing due diligence activities hereunder; (iii) all fees and charges of the Custodian under the

Custodial Agreement, including those fees relating to the Custodian's review of the Custodial Loan Files relating to the Pledged Loans; (iv) all fees and charges of the Facility Administrator under the Facility Administration Agreement; and (v) all costs incurred by the Note Purchaser in connection with the perfection of any Lien with respect to the Collateral granted by the Company hereunder, including the costs of filing UCC-1 financing statements and any other necessary or appropriate documents. In addition, the Company and OOMC, jointly and severally, shall pay (or reimburse the Note Purchaser promptly upon demand therefor) all reasonable costs and expenses (including reasonable attorneys', expert witnesses' and consultants' fees and disbursements) of the Note Purchaser incident to the enforcement of the Note Purchaser's rights, remedies, powers or privileges or the Company's or OOMC's obligations hereunder or under any Secured Note or any other Basic Document or to the protection of the Note Purchaser's interests hereunder or thereunder, whether by judicial proceedings or otherwise, including in connection with bankruptcy, insolvency, liquidation, reorganization, moratorium or other similar proceedings involving the Company.

Section 8.4 Survival.

The obligations of the Company and OOMC under this Article VIII shall be effective and enforceable whether or not any Secured Note is outstanding hereunder and, in all events, shall survive the execution, delivery, performance and termination of this Agreement.

ARTICLE IX

EVENTS OF DEFAULT

Section 9.1 Events of Default.

Each of the following shall constitute an "Event of Default" with respect to all of the issued and outstanding Secured Notes, whether it occurs voluntarily or involuntarily, by operation of law or otherwise:

(a) Nonperformance. Any failure (i) to pay the interest due and payable on any Secured Note on any Payment Date or other relevant date (including the

Redemption Date), (ii) to pay any principal or other amount due and payable under any Secured Note on any Payment Date or other relevant date (including the Redemption Date), (iii) to pay the Minimum Usage Fee as and when provided in the Pricing Side Letter, (iv) to pay any other amount due under this Agreement or (v) to perform or observe any other provision of this Agreement (other than one specifically addressed in any other provision of this Section 9.1), which failure shall, (x) in the case of clause (i), (ii) or (iii) above, continue for more than one Business Day after oral (including telephonic) or written notice of such failure to the Company by the Note Purchaser or any Noteholder, or (y) in the case of clause (iv) or (v), continue for more than thirty (30) days after written notice of such failure to the Company by the Note Purchaser or any Noteholder.

(b) Failure to Maintain Security. The Noteholders shall cease to have a first priority perfected Lien with respect to the Collateral or any material portion thereof.

(c) Failure of OOMC to Maintain Requisite Financial Condition. (i) At any time during this Agreement, OOMC shall fail to (A) possess sufficient net capital and liquid assets (or ability to access the same) to satisfy its debts and other obligations as they become due in the normal course of business, (B) maintain a minimum of Tangible Net Worth of $425 million as of any day, (C) maintain a minimum Net Income of $1.00 for each quarter and the three (3) quarters preceding such quarter; and (D) maintain a ratio of 1.0 or greater at any time pursuant to the Capital Adequacy Test, attached as Exhibit E hereto; or

(ii) at any time during the Commitment Term, (A) maintain a minimum balance of cash or cash equivalents, not subject to any Liens, of $20 million or maintain a liquidity facility with Block Financial in an amount not less than $150,000,000, and (B) have a Non-Warehouse Leverage Ratio of no more than 0.5x.

(d) Act of Insolvency. The occurrence of an Act of Insolvency involving the Company or any Affiliate of the Company.

(e) Other Creditors. The Company shall enter into any agreement, other than this Agreement and the other Basic Documents, to borrow money from any Person, or shall incur any other material debt obligation to any Person for a reason other than money borrowed, and other than amounts owed to the Immediate Transferor in consideration of assets purchased by the Company under the Asset Purchaser Agreement, in each case without first obtaining the specific written consent of the Note Purchaser (which consent may be given or withheld in the Note Purchaser's sole discretion).

(f) Immediate Transferor, OOLWC or OOMC Defaults. Either of the following shall occur: (i) the Immediate Transferor, OOLWC or OOMC shall default under any of the Basic Documents to which it is a party, any applicable grace period set forth thereon shall have expired, and such default, in the Note Purchaser's good faith business judgment, is likely to have a Material Adverse Effect; or (ii) any recourse debt (as distinguished from asset-backed debt other than secured and warehouse debt that is recourse debt) on which the Immediate Transferor, OOLWC, OOMC or any Affiliate of OOMC is accelerated by the lender(s) thereunder as a result of the occurrence of any

event of default thereunder and such acceleration, in the Note Purchaser's commercially reasonable business judgment, is likely to have a Material Adverse Effect; provided that any waiver of such event of default by the lender(s) thereunder shall automatically constitute a waiver of the corresponding Event of Default hereunder.

(g) Merger or Consolidation. The Company shall cease to be wholly owned by OOLWC, or indirectly wholly-owned by OOMC, as required by Section 7.1(i), or shall take any action prohibited by Section 7.2(c), or a Change in Control shall occur, in any such case, without the prior written consent of the Note Purchaser.

(h) Final Judgment. A final, non-appealable judgment by any competent court in the United States for the payment of money in an amount in excess of $3,000 is rendered against the Company, and the same remains undischarged and unpaid for a period of sixty (60) days during which execution of the judgment is not effectively stayed.

(i) Breach of Representation. Any representation or warranty (other than one set forth on Exhibit B or in Section 4.1(m) (or in Section 4.1(k) or 4.2(h), to the extent that Section 4.1(k) or 4.2(h) applies to the representations and warranties set forth on Exhibit B or in Section 4.1(m)) made by the Company or OOMC herein shall have been incorrect or untrue in any respect when made or repeated (or deemed made or repeated), and the condition resulting in that representation or warranty having been incorrect or untrue shall continue unremedied for thirty (30) days after written notice of the condition to the Company or OOMC by the Note Purchaser.

(j) Breach of Covenant. The Company, the Immediate Transferor, OOLWC or OOMC (in any capacity) shall breach in any material respect any covenant made by it in any other Basic Document, such breach shall continue unremedied for thirty (30) days after written notice of the condition to the Company, the Immediate Transferor, OOLWC or OOMC (as the case may be) by the Note Purchaser, and such breach, in the Note Purchaser's good faith business judgment, is likely to have a Material Adverse Effect;

(k) Repurchase or Cure Obligation. The Company and OOMC shall fail

to satisfy their obligations set forth in Section 5.1.

(l) Reserved.

(m) Impairment of Rights. Except with the prior written consent of the Note Purchaser, any Affiliate Transfer Agreement or Transfer Agreement is amended, supplemented or modified in any respect that has, or could reasonably be expected to have, a Material Adverse Effect, including, without limitation, any such occurrence that adversely affects the Company's, or the Note Purchaser's, right to enforce any or all of the remedies under the Sale and Servicing Agreement, any Affiliate Transfer Agreement or any Transfer Agreement in respect of a breach of the representations and warranties of the transferor thereunder with respect to any Loan.

(n) Election by OOLWC Not to Effect any Minimum Margin Contribution. There shall occur any event provided to constitute an Event of Default in Section 2.11.

ARTICLE X

REMEDIES

Section 10.1 Acceleration; Action Regarding Collateral.

Upon the occurrence of any Event of Default, the Note Purchaser, without demand of performance or other demand or notice (except as specifically provided herein) of any kind to the Company or any other Person, all of which are hereby expressly waived, may (in addition to exercising any other right, remedy, power or privilege it may have in respect of such occurrence, under this Agreement, any other Basic Document, under applicable law or otherwise): (i) declare the Obligations to be immediately due and payable, and the Obligations shall forthwith be immediately due and payable and the Commitment Term shall terminate; provided that, upon the occurrence of an Event of Default described in Section 9.1(d), the Obligations shall automatically and immediately become due and payable and the Commitment Term shall terminate; and (ii) forthwith apply (or cause to be applied) the cash, if any, then held by it as part of the Collateral to the payment of any of the Obligations. If no cash is being held as part of the Collateral or the cash so applied is not sufficient to pay in full all the Obligations, the Note Purchaser may thereafter collect, receive, appropriate, retain, and realize upon (or cause to be collected, received, appropriated, retained, and realized upon) any of the Collateral. Upon the occurrence of an Event of Default, the Note Purchaser may forthwith do, or cause to be done, any of the following: sell, assign, give an option or options to purchase, contract to sell, or otherwise dispose of and deliver any of the Collateral in one or more parcels at such public or private sale or sales, at such place or places, at such price or prices, and upon such other terms and conditions, as the Note Purchaser may deem best. The Note Purchaser shall in any event act, and cause the Facility Administrator, in its capacity as collateral agent and secured party for the benefit and on behalf of the Note Purchaser, to act, in all respects in a commercially reasonable manner. Such dispositions may be for cash or on credit or for future delivery without assumption of any credit risk. In any such disposition the Note Purchaser may purchase all or any part of the Collateral. In any such disposition the Note Purchaser may deliver, assign, and transfer to the transferee (or cause to be so delivered, assigned, and transferred) the Collateral so sold. Each transferee, upon any such disposition, shall hold the property so disposed of absolutely free from any claim or right of the Company any kind, including any equity or rights of redemption. The Company agrees that the Note Purchaser need give (or cause to be given) only such notice of the time and place of any public or private sale (including any adjourned private sale) or other intended disposition as may be required by market conditions and standards of commercial reasonableness and that the Note Purchaser need not in any event give more than five (5) Business Days' notice that the sale or other disposition is to take place.

The Note Purchaser shall not be obligated to consummate (or cause to be consummated) any sale pursuant to any notice of sale. The Note Purchaser may, without notice or publication, adjourn any public or private sale, or cause it to be adjourned, from time to time by announcement at the time and place fixed for the sale. The sale may then be made at any time or place to which it was adjourned. If any of the Collateral is sold on credit or for future delivery, the Collateral so sold may be retained by the Note Purchaser or the Facility Administrator until the selling price is paid by the purchaser. Neither the Note Purchaser nor the Facility Administrator shall incur any liability if the purchaser fails to take up and pay for the Collateral so sold and, in that case, the Collateral may again be sold upon appropriate notice. The Note Purchaser may, instead of exercising the power of sale (or causing it to be exercised), proceed by a suit at law or in equity to foreclose its Lien and sell (or cause to be sold) any of the Collateral under a judgment or decree of a court of competent jurisdiction.

Section 10.2 Deficiency.

If the proceeds of sale, collection, foreclosure, or other realization on the Collateral are insufficient to cover the costs and expenses of such realizing on the Collateral and the payment in full of the Obligations, the Company shall remain liable for any deficiency.

Section 10.3 Private Sale.

The Note Purchaser shall incur no liability as a result of the sale of any of the Collateral at any private sale. The Note Purchaser shall in any event act, and cause the Facility Administrator, in its capacity as collateral agent and secured party for the benefit and on behalf of the Note Purchaser, to act, in a commercially reasonable manner. The Company hereby waives (a) any claims against the Facility Administrator, the Note Purchaser or any other Noteholder arising because the price at which the Collateral may have been sold at a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Obligations, even if the Note Purchaser accepts (or causes to be accepted) the first offer received and does not offer (or cause to be offered) the Collateral to more than one offeree and (b) all rights of redemption, stay, or appraisal that it has under any rule of law or (to the extent permitted) statute, whether now existing or hereafter adopted.

Section 10.4 Default Rate of Interest.

To the extent permitted by applicable law, interest shall accrue at the Default Rate on any amounts owing by the Company hereunder from the date the Company becomes liable for such amounts hereunder (or, in the case of principal of or interest on any Secured Note, from the date such amount first becomes due and payable hereunder) until such amounts are (i) paid in full by the Company or (ii) satisfied in full by the exercise of the Note Purchaser's rights hereunder.

Section 10.5 Application of Proceeds.

The proceeds of any sale or other realization of any of the Collateral, and any other cash at the time held by the Note Purchaser (itself or through its custodians, bailees or agents, including the Facility Administrator) under this Agreement, shall be applied by the Note Purchaser in the following order of priority:

First, to the payment of the costs and expenses of the sale and all expenses (including the reasonable fees and expenses of counsel, expert witnesses and consultants), liabilities, and advances made or

incurred by the Note Purchaser in connection therewith.

Second, to the payment of all accrued interest under any Secured Note due or past due.

Third, to the payment of principal upon all of any Secured Note due or past due.

Fourth, to the payment of all other amounts owing under this Agreement.

Fifth, to the payment of all other amounts owed by the Company or any Affiliate of the Company to the Note Purchaser or any Affiliate of the Note Purchaser under any of the other Basic Documents.

Sixth, to the payment to the Company, or to such other Person as a court of competent jurisdiction may direct, of any surplus then remaining from the proceeds and other cash.

Section 10.6 Payments on Collateral to the Company.

Upon the occurrence of an Event of Default, all rights of the Company to receive any payments from the Collateral that it would otherwise be authorized to receive shall cease, and those rights shall become vested in the Facility Administrator, as collateral agent and secured party for the benefit and on behalf of the Note Purchaser. The Facility Administrator shall then have the sole right to receive and hold those payments. Any payments that are received by the Company contrary to these provisions shall be received in trust for the benefit of the Note Purchaser, shall be segregated from other funds of the Company, and shall be promptly paid to, or in accordance with the instructions of, the Note Purchaser.

Section 10.7 Cross-Collateralization; Right of Set-Off.

The Note Purchaser may, in its sole discretion upon the occurrence of an Event of Default, proceed against any assets held by it or on its behalf under this Agreement or any other agreement between the Note Purchaser and the Company and shall have a right of set-off against any amounts owed by the Note Purchaser to the Company under this Agreement or any other agreement between the Note Purchaser and

the Company. In addition, the Note Purchaser may, in its sole discretion upon the occurrence and during the continuation of an event of default under any other agreement between the Note Purchaser and the Company, proceed against any Collateral (or cause it to be proceeded against) and shall have a right of set-off against any amounts owed by the Note Purchaser to the Company under this Agreement.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Amendment.

None of the Basic Documents, including this Agreement, the Sale and Servicing Agreement, the Facility Administration Agreement, the Loan Purchase and Contribution Agreement, the Disposition Agreement, the Custodial Agreement and the Company Administration Agreement, may be modified, supplemented or amended without the prior written consent of the Note Purchaser, which consent may be granted or withheld in the sole discretion of the Note Purchaser.

Section 11.2 Governing Law.

This Agreement shall be governed by, and construed in accordance

with, the laws of the State of New York without giving effect to the conflicts of law principles thereof. With respect to all legal proceedings arising out of or relating to this Agreement or any other Basic Document or the transactions contemplated hereby or thereby, each party hereto irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan, City of New York, and each party hereto irrevocably waives any objection that it may have at any time to the laying of venue of any suit, action or proceeding arising out of or relating hereto or to any other Basic Document, or the transactions contemplated hereby or thereby, brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in any inconvenient forum and further irrevocably waives the right to object, with respect to such claim, suit, action or proceeding brought in any such court, that such court does not have jurisdiction over such party, provided that service of process is made by any lawful means. Nothing in this Section 11.2 shall affect the right of the Note Purchaser or its assignees to bring any other action or proceeding against the Company or OOMC, or the property of either of them, in the courts of other jurisdictions.

Section 11.3 Notices.

All demands, notices and communications to a party hereunder or in connection herewith shall be in writing and shall be deemed to have been duly given if personally delivered, or sent by overnight courier, transmitted by facsimile or mailed by registered or certified mail, return receipt requested, to, such party at the relevant address or facsimile number set forth below (or at such other address or facsimile number as such

party may designate from time to time by written notice in accordance with this Section 11.3):

If to the Company:

Option One Owner Trust 2002-3
c/o Wilmington Trust Company as Owner Trustee
One Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Attention: Corporate Trust Administration
Telephone: (302) 636-4144
Facsimile: (302) 651-8882

with a copy to:

OOMC at its address set forth herein

If to OOMC:

Option One Mortgage Corporation
3 Ada
Irvine, CA 92618
Attention: Chief Financial Officer
Telephone: (949) 790-7504
Facsimile: (949) 790-7540
E-mail: bill.oneill@oomc.com

with a copy to:

Option One Loan Warehouse Corporation
3 Ada
Irvine, CA 92618
Attention: Assistant Treasurer
Telephone: (949) 790-3600 ext. 32527
Facsimile: (949) 790-7514

E-mail: Jason.Forsyth@oomc.com

If to the Note Purchaser:

UBS Real Estate Securities Inc.
1285 Avenue of the Americas
New York, New York 10019

Attention: Robert Carpenter
George A. Mangiaracina
Telephone: (212) 713-2000
Facsimile: (212) 713-9607

Any such notice, demand or other communication shall be deemed to have been duly given when received on the date delivered to or received at the premises of the addressee (as evidenced, in the case of registered or certified mail, by the date noted on the return receipt) if received or delivered prior to 1:30 p.m. local time and, if received or delivered after such time, shall be deemed to have been received on the next Business Day.

Section 11.4 Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall, for any reason whatsoever, be held invalid under any applicable law, then such covenants, agreements, provisions, or terms shall be ineffective to the extent of such invalidity and shall in no way affect the validity or enforceability of the remainder of that provision or the other provisions of this Agreement.

Section 11.5 No Waiver; Cumulative Remedies.

No failure to exercise and no delay in exercising, on the part of the Company, the Note Purchaser or any assignee of the Note Purchaser, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. Except as expressly provided otherwise in this Agreement, the rights, remedies, powers and privileges herein provided are cumulative and shall be in addition to any rights, remedies, powers and privilege provided by applicable law or otherwise, and the assertion or employment of any right, remedy, power or privilege hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right, remedy, power or privilege. In addition to the rights, remedies, powers and privileges granted to the Note Purchaser under this Agreement or any Secured Note, the Note Purchaser shall have all of the rights, remedies, powers and privileges of a secured party under the UCC (except as expressly provided otherwise in this Agreement).

Section 11.6 Termination.

If (a) all Obligations shall have been paid in full (including payment of the Minimum Usage Fee set forth in the Pricing Side Letter) and (b) the parties hereto acknowledge in writing their mutual intent to terminate the Commitment Term and this Agreement, then the Commitment Term and this Agreement shall terminate and the Note Purchaser shall release its Lien with respect to the Collateral and return any remaining Collateral to the Company. Upon the request of the Company, the Note Purchaser shall then execute termination statements and any other documents the Company reasonably requests that are necessary to make clear upon the public record the termination of the Note Purchaser's Liens. Notwithstanding the foregoing or any other provision hereof, the

obligations of the Company under Sections 8.1, 8.2 and 8.3 shall survive the termination or other cancellation of this Agreement.

Section 11.7 Assignment.

Neither this Agreement nor any rights or other obligations under this Agreement may be assigned or delegated by the Company without prior written consent of the Note Purchaser, and any attempted such assignment or delegation shall be void. The Note Purchaser may assign any and all of its rights hereunder, without the consent of the Company, in connection with any assignment by the Note Purchaser of an interest in any Secured Note. If, in accordance with the preceding sentence, the Note Purchaser assigns any or all of its rights hereunder to a third party (other than an Affiliate of the Note Purchaser), the Note Purchaser shall provide written notice thereof to the Company.

Section 11.8 Binding Effect; Third-Party Beneficiaries.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Each of the Noteholders other than the Note Purchaser shall be deemed to be an express third-party beneficiary of this Agreement and shall be entitled to enforce the terms hereof as if it were a party hereto.

Section 11.9 Merger and Integration.

This Agreement and the other Basic Documents set forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Agreement and the other Basic Documents.

Section 11.10 No Petition.

Neither the Company nor the Note Purchaser shall petition or otherwise invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Company or the Note Purchaser under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or the Note Purchaser or any substantial part of their respective property, or ordering the winding up or liquidation of the affairs of the Company or the Note Purchaser.

Section 11.11 Cooperation

The Company agrees to cooperate and to cause its Affiliates (including the Servicer) to cooperate with the Note Purchaser, consistent with the terms hereof, to the extent necessary or appropriate to effectuate any sale or financing of any of the Secured Notes by the Note Purchaser, including by making available or providing access (as appropriate) to the Note Purchaser or its designee the Custodial Loan Files and Servicing Records relating to the Pledged Loans (subject to the confidentiality requirements of any applicable consumer protection and other laws or regulations).

Section 11.12 Resales of Secured Notes

The Note Purchaser understands that the Secured Note has not been, and will not be, registered under the Securities Act or any state securities laws, and may not be sold except as permitted in the following sentence. The Note Purchaser agrees that if it should sell any Secured Note it will do so only (a) to the Company or an Affiliate of the Company or (b) to a Qualified Institutional Buyer that, prior to such sale, delivers to the Facility Administrator and the Company a signed letter, substantially in the form of Exhibit C to the Facility Administration Agreement, and only if, after giving effect thereto, no more than 100 Persons would hold any interest in the Secured

Notes; and the Note Purchaser further agrees to provide to any Person purchasing a Secured Note from it a notice advising such purchaser that resales of the Secured Notes are restricted as stated herein.

Section 11.13 Qualified Institutional Buyer.

The Note Purchaser hereby represents and warrants that it is a Qualified Institutional Buyer that has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Secured Notes, and that the Note Purchaser is able to bear the economic risk of such investment.

Section 11.14 Time.

Unless the context clearly requires otherwise, all references to time contained in this Agreement shall be deemed to be local time in New York, New York on the applicable day.

Section 11.15 Headings

The headings and captions contained herein are for convenience only and shall not control or affect the meaning or interpretation of any provision hereof.

Section 11.16 Exhibits

The schedules and exhibits referred to herein shall constitute a part of this Agreement and are incorporated into this Agreement for all purposes.

Section 11.17 Counterparts

This Agreement may be executed in two or more counterparts, including telecopy transmission thereof (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument. Signatures may be exchanged by facsimile, and each party hereto agrees to be bound by its own facsimile signature and to accept the facsimile signature of the other party.

Section 11.18 No Recourse to Owner Trustee

It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2002-3, 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 Company 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 Company, (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 Company or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Company under this Agreement or any other related documents.

IN WITNESS WHEREOF, the Company, the Note Purchaser and OOMC each

have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

OPTION ONE OWNER TRUST 2002-3
as the Company

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

By: /s/ Dorri Wolhar

Name: Dorri E. Wolhar
Title: Financial Services Officer

UBS REAL ESTATE SECURITIES INC.
as the Note Purchaser

By: /s/ Robert Carpenter

Name: Robert Carpenter
Title: Executive Director

By: /s/ George A. Mangiaracina

Name: George A. Mangiaracina
Title: Managing Director

OPTION ONE MORTGAGE CORPORATION
as the Loan Originator

By: /s/ C. R. Fulton

Name: Charles R. Fulton
Title: Vice President

SCHEDULE I

COLLATERAL SCHEDULE

[Please see Tab 1 (Schedule A)]

EXHIBIT A

[RESERVED]

EXHIBIT B

REPRESENTATIONS AND WARRANTIES
REGARDING THE LOANS

OOMC and the Company hereby jointly and severally represent and warrants to the Note Purchaser that, as to each Loan, as of the related Advance Date financing the Company's acquisition of such Loan:

(a) The information set forth on the Collateral Schedule with respect to such Loan is true and correct in all material respects.

(b) Except as otherwise indicated on the Collateral Schedule, all monthly payments due on such Loan prior to such Advance Date have been made. Neither the Loan Originator, any Immediate Transferor nor the Company has advanced funds, or induced, solicited or knowingly received any advance of funds from a Person other than the Mortgagor thereunder, directly or indirectly, for

the payment of any amount required to be paid in respect of such Loan. As of such Advance Date, no payment due under such Loan is delinquent for 30 or more days. No payment under such Loan has been 30 days delinquent more than once during the twelve months immediately preceding such Advance Date, and no payment under such Loan has ever been 60 or more days delinquent.

(c) At the origination of such Loan, all outstanding taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents previously due and owing with respect to the related Mortgaged Property had been paid, or an escrow of funds had been established in an amount sufficient to pay for every such item that remained unpaid and that had been assessed but was not yet due and payable. As of such Advance Date, all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents that previously became due and owing with respect to such Mortgaged Property have been paid, or an escrow of funds had been established in an amount sufficient to pay for every such item that remained unpaid and that had been assessed but was not yet due and payable.

(d) The related Mortgage and Promissory Note, and any other Loan Document ("Other Loan Document") contain the entire agreement of the parties and all obligations of the Loan Originator or the Company under the related Loan. No terms of the related Promissory Note, Mortgage or Other Loan Document, if any, have been impaired, waived, altered or modified in any respect, except by written instruments, recorded in the applicable public recording office if necessary to maintain the lien priority of the Mortgage, that have been delivered to the Custodian. The substance of any such waiver, alteration or modification has been approved by the title insurer, to the extent required by the related policy, and has been disclosed to the Note Purchaser in writing. No Mortgagor has been released, in whole or in part, except in connection with an assumption or partial release agreement approved by the title insurer, to the extent

required by the policy, and which assumption agreement has been delivered to the Custodian and the terms of which have been disclosed to the Note Purchaser in writing.

(e) None of the related Promissory Note, Mortgage or any Other Loan Document is subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of such Promissory Note, Mortgage or Other Loan Document, or the exercise of any right thereunder, render such Mortgage unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto.

(f) All improvements on the related Mortgaged Property are insured by a generally acceptable insurer against loss by fire and hazards of extended coverage, pursuant to insurance policies conforming to the requirements of the Sale and Servicing Agreement, including that the coverage thereunder be for not less than the lesser of (a) the outstanding principal balance of such Loan and (b) the lesser of the maximum insurable value of such Mortgaged Property and the minimum amount required to compensate for damage or loss to such improvements. All such insurance policies contain a standard mortgagee clause naming the Loan Originator, its successors and assigns as mortgagee and all premiums thereon have been paid. If the Mortgaged Property securing such Loan is in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, a flood insurance policy in a form meeting the requirements of the current guidelines of the Flood Insurance Administration is in effect with respect to such Mortgaged Property with a generally acceptable carrier in an amount representing coverage not less than the least of (i) the original outstanding principal balance of such Loan, (ii) the minimum amount required to compensate for damage or loss on a replacement cost basis or (iii) the maximum amount of insurance that is available with respect to such Mortgaged Property under the Flood Disaster Protection Act of 1973. The related Mortgage obligates the Mortgagor thereunder to maintain all such insurance at the Mortgagor's cost and expense, and on the Mortgagor's failure to do so,

authorizes the holder of the Mortgage to maintain such insurance at the Mortgagor's cost and expense and to seek reimbursement therefor from the Mortgagor. Such Loan does not provide for primary mortgage insurance.

(g) Any and all requirements of any federal, state or local law including, without limitation, usury, truth in lending, real estate settlement procedures, consumer credit protection, equal credit opportunity or disclosure laws applicable to the origination and servicing of such Loan have been complied with, and consummation of the transactions contemplated hereby with respect to such Loan will not involve the violation of any such laws.

(h) The related Mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the related Mortgaged Property has not been released from the lien of such Mortgage, in whole or in part, nor has any instrument been executed that would effect any such satisfaction, cancellation, subordination, rescission or release. The related Promissory Note is not and has not been

secured by any Lien except for the Lien of such Mortgage on the Mortgaged Property and the Lien of any Other Loan Document.

(i) The Mortgage securing such Loan is a valid, existing and enforceable first or second Lien (as indicated on the Collateral Schedule with respect thereto) on and in the Mortgaged Property, including all improvements thereon, subject only to (i) the lien of current real property taxes and assessments not yet due, (ii) covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of such Mortgage, all such exceptions appearing of record being acceptable to mortgage lending institutions generally and specifically referred to in the lender's policy of title insurance delivered to the originator of such Loan, and specifically reflected in the appraisal made in connection with the origination of such Loan, (iii) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided by such Mortgage, and (iv) if such Loan is a second-lien loan, the prior lien of another lender. Any Other Loan Document establishes and creates a valid, existing and enforceable first or second lien and first or second priority security interest on the property described therein, and the Company has full right to Grant a Lien on and in such Other Loan Document to the Note Purchaser. The Lien of Other Loan Documents affects only property incidental to the related Mortgaged Property, and there is no pledged account or other material security securing the related Mortgagor's obligations other than the Mortgaged Property. The related Mortgaged Property was not, as of the date of origination of such Loan, subject to a mortgage, deed of trust, deed to secure debt or other security instrument creating a lien subordinate to the lien of the related Mortgage.

(j) The Promissory Note, the related Mortgage and each Other Loan Document are genuine, and each is the legal, valid and binding obligation of the maker thereof, enforceable in accordance with its terms.

(k) All parties to the related Promissory Note, Mortgage or any Other Loan Document had legal capacity to enter into the Loan and to execute and deliver such Promissory Note, Mortgage or Other Loan Document, as applicable, and each of such Promissory Note, Mortgage and Other Loan Document has been duly and properly executed by such parties.

(l) The proceeds of such Loan have been fully disbursed to or for the account of the related Mortgagor and there is no obligation on the part of the mortgagee thereunder to advance additional funds thereunder. Any and all requirements as to completion of any on-site or off-site improvement and as to disbursements of any escrow funds therefor have been complied with. All costs, fees and expenses incurred in making or closing such Loan and the recording or filing of the Mortgage and any Other Loan Document have been paid, and such Mortgagor is not entitled to any refund of any amounts paid or due to the mortgagee pursuant to such Promissory Note, Mortgage or Other Loan Document. Any

principal advances made to such Mortgagor prior to the Advance Date have been consolidated with the outstanding principal amount secured by such Mortgage and Other Loan Documents, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term. The Lien of such

Mortgage securing the consolidated principal amount is expressly insured as having first or second lien priority, as applicable, by a title insurance policy, an endorsement to the policy insuring the mortgagee's consolidated interest or by other title evidence acceptable to Fannie Mae and Freddie Mac. The consolidated principal amount does not exceed the original principal amount of such Loan.

(m) The related Mortgage was recorded, and all subsequent assignments of such Mortgage have been recorded in the appropriate jurisdictions wherein such recordation is necessary to perfect the Lien thereof as against creditors of OOMC, any Immediate Transferor or the Company. The Company has good title to, and is the sole legal and beneficial owner of, such Loan free and clear of any Lien and has full right and authority, subject to no interest or participation of, or agreement with, any other Person to sell and assign the same

(n) All Persons that have had any interest in such Loan, whether as mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were) in compliance with any and all applicable "doing business" and licensing requirements of the laws of the state in which the related Mortgaged Property is located.

(o) Such Loan is covered by either (i) an attorney's opinion of title and abstract of title the form of which is acceptable to Fannie Mae, or (ii) an ALTA lender's title insurance policy or (iii) a CLTA lender's title insurance policy or other generally acceptable form of policy of insurance issued by a title insurer qualified to do business in the jurisdiction in which the related Mortgaged Property is located, in each case (x) insuring (subject to the exceptions described in clauses (i), (ii) and (iii) of paragraph (i) above) the Loan Originator and its successors and assigns (including the Company) as to the first (or, if applicable, second) lien priority of the related Mortgage in the original principal amount of such Loan, and (y) bearing, to the extent applicable, a condominium endorsement, extended coverage endorsement and an adjustable rate mortgage endorsement insuring against any loss by reason of the invalidity or unenforceability of the Lien thereof resulting from the provisions of such Mortgage providing for variations in the monthly payment and mortgage interest rate in respect thereof. Such lender's title insurance policy further affirmatively insures ingress and egress to and from such Mortgaged Property, and against encroachments by or upon such Mortgaged Property or any interest therein. No claims have been made under such lender's title insurance policy, and no current or prior holder of the related Mortgage, including the Loan Originator or the Company, has done, by act or omission, anything that would impair the coverage of such lender's title insurance policy. The Loan Originator is the sole insured of such lender's title insurance policy, and such lender's title insurance policy is in full force and effect as of such Advance Date. Neither the transfer of such Loan to the Company nor the Pledge of such Loan to the Note Purchaser will affect the validity or enforceability of such policy.

(p) Except with respect to the permitted delinquencies on certain Loans as described in paragraph (b) above and on such Collateral Schedule, there is no (i) material default, breach, violation or event of acceleration existing under such Loan, or

(ii) event that, with the giving of notice or the lapse of time, or both, would constitute a material default, breach, violation or event of acceleration with respect to such Loan, and neither the Loan Originator nor the Company has waived any such default, breach, violation or event of acceleration.

(q) There are no mechanics' or similar Liens or claims that have been filed for work, labor or material (and no rights are outstanding that under law could give rise to any such Lien) affecting the related Mortgaged Property that are or may be Liens prior to, or equal or of parity with, the Lien of the related Mortgage.

(r) All improvements that were considered in determining the appraised value of the related Mortgaged Property indicated on such Collateral Schedule lay wholly within the boundaries and building restriction lines of such Mortgaged Property, and no improvements on adjoining properties to which value was assigned encroach upon such Mortgaged Property.

(s) Such Loan was originated in material accordance with the Underwriting Standards in effect as of its origination date. Such Loan was (i) originated (as the term is used for the purposes of the Secondary Mortgage Market Enhancement Act) by OOMC or by a savings and loan association, a savings bank, a commercial bank or similar banking institution that is supervised and examined by a federal or state authority, or by a mortgagee approved as such by the Secretary of Housing and Urban Development pursuant to Sections 203 and 211 of the National Housing Act, or (ii) acquired by OOMC directly through loan brokers or correspondents. If such Loan was not originated directly by OOMC, such Loan was directly or indirectly purchased by OOMC from the originator of such Loan pursuant to one or more Transfer Agreements in form and substance (1) generally similar to a form that has been provided to, and approved by, the Note Purchaser, and (2) sufficient to vest good title in such Loan in OOMC, free of all Liens or other encumbrances except for those, if any, created by OOMC.

(t) Principal payments on such Loan commenced no more than two (2) months after the proceeds of such Loan were disbursed. If such Loan is an adjustable rate loan, on each interest adjustment date under such Loan, the mortgage interest rate will be adjusted to equal the index plus the gross margin, rounded to the nearest (or next highest, as applicable) 0.125%, subject to the periodic rate cap, the maximum rate and the minimum rate set forth in the Collateral Schedule. The related Promissory Note is payable on the day of each month indicated on the Collateral Schedule with respect to such Loan in self-amortizing monthly installments of principal and interest, with interest payable in arrears, and requires a monthly payment that is sufficient to fully amortize the outstanding principal balance of such Loan over its remaining term and to pay interest at the applicable interest rate. If such Loan is an adjustable rate loan, the related Promissory Note provides that the monthly payments will be changed on each adjustment date indicated on such Collateral Schedule to an amount that will amortize the unpaid principal balance of such Loan over its remaining term at the mortgage interest rate established on such adjustment date. If such Loan is a fixed-rate loan and provides for the payment of a balloon payment, such Loan is fully amortizing over a 30-year period

and has a 15-year term to maturity. The related Promissory Note does not permit negative amortization. If such Loan is an adjustable rate loan, the related Promissory Note does not permit the related Mortgagor to convert such Loan to a fixed-rate loan.

(u) The origination, collection and servicing practices used by OOMC or the Company with respect to the related Promissory Note, Mortgage and Other Loan Documents have been in all respects legal, proper and customary in the subprime mortgage origination and servicing industry. Such Loan has been serviced by the Company and any predecessor servicer in accordance with the terms of the Promissory Note. With respect to escrow deposits and escrow payments, if any, all such payments are in the possession of, or under the control of, the Company and there exist no deficiencies in connection therewith for which customary arrangements for repayment thereof have not been made. No escrow deposits or escrow payments or other charges or payments due the Company or any predecessor owner of such Loan have been capitalized under the related Promissory Note or Mortgage.

(v) The related Mortgaged Property is free of damage and waste such as would materially and adversely affect the value of such Mortgaged Property as security for such Loan; and there is no proceeding pending for the total or partial condemnation of such Mortgaged Property,

(w) The related Promissory Note and Mortgage contain customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against such Mortgaged Property of the benefits of the security provided thereby, including, (i) if such Mortgage is designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure. Since the date of origination of such Loan, such Mortgaged Property has not been subject to any bankruptcy proceeding or foreclosure proceeding and the related Mortgagor has not filed for protection under applicable bankruptcy laws. There is no homestead or other exemption available to such Mortgagor that would interfere with the right to sell such Mortgaged Property at a trustee's sale or the right to foreclose such Mortgage. Such Mortgagor has not notified either the Loan Originator or the Company of any relief requested or allowed to such Mortgagor under the Soldiers and Sailors Civil Relief Act of 1940.

(x) The Custodial Loan File with respect to such Loan contains an appraisal of the related Mortgaged Property made and signed, prior to the approval of the application for such Loan, by a qualified appraiser (i) who, at the time of such appraisal, met the minimum qualifications of Fannie Mae or Freddie Mac and the requirements of the Loan Originator's appraisal policy and (ii) who satisfied (and which appraisal was conducted in accordance with) all of the applicable requirements of the Uniform Standards of Professional Appraisal Practice in effect at the time of such appraisal and procedures. Such appraiser had no interest, direct or indirect, in such Mortgaged Property or in any loan made on the security thereof, and such appraiser's compensation was not affected by the approval or disapproval of such Loan.

(y) If the related Mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and

currently so serves and is named in such Mortgage, and no fees or expenses are or will become payable by the Company to the trustee under such deed of trust, except in connection with a trustee's sale thereunder after default by the Mortgagor.

(z) Such Loan contains no (i) provisions pursuant to which any monthly payment due thereunder is (A) paid or partially paid with funds deposited in any separate account established by the Loan Originator, the Company, the related Mortgagor, or anyone on behalf of such Mortgagor, or (B) paid by any source other than such Mortgagor, or (ii) any other provision, of like effect, that may constitute a "buydown" provision. Such Loan is not a graduated payment mortgage loan, and does not have a shared appreciation or other contingent interest feature.

(aa) If such Loan is an adjustable rate loan, the related Mortgagor has executed a statement to the effect that such Mortgagor has received all disclosure materials required by applicable law with respect to the making of adjustable rate mortgage loans, and such statement is and will remain in the related Custodial Loan File.

(bb) If such Loan is a refinancing Loan, the related Mortgagor has received all disclosure and rescission materials required by applicable law with respect to the making of a refinancing Loan, and evidence of such receipt is and will remain in the related Custodial Loan File.

(cc) Such Loan was not made (i) in connection with the construction or rehabilitation of the related Mortgaged Property (except for construction to permanent financing), or (ii) to facilitate the trade-in or exchange of the related Mortgaged Property.

(dd) The related Promissory Note, Mortgage and all Other Loan Documents, together with any other documents required to be delivered with respect to such Loan pursuant to the Custodial Agreement, have been delivered to the Custodian, all in compliance with the specific requirements of the Custodial Agreement.

(ee) The related Mortgaged Property is lawfully occupied under applicable law; and all inspections, licenses and certificates required to be made or issued with respect to all occupied portions of such Mortgaged Property (including any required certificates of occupancy), have been made by or obtained from the appropriate authorities.

(ff) No error, omission, misrepresentation, negligence, fraud or similar occurrence with respect to a Loan has taken place on the part of the Loan Originator or any of the Loan Originator's employees or other agents, or, to the best knowledge of OOMC and the Company after due inquiry (including review of the relevant Loan Documents in accordance with the Underwriting Standards, it being understood and agreed that this portion of this representation and warranty shall be deemed to have been breached if the Company or OOMC knew, or should have known, of such fraud), on the part of any third person, including, without limitation, the Mortgagor, any appraiser, any builder or developer, or any other party involved in the origination of such Loan or in the application of or for any insurance in relation to such Loan.

(gg) If the Residential Dwelling on the related Mortgaged Property is a condominium unit or a unit in a planned unit development (other than a de minimis planned unit development), such condominium or planned unit development project meets Fannie Mae's eligibility requirements.

(hh) Except as disclosed to the Note Purchaser in writing, the Loan Originator has made no Loan on the related Mortgaged Property other than such Loan.

(ii) Such Loan was not intentionally selected by the Loan Originator in a manner intended to adversely affect the interest of the Company or the Note Purchaser. The Loan Originator used no selection procedures that identified such Loan as being less desirable or valuable than other comparable mortgage loans originated or acquired by the Loan Originator. Such Loans, collectively with the other Loans included on such Collateral Schedule, is representative of the Loan Originator's portfolio of fixed rate or adjustable rate mortgage loans, as the case may be.

(jj) The related Mortgaged Property consists of a parcel of real property of not more than twenty acres, and is improved with a Residential Dwelling. Without limiting the foregoing, such Mortgaged Property is not a log home, earthen home, or underground home. Such Mortgaged Property consists of either a fee simple estate or a long-term residential lease. If such Loan is secured by a long term residential lease: (i) the terms of such lease (A) expressly permit (1) the mortgaging of the leasehold estate, the assignment of the lease without the lessor's consent (or the lessor's consent has been obtained and such consent is in the Custodial Loan File relating to such Loan) and (2) the acquisition by the holder of the related Mortgage of the rights of the lessee upon foreclosure or assignment in lieu of foreclosure, or (B) provide the such holder with substantially similar protection; (ii) the terms of such lease do not (A) allow the termination thereof upon the lessee's default without the holder of such Mortgage being entitled to receive written notice of, and an opportunity to cure, such default or (B) prohibit such holder from being insured under the hazard insurance policy relating to such Mortgaged Property; (iii) the original term of such lease is not less than 15 years; (iv) the term of such lease does not terminate earlier than five years after the maturity date of such Loan; and (v) such Mortgaged Property is located in a jurisdiction in which the use of leasehold estates for residential properties is a widely accepted practice.

(kk) The related Mortgage, and, if required by applicable law, the

related Promissory Note, contain a provision for the acceleration of the payment of the unpaid principal balance of such Loan if such Mortgaged Property is sold or transferred without the prior written consent of the mortgagee under such Mortgage, at the option of the mortgagee.

(ll) The prepayment penalty, if any, provided for under the terms of such Loan is enforceable in accordance with the terms set forth for such Loan in the Collateral Schedule, subject, however, to the effect of applicable bankruptcy, insolvency, moratorium and similar proceedings, to general equitable principles and to limitations that may be imposed in connection with foreclosure on the related Mortgaged Property under applicable state law.

(mm) There is only one originally executed Promissory Note not stamped as a duplicate with respect to such Loan.

(nn) The original executed Promissory Note has not been pledged to anyone other than Option One Trust 2002-3.

(oo) Each Loan at origination complied in all material respects with applicable local, state and federal laws, including, without limitation, usury, equal credit opportunity, real estate settlement procedures, the Truth In Lending Act of 1968, as amended, and all applicable predatory and abusive lending laws.

(pp) None of the Loans are subject to the Home Ownership and Equity Protection Act of 1994, as amended, or any comparable state law; none of the Loans are "section 32" loans or "high cost" loans as defined by applicable predatory and abusive lending laws.

(qq) None of the Loans originated in the State of New York are "high cost" as defined in New York Banking Law Section 6-1.

(rr) No borrower was encouraged or required to select a Loan product offered by the Loan Originator which is a higher cost product designed for less creditworthy borrowers, unless at the time of the Loan's origination, such borrower did not qualify taking into account credit history and debt to income ratios for a lower cost credit product then offered by the Loan Originator or any affiliate of the Loan Originator.

(ss) The methodology used in underwriting the extension of credit for each Loan employs objective mathematical principles which relate the borrower's income, assets and liabilities to the proposed payment and such underwriting methodology does not rely on the extent of the borrower's equity in the collateral as the principal determining factor in approving such credit extension. Such underwriting methodology confirmed that at the time of origination (application/approval) the borrower had a reasonable ability to make timely payments on the Loan.

(tt) With respect to any Loan that contains a provision permitting imposition of a premium upon a prepayment prior to maturity: (i) prior to the loan's origination, the borrower agreed to such premium in exchange for a monetary benefit, including but not limited to a rate or fee reduction, (ii) prior to the loan's origination, the borrower was offered the option of obtaining a mortgage loan that did not require payment of such a premium, (iii) the prepayment premium is disclosed to the borrower in the loan documents pursuant to applicable state and federal law, and (iv) notwithstanding any state or federal law to the contrary, the Servicer shall not impose such prepayment premium in any instance when the mortgage debt is accelerated as the result of the borrower's default in making the loan payments.

(uu) No borrower was required to purchase any credit life, disability, accident or health insurance product as a condition of obtaining the extension of credit. No borrower obtained a prepaid single premium credit life, disability, accident or health insurance policy in connection with the origination of the Loan. No proceeds

from any Loan were used to purchase single premium credit insurance policies as part of the origination of, or as a condition to closing, such Loan.

(vv) All points and fees related to each Loan were disclosed in writing to the borrower in accordance with applicable state and federal law and regulation.

(ww) All fees and charges (including finance charges) and whether or not financed, assessed, collected or to be collected in connection with the origination and servicing of each Loan has been disclosed in writing to the borrower in accordance with applicable state and federal law and regulation.

(xx) The Servicer will transmit full-file credit reporting data for each Loan pursuant to Fannie Mae Guide Announcement 95-19 and that for each Loan, Servicer agrees it shall report one of the following statuses each month as follows: new origination, current, delinquent (30-, 60-, 90-days, etc.), foreclosed, or charged-off.

(yy) All Prepayment charges are enforceable and were originated in compliance with all applicable federal, state and local laws.

EXHIBIT C

FORM OF NOTICE OF BORROWING

_____, 200_

UBS Real Estate Securities Inc.
1285 Avenue of the Americas
New York, New York 10019
Attention: Robert Carpenter
George A. Mangiaracina

Re: Notice of Borrowing

Ladies and Gentlemen:

In accordance with Section 2.4 of the Amended and Restated Note Purchase Agreement dated as of March 18, 2005 (the "Agreement") among Option One Owner Trust 2002-3 (the "Company"), UBS Real Estate Securities Inc. (the "Note Purchaser"), and Option One Mortgage Corporation, the Company hereby gives notice to the Note Purchaser that the Company desires to obtain an Advance pursuant to the provisions of the Agreement on [specify proposed Advance Date]. All capitalized terms used herein without definition shall have the meanings assigned to them in the Agreement.

In connection with this Notice of Borrowing and the proposed Advance:

1. The Company represents and warrants to the Note Purchaser that, on the proposed Advance Date, all conditions precedent specified in Sections 6.1 and 6.2 of the Agreement will have been satisfied.

2. Pursuant to Section 2.4 of the Agreement, the Company has attached hereto the Collateral Schedule listing the Loans (for Wet Funded Loans, in addition, the related wire instructions) and other Collateral intended to be financed in whole or in part by the Company with the desired Advance.

3. The Advance should be wired to the following account: [specify wiring instructions].

Very truly yours,

OPTION ONE OWNER TRUST 2002-3

By: [OPTION ONE MORTGAGE CORPORATION,
ITS AUTHORIZED REPRESENTATIVE]]

By:_____
Name:_____
Title:_____

EXHIBIT D

UNDERWRITING STANDARDS

[SEE ATTACHED]

EXHIBIT E

CAPITAL ADEQUACY TEST

*For each field multiply the HRB% by the Balance Sheet Amount for Required Capital

	HRB TEST	BALANCE SHEET	REQUIRED CAPITAL
Unrestricted Cash and Equivalents	0%		
Restricted Cash	0%		
Loans Held for Sale	9%		
Servicing Advances	10%		
Beneficial Interests in trusts	10%		
Subprime Mortgage NIM Residual Interest	60%		
Real Estate Held for Sale	10%		
Furniture and Equipment	0%		
Mortgage Servicing Rights	25%		
Prepaid Expenses and Other Assets	10%		
Accrued interest receivable	10%		
Receivable from H&R Block	0%		
Intangibles and goodwill	100%		
Deferred Tax Assets	10%		
Derivative Assets	10%		
TOTAL REQUIRED CAPITAL			

Total Owners Equity on Balance Sheet Date

Less: Receivables from H&R Block

_____
Adjusted Net Worth

Adjusted Net Worth divided by Required Capital = Ratio for Capital Adequacy Test

Exhibit 10.47

AMENDED AND RESTATED SALE AND SERVICING AGREEMENT
Dated As of March 18, 2005

among

OPTION ONE OWNER TRUST 2002-3
(Company)

OPTION ONE LOAN WAREHOUSE CORPORATION

(Depositor)

OPTION ONE MORTGAGE CORPORATION
(Loan Originator and Servicer)

and

WELLS FARGO BANK, N.A.
(Facility Administrator)

OPTION ONE OWNER TRUST 2002-3
MORTGAGE-BACKED NOTES

TABLE OF CONTENTS

ARTICLE V

DEPOSITS TO COLLECTION ACCOUNT

ARTICLE VI

VALUATIONS

ARTICLE VII

THE SERVICER

ARTICLE VIII

SERVICER EVENTS OF DEFAULT

ARTICLE IX

TERMINATION

ARTICLE X

MISCELLANEOUS PROVISIONS

This Amended and Restated Sale and Servicing Agreement amends and restates in its entirety the Sale and Servicing Agreement dated as of July 2, 2002, among OPTION ONE OWNER TRUST 2002-3, a Delaware business trust (the "Company" or the "Trust"), OPTION ONE LOAN WAREHOUSE CORPORATION, a Delaware corporation, as Depositor (in such capacity, the "Depositor"), OPTION ONE MORTGAGE CORPORATION, a California corporation ("Option One"), as Loan Originator (in such capacity, the "Loan Originator") and as Servicer (in such capacity, the "Servicer") and WELLS FARGO BANK, N.A., a national banking association, as Facility Administrator on behalf of the Noteholders (in such capacity, the "Facility Administrator").

WITNESSETH:

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

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

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

Accepted Servicing Practices: The Servicer's normal servicing practices in servicing and administering mortgage loans for its own account, which in general shall conform to the mortgage servicing practices of prudent mortgage lending institutions which service for their own account mortgage loans of the same type as the Loans in the jurisdictions in which the related Mortgaged Properties are located and which shall (i) give due consideration to the Noteholders' reliance on the Servicer, and (ii) comply in all material respects with all applicable laws, rules, regulations and orders.

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

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

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

Administration Agreement: The Administration Agreement, dated as of July 2, 2002, between the Company and Option One, as Administrator and as Servicer.

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

Advance Amount: With respect to each Transfer Date, the "Advance Amount" determined pursuant to the Note Purchase Agreement.

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

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

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

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

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

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

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

Assignment: A LPA Assignment or S&SA Assignment.

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

Balloon Loan: Any Loan for which the related monthly payments, other than the monthly payment due on the maturity date stated in the Promissory Note, are computed on the basis of a period to full amortization ending on a date that is later than such maturity date.

Basic Documents: This Agreement, including any S&SA Assignment, the Administration Agreement, the Custodial Agreement, the Facility Administration Agreement, the Loan Purchase and Contribution Agreement, any other "Transfer Agreement" (as defined in the Note Purchase Agreement), the Note Purchase Agreement, the Disposition Agreement, the Trust Agreement, and, as and when required to be executed and delivered, the Assignments.

Borrower: The obligor or obligors on a Promissory Note.

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

Certificateholder: A holder of a Trust Certificate.

Closing Date: July 8, 2002.

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

Collateral: As defined in the Note Purchase Agreement.

Collateral Value: As defined in the Note Purchase Agreement.

Collection Account: The account designated as such, established and maintained by the Servicer in accordance with Section 5.1 of the Facility Administration Agreement.

Combined LTV or CLTV: With respect to any Second Lien Loan, the ratio of (a) the sum of the outstanding principal balances, on date of origination of such Second Lien Loan, of (i) such Loan and (ii) the loan constituting the first lien on the

affected Mortgaged Property to (b) the Appraised Value of the Mortgaged Property at origination, expressed as a percentage.

Commission: The Securities and Exchange Commission.

Commitment Term: That period of time commencing on March 19, 2005 and continuing until the earlier of (i) September 8, 2005 (or, if applicable, such later date as may be in effect from time to time pursuant to Section 2.10(d) in the Note Purchase Agreement), and (ii) the date upon which the Obligations are declared to be, or become, due and payable in full in accordance with Article X of the Note Purchase Agreement.

Company Estate: Collectively, all property constituting the Collateral.

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

Custodial Agreement: The custodial agreement dated as of July 2, 2002, among the Company, the Servicer, the Note Purchaser, the Facility Administrator and the Custodian, providing for the retention of the Custodial Loan Files by the Custodian on behalf of the Facility Administrator on behalf of the Noteholders.

Custodial Loan File: As defined in Section 2(b) of the Custodial Agreement.

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

Deemed Cured: With respect to any Performance Trigger Event, that the delinquency and/or loss ratios which resulted in such Performance Trigger Event have declined to below the specified levels for three consecutive Determination Dates.

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

Defaulted Loan: With respect to any Determination Date, any Loan, including, without limitation, any Liquidated Loan, with respect to which any of the following has occurred as of the end of the related Remittance Period: (a) foreclosure or similar proceedings have been commenced; or (b) the Servicer or any Subservicer has determined in good faith and in accordance with the servicing standard set forth in Section 4.01 that such Loan is in default or imminent default.

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

Delinquency Ratio: The ratio of all Loans that are Delinquent to the aggregate of all Loans, determined on the basis of aggregate Principal Balance.

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

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

(a) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "instruments" within the meaning of Section 9-105(l)(i) of the UCC and are susceptible of physical delivery (except with respect to Trust Account Property consisting of certificated securities (as defined in Section 8-102(a)(4) of the UCC)), physical delivery to the Facility Administrator or its custodian (or the related Securities Intermediary) endorsed to the Facility Administrator or its custodian (or the related Securities Intermediary) or endorsed in blank (and if delivered and endorsed to the Securities Intermediary, by continuous credit thereof by book-entry to the related Trust Account);

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

entries in its records identifying such certificated securities as credited to the related Trust Account (all of the Trust Account Property described in Subsections (a) and (b), "Physical Property"); and, in any event, any such Physical Property in registered form shall be in the name of the Facility Administrator or its nominee or custodian (or the related Securities Intermediary); and such additional or alternative procedures as may hereafter become appropriate to effect the complete transfer of ownership of any such Trust Account Property to the Facility Administrator or its nominee or custodian, consistent with changes in applicable law or regulations or the interpretation thereof;

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

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

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

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

Determination Date: With respect to any Payment Date occurring on the 10th day of a month, the last day of the calendar month immediately preceding such

Payment Date, and with respect to any other Payment Date, as mutually agreed by the Servicer and the Noteholders.

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

Disposition Agent: UBS Real Estate Securities Inc. and its successors and assigns acting at the direction of the Majority Noteholders.

Disposition Agreement: As defined in the Note Purchase Agreement.

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

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

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

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

Eligible Servicer: Either (x) Option One, for so long as Option One (i) is an approved seller-servicer by Fannie Mae or Freddie Mac and (ii) has a GAAP Net Worth of at least $200,000,000, or (y) any other Person to which the Majority Noteholders may consent in writing.

Escrow Payments: With respect to any Loan, the amounts constituting ground rents, taxes, assessments, water rates, sewer rents, municipal charges, fire, hazard, liability and other insurance premiums, condominium charges, and any other payments

required to be escrowed by the related Borrower with the lender or servicer pursuant to the Mortgage or any other document.

Event of Default: Either a Servicer Event of Default or an Event of Default under the Note Purchase Agreement.

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

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

Facility Administration Agreement: The Facility Administration

Agreement dated as of July 2, 2002, among the Company, the Note Purchaser, the Servicer and the Facility Administrator (including any applicable amendments, supplements, exhibits and schedules thereto).

Facility Administrator: Wells Fargo Bank, N.A., a national banking association, as Facility Administrator under the Facility Administration Agreement, or any successor Facility Administrator under the Facility Administration Agreement.

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

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

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

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

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

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

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

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

Funding Period: Shall mean the period commencing on the Closing Date and ending on the earliest to occur of (i) the last day of the Commitment Term and (ii) the occurrence of an Event of Default or a Default, if the Note Purchaser so elects, provided that if any Default is cured before it becomes an Event of Default, the Funding Period shall be reinstated, unless the last day of the Commitment Term has occurred or an event described in clause (iii) has occurred and has not been Deemed Cured; and (iii) the occurrence of a Performance Trigger Event, if the Note Purchaser so elects, provided that, if such Performance Trigger Event is Deemed Cured, the Funding Period shall be reinstated, unless the last day of the Commitment Term has expired or an event described in clause (ii) has occurred and an Event of Default or Default still exists.

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

GAAP Net Worth: As defined in the Note Purchase Agreement.

General Operating Account: The account, designated as such, established and maintained pursuant to Section 5.1 of the Facility

Administration Agreement.

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

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

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

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

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

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

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

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

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

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

Liquidation Proceeds: With respect to a Liquidated Loan, any cash amounts received in connection with the liquidation of such Liquidated Loan, whether through trustee's sale, foreclosure sale or other disposition, any cash amounts received in connection with the management of the Mortgaged Property from Defaulted Loans, any proceeds from Primary Insurance Policies, any amounts received in respect of any condemnation or other taking of all or any portion of such Mortgaged Property and any other amounts required to be deposited in the Collection Account pursuant to Section 5.01(b)(1), in each case other than Mortgage Insurance Proceeds and Released Mortgaged Property Proceeds.

Loan: Any loan sold to the Trust hereunder and pledged to the Facility Administrator, which loan includes, without limitation, (i) a Promissory Note and related Mortgage, (ii) all right, title and interest of the Loan Originator in and to the Mortgaged Property covered by such Mortgage and (iii) all servicing rights with respect to such Loan. The term Loan shall be deemed to include the related Promissory Note, related Mortgage and related

Foreclosure Property, if any.

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

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

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

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

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

Loan Purchase and Contribution Agreement: The Loan Purchase and Contribution Agreement, between Option One, as seller, and the Depositor, as purchaser, dated as of July 2, 2002, and all supplements and amendments thereto.

Loan Schedule or Collateral Schedule: As defined in the Note Purchase Agreement.

Loan-to-Value Ratio or LTV: With respect to any First Lien Loan, the ratio of the original outstanding principal amount of such Loan to the lesser of (a) the Appraised Value of the Mortgaged Property at origination or (b) if the Mortgaged Property was purchased within 12 months of the origination of the Loan, the purchase price of the Mortgaged Property.

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

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

Majority Noteholders: The holder or holders of in excess of 50% of the Secured Note Principal Balance. In the event that the Secured Notes have been paid in full and the Note Purchase Agreement has terminated, the Majority Noteholders shall mean the Majority Certificateholders.

Manufactured Dwelling: Shall mean a fully attached manufactured home which is considered and treated as "real estate" under applicable state law.

Market Value: For purposes of this facility and related transactions, the market value of a Loan as of any Business Day as determined by the Market Value Agent in accordance with Section 6.01.

Market Value Agent: UBS Real Estate Securities Inc. or an Affiliate thereof designated by UBS Real Estate Securities Inc. in writing to the parties hereto and, in either case, its successors in interest.

Maximum Note Principal Balance: The "Commitment Amount" under the Note Purchase Agreement.

Mixed Use Loan: A Loan secured by a Mortgaged Property that is used primarily for residential purposes, but which is also used for non-residential purposes.

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

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

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

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

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

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

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

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

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

Nonrecoverable Servicing Advance: With respect to any Loan or any Foreclosure Property, (a) any Servicing Advance previously made and not reimbursed from late collections, Liquidation Proceeds, Mortgage Insurance Proceeds or the Released Mortgaged Property Proceeds on the related Loan or Foreclosure Property, or (b) a Servicing Advance proposed to be made in respect of a Loan or Foreclosure Property, either of which, in the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Note Purchaser, would not be ultimately recoverable.

Noteholder: The meaning assigned thereto in the Facility

Administration Agreement.

Note Purchase Agreement: The Amended and Restated Note Purchase Agreement among the Note Purchaser, and the Company, dated as of March 18, 2005.

Note Purchaser: UBS Real Estate Securities Inc. or an Affiliate thereof identified in writing by UBS Real Estate Securities Inc. to the parties hereto.

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

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

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

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

Payment Date: As defined in the Facility Administration Agreement.

Percentage Interest: As defined in the Trust Agreement.

Performance Trigger Event: As of any Determination Date, the existence of one or more of the following conditions as of such Determination Date:

(a) the aggregate Principal Balance of all Loans that are 30 to 59 days Delinquent as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 5%; provided, however, that a Performance Trigger Event shall not occur if such percentage is reduced to less than 5% within three Business Days of such Determination Date as a result of the exercise of a Servicer Call; and

(b) the aggregate Principal Balance of all Loans that are 60 to 89 days Delinquent as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 2%; provided, however, that a Performance

Trigger Event shall not occur if such percentage is reduced to less than 2% within three Business Days of such Determination Date as a result of the exercise of a Servicer Call; and a Performance Trigger Event shall continue to exist until it is Deemed Cured.

Periodic Cap: With respect to each ARM Loan and any Rate Change Date therefor, the annual percentage set forth in the related Promissory Note that is the maximum annual percentage by which the Loan Interest Rate for such Loan may increase or decrease (subject to the Lifetime Cap or the Lifetime Floor) on such Rate Change Date from the Loan Interest Rate in effect immediately prior to such Rate Change Date.

Permitted Investments: Each of the following:

(a) Direct general obligations of the United States or the obligations of any agency or instrumentality of the United States fully and unconditionally guaranteed, the timely payment or the guarantee of which constitutes a full faith and credit obligation of the United States.

(b) Federal Housing Administration debentures rated Aa2 or higher by Moody's and AA or better by S&P.

(c) Freddie Mac senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(d) Federal Home Loan Banks' consolidated senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(e) Fannie Mae senior debt obligations rated Aa2 or higher by Moody's.

(f) Federal funds, certificates or deposit, time and demand deposits, and bankers' acceptances (having original maturities of not more than 30 days) of any domestic bank, the short-term debt obligations of which have been rated A-1 or better by S&P and P-1 or better by Moody's.

(g) Investment agreements approved by the Note Purchaser provided:

1. The agreement is with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated Aa2 or better by Moody's and AA or better by S&P, and

2. Monies invested thereunder may be withdrawn without any penalty, premium or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

3. The agreement is not subordinated to any other obligations of such insurance company or bank, and

4. The same guaranteed interest rate will be paid on any future deposits made pursuant to such agreement, and

5. The Facility Administration and the Note Purchaser receive an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

(h) Commercial paper (having original maturities of not more than 365 days) rated A-1 or better by S&P and P-1 or better by Moody's.

(i) Investments in money market funds rated AAAM or AAAM-G by S&P and Aaa or P-1 by Moody's.

(j) Investments approved in writing by the Note Purchaser;

provided that no instrument described above is permitted to evidence either the right to receive (a) only interest with respect to obligations underlying such instrument or (b) both principal and interest payments derived from obligations underlying such instrument and the interest and principal payments with respect to such instrument provided a yield to maturity at par greater than 120% of the yield to maturity at par of the underlying obligations; and provided, further, that no instrument described above may be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to stated maturity; and provided, further, that, with respect to any instrument described above, such instrument qualifies as a "permitted investment" within the meaning of Section 860G(a)(5) of the Code and the regulations thereunder.

Each reference in this definition to the Rating Agency shall be construed as a reference to each of S&P and Moody's.

Person: Any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, national banking association, unincorporated organization or government or any agency or political subdivision thereof.

Physical Property: As defined in clause (b) of the definition of "Delivery" above.

Pool Principal Balance: With respect to any Determination Date, the aggregate Principal Balances of the Loans as of the end of the preceding Remittance Period.

Prepaid Installment: With respect to any Loan, any installment of principal thereof and interest thereon received prior to the scheduled Due Date for such installment, intended by the Borrower as an early payment thereof and not as a Prepayment with respect to such Loan.

Prepayment: Any payment of principal of a Loan which is received by the Servicer in advance of the scheduled due date for the payment of such principal (other

than the principal portion of any Prepaid Installment), and the proceeds of any Mortgage Insurance Policy which are to be applied as a payment of principal on the related Loan shall be deemed to be Prepayments for all purposes of this Agreement.

Preservation Expenses: Expenditures made by the Servicer in connection with a Foreclosed Loan prior to the liquidation thereof, including, without limitation, expenditures for real estate property taxes, hazard insurance premiums, or property inspection, restoration or preservation.

Primary Insurance Policy: A policy of primary mortgage guaranty insurance issued by a Qualified Insurer pursuant to Section 4.06 of the Servicing Addendum.

Principal Balance: With respect to any Loan or related Foreclosure Property, (i) at the Transfer Cut-off Date, the Transfer Cut-off Date Principal Balance and (ii) with respect to any other Determination Date, the outstanding unpaid principal balance of the Loan as of the end of the preceding Remittance Period (after giving effect to all payments received thereon and the allocation of any Net Loan Losses with respect thereto for a Defaulted Loan prior to the end of such Remittance Period); provided, however, that any Liquidated Loan shall be deemed to have a Principal Balance of zero.

Proceeding: Any suit in equity, action at law, or other judicial or administrative or arbitration proceeding.

Promissory Note: With respect to a Loan, the original executed promissory note or other evidence of the indebtedness of the related Borrower or Borrowers.

Put/Call Loan: Any (i) Loan that has become 90 or more days Delinquent, (ii) Defaulted Loan, (iii) Loan that has been in default for a period of 30 days or more (other than a Loan referred to in the preceding clause (i)), (iv) Loan that does not meet criteria established by independent rating agencies or surety agency conditions for Dispositions which criteria have been established at the related Transfer Date and may be modified only to match changed criteria of independent rating agencies or surety agents, or (v) Loan that is inconsistent with the intended tax status of a Securitization.

Qualified Insurer: An insurance company duly qualified as such under the laws of the states in which the Mortgaged Property is located, duly authorized and licensed in such states to transact the applicable insurance business and to write the insurance provided and that meets the requirements of Fannie Mae and Freddie Mac.

Qualified Substitute Loan: A Loan or Loans substituted for a Deleted Loan pursuant to Section 3.06, which (i) has or have been approved in writing by the Majority Noteholders and (ii) complies or comply as of the date of

substitution with each representation and warranty set forth in Exhibit E and is or are not 30 or more days Delinquent as of the date of substitution for such Deleted Loan or Loans.

Rate Change Date: The date on which the Loan Interest Rate of each ARM is subject to adjustment in accordance with the related Promissory Note.

Rating Agencies: S&P and Moody's or such other nationally recognized credit rating agencies as may from time to time be designated in writing by the Majority Noteholders in their sole discretion.

Refinanced Loan: A Loan the proceeds of which were not used to purchase the related Mortgaged Property.

Released Mortgaged Property Proceeds: With respect to any Loan, proceeds received by the Servicer in connection with (i) a taking of an entire Mortgaged Property by exercise of the power of eminent domain or condemnation or (ii) any release of part of the Mortgaged Property from the lien of the related Mortgage, whether by partial condemnation, sale or otherwise; which proceeds in either case are not released to the Borrower in accordance with applicable law and/or Accepted Servicing Practices.

Remittance Date: The Business Day immediately preceding each Payment Date.

Remittance Period: With respect to any Payment Date, the period commencing immediately following the Determination Date for the preceding Payment Date (or, in the case of the initial Payment Date, commencing immediately following the initial Transfer Cut-off Date) and ending on and including the related Determination Date.

REO Property: Real property (including all improvements and fixtures on the Mortgaged Property) acquired by or on behalf of the Company through foreclosure sale or by deed in lieu of foreclosure or otherwise.

Repurchase Price: With respect to any Loan, the sum of (i) the Principal Balance thereof as of the date of purchase or repurchase, (ii) all accrued and unpaid interest on such Loan to the date of purchase or repurchase computed at the applicable Loan Interest Rate, (iii) the amount of any unreimbursed Servicing Advances made by the Servicer with respect to such Loan (after deducting therefrom any amounts received in respect of such purchased or repurchased Loan and being held in the Collection Account for future distribution to the extent such amounts represent recoveries of principal not yet applied to reduce the related Principal Balance or interest (net of the Servicing Fee) for the period from and after the date of repurchase) and (iv) the amount of any damages incurred by the Note Purchaser as a result of the violation of any Loan of any predatory or abusive lending law. To the extent the Servicer does not reimburse itself for amounts, if any, in respect of the Servicing Advance Reimbursement Amount pursuant to Section 5.4 of the Facility Administration Agreement, with respect to such Loan, the Repurchase Price shall be reduced by such amounts.

Responsible Officer: When used with respect to the Facility Administrator or Custodian, any officer within the corporate trust office of such Person, including any Vice President, Assistant Vice President, Secretary, Assistant Secretary or

any other officer of such Person customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject. When used with respect to the Company or any officer of the Owner

Trustee who is authorized to act for the Owner Trustee in matters relating to the Company and who is identified on the list of Authorized Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Company and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Responsible Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter). When used with respect to the Depositor, the Loan Originator or the Servicer, the President, any Vice President, or the Treasurer.

Retained Securities: With respect to a Securitization, any subordinated securities issued or expected to be issued, or excess collateral value retained or expected to be retained, in connection therewith to the extent the Depositor, the Loan Originator or an Affiliate thereof decides in its sole discretion to retain, instead of sell, such securities.

Retained Securities Value: With respect to any Business Day and a Retained Security, the market value thereof as determined by the Market Value Agent in accordance with Section 6.01(c).

Sales Price: For any Transfer Date, the sum of the Collateral Values with respect to each Loan conveyed on such Transfer Date as of such Transfer Date.

S&SA Assignment: An Assignment, in substantially the form of Exhibit C, of Loans and other property from the Depositor to the Company pursuant to this Agreement.

Second Lien Loan: A Loan secured by the lien on the Mortgaged Property, subject to one Senior Lien on such Mortgaged Property.

Secured Note: As defined in the Note Purchase Agreement.

Secured Note Principal Balance: The outstanding unpaid principal balance of the related Secured Note.

Securities: The Notes and the Trust Certificates.

Securities Intermediary: A "securities intermediary" as defined in Section 8-102(a)(14) of the UCC that is holding a Trust Account for the Facility Administrator as the sole "entitlement holder" as defined in Section 8-102(a)(7) of the UCC.

Securitization: As defined in the Disposition Agreement.

Securityholder: Any Noteholder or Certificateholder.

Senior Lien: With respect to any Second Lien Loan, the mortgage loan having a senior priority lien on the related Mortgaged Property.

Servicer: Option One, in its capacity as the master servicer hereunder, or any successor appointed as herein provided.

Servicer Call: The optional repurchase by the Servicer of a Loan pursuant to Section 3.08.

Servicer Event of Default: As described in Section 8.01.

Servicer's Fiscal Year: May 1st through April 30th of each year.

Servicer's Loan File: With respect to each Loan, the file held by the Servicer, consisting of all documents (or electronic images thereof)

relating to such Loan, including, without limitation, copies of all of the Loan Documents included in the related Custodial Loan File.

Servicing Addendum: The terms and provisions set forth in Exhibit F relating to the administration and servicing of the Loans.

Servicing Advance Reimbursement Amount: With respect to any Determination Date, the amount of any Servicing Advances that have not been reimbursed as of such date, including Nonrecoverable Servicing Advances.

Servicing Advances: As defined in Section 4.14(b) of the Servicing Addendum.

Servicing Compensation: The Servicing Fee and other amounts to which the Servicer is entitled pursuant to Section 4.15 in the Servicing Addendum.

Servicing Fee: As to each Loan (including any Loan that has been foreclosed and for which the related Mortgaged Property has become a Foreclosure Property, but excluding any Liquidated Loan), the fee payable monthly to the Servicer, which shall be the product of 0.50% (50 basis points), or such other lower amount as shall be mutually agreed to in writing by the Majority Noteholders and the Servicer, and the Principal Balance of such Loan as of the beginning of the related Remittance Period, divided by 12. The Servicing Fee shall only be payable to the extent interest is collected on a Loan.

Servicing Officer: Any officer of the Servicer or Subservicer involved in, or responsible for, the administration and servicing of the Loans whose name and specimen signature appears on a list of servicing officers annexed to an Officer's Certificate furnished by the Servicer or the Subservicer, respectively, on the date hereof to the Company and the Facility Administrator, on behalf of the Noteholders, as such list may from time to time be amended.

S&P: Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

State: Means any one of the states of the United States of America or the District of Columbia.

Subservicer: Any Person with which the Servicer has entered into a Subservicing Agreement and which is an Eligible Servicer and satisfies any requirements set forth in Section 4.22 in the Servicing Addendum in respect of the qualifications of a Subservicer.

Subservicing Account: An account established by a Subservicer pursuant to a Subservicing Agreement, which account must be an Eligible Account.

Subservicing Agreement: Any agreement between the Servicer and any Subservicer relating to subservicing and/or administration of any or all Loans as provided in Section 4.22 in the Servicing Addendum.

Substitution Adjustment: As to any date on which a substitution occurs pursuant to Section 2.05 or Section 3.06, the amount, if any, by which (a) the aggregate principal balance of any Qualified Substitute Loans (after application of principal payments received on or before the related Transfer Cut-off Date) is less than (b) the aggregate of the Principal Balances of the related Deleted Loans as of the first day of the month in which such substitution occurs.

Tangible Equity: As defined in the Note Purchase Agreement.

Transfer Cut-off Date: With respect to each Loan, the first day of the month in which the Transfer Date with respect to such Loan occurs or if originated in such month, the date of origination.

Transfer Cut-off Date Principal Balance: As to each Loan, its Principal Balance as of the opening of business on the Transfer Cut-off Date (after giving effect to any payments received on the Loan before the Transfer Cut-off Date).

Transfer Date: With respect to each Loan, the day such Loan is sold and conveyed to the Depositor by the Loan Originator pursuant to the Loan Purchase and Contribution Agreement and to the Company by the Depositor pursuant to Section 2.01, which results in the issuance of a Secured Note in an original principal amount equal to the related Advance Amount, subject to any limitations in frequency and minimum amounts as may be imposed by the Note Purchase Agreement. With respect to any Qualified Substitute Loan, the Transfer Date shall be the day such Loan is conveyed to the Trust pursuant to Section 2.05 or 3.06. The Transfer Date shall be no later than the corresponding Advance Date under the Note Purchase Agreement.

Transfer Obligation: The obligation of the Loan Originator under Section 5.06 to make certain payments in connection with Dispositions and other related matters.

Trust: Option One Owner Trust 2002-3, the Delaware business trust created pursuant to the Trust Agreement.

Trust Agreement: The Trust Agreement dated as of July 2, 2002 between the Depositor and the Owner Trustee.

Trust Account Property: The Trust Accounts, all amounts and investments held from time to time in the Trust Accounts and all proceeds of the foregoing.

Trust Accounts: The Collection Account.

Trust Certificate: The meaning assigned thereto in the Trust Agreement.

UCC: The Uniform Commercial Code as in effect in the State of New York from time to time.

UCC Assignment: A form "UCC-2" or "UCC-3" statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction to reflect an assignment of a secured party's interest in collateral.

UCC-1 Financing Statement: A financing statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction.

Underwriting Standards: As defined in the Note Purchase Agreement.

Unqualified Loan: As defined in Section 3.06(a).

Wet Funded Custodial File Delivery Date: With respect to a Wet Funded Loan, the later of the fifteenth Business Day and the twentieth calendar day after the related Transfer Date, provided that if a Default or Event of Default shall have occurred, the Wet Funded Custodial File Delivery Date shall be the earlier of (x) such fifteenth Business Day or twentieth calendar day and (y) the fifth day after the occurrence of such event.

Wet Funded Loan: A Loan which is pledged to the Note Purchaser, simultaneously with the origination thereof by the Company pursuant to 2.4(d) of the Note Purchase Agreement and is funded in part or in whole with proceeds of the purchase of Notes. A Loan shall cease to be a Wet Funded Loan when documents are received by the Custodian as provided in Section 2.4(d)(iii).

Whole Loan Sale: A Disposition of Loans pursuant to a whole-loan sale.

Section 1.02. Other Definitional Provisions.

(a) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or

supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement or in any such certificate or other document shall control.

(d) The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Article, Section, Schedule and Exhibit references contained in this Agreement are references to Articles, Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

(f) Wells Fargo Bank, N.A. is the successor in interest to Wells Fargo Bank Minnesota, National Association. Any references to Wells Fargo Bank Minnesota, National Association in this agreement or in any other agreement related to this agreement shall be construed to mean Wells Fargo Bank, N.A.

ARTICLE II

CONVEYANCE OF THE LOANS; ADVANCE AMOUNTS

Section 2.01. Conveyance of the Loans.

(a) On the terms and conditions of this Agreement, on each Transfer Date, the Depositor agrees to offer for sale and to sell the Loans and deliver the related Loan Documents to or at the direction of the Company. To the extent the Company has or is able to obtain sufficient funds under the Note Purchase Agreement and the Secured Notes for the purchase thereof, the Company agrees to purchase such Loans offered for sale by the Depositor.

(b) In consideration of the payment of the Sales Price pursuant to Section 2.06 and, to the extent of any value in excess of the Sales Price, as a contribution to the capital of the Company, the

Depositor, as of the related Transfer Date and concurrently with the execution and delivery hereof, hereby sells, transfer assigns, sets over and otherwise conveys to the Company, without recourse, but subject to the other terms and provisions of this Agreement, all of the right, title and interest of the Depositor in and to the Company Estate.

(c) During the Funding Period, on each Transfer Date, subject to the conditions precedent set forth in Section 2.06(a) and in accordance with the procedures set forth in this Agreement, the Depositor, pursuant to an S&SA Assignment, will assign to the Company without recourse all of its respective right, title and interest, in and to the Loans and all proceeds thereof listed on the Loan Schedule attached to such S&SA Assignment, including all interest, principal, prepayment fees and other amounts received by the Loan Originator, the Depositor or the Servicer on or with respect to the Loans on or after the related Transfer Cut-off Date, together with servicing rights and all right, title and interest in and to the proceeds of any related Mortgage Insurance Policies and all of the Depositor's rights, title and interest in and to (but none of its obligations under) the Loan Purchase and Contribution Agreement and all proceeds of the foregoing.

(d) The foregoing sales, transfers, assignments, set overs and conveyances do not, and are not intended to, result in a creation or an assumption by the Company of any of the obligations of the Depositor, the Loan Originator or any other Person in connection with the Loans or under any agreement or instrument relating thereto except as specifically set forth herein.

(e) As of the Closing Date and as of each Transfer Date, the Company acknowledges (or will acknowledge pursuant to the S&SA Assignment) the conveyance to it of the Loans and other property comprising the Company Estate, including all rights, title and interest of the Depositor in and to the Loans, receipt of which is hereby acknowledged by the Company. Concurrently with such delivery, as of the Closing Date and as of each Transfer Date, pursuant to the Facility Administration Agreement the Company pledges the Loans and all the other property comprising the Company Estate to the Facility Administrator as collateral agent and secured party on behalf and for the benefit of the Noteholders. In addition, concurrently with such delivery and in exchange therefor, the Owner Trustee, pursuant to the instructions of the Depositor, has executed (not in its individual capacity, but solely as Owner Trustee on behalf of the Company) and caused the Trust Certificates to be authenticated and delivered to or at the direction of the Depositor.

Section 2.02. Ownership and Possession of Loan Files.

With respect to each Loan, as of the related Transfer Date the ownership of the related Promissory Note, the related Mortgage and the contents of the related Servicer's Loan File and Custodial Loan File shall be vested in the Company for the benefit of the Securityholders, although possession of the Servicer's Loan File on behalf

of and for the benefit of the Securityholders shall remain with the Servicer, and the Custodian shall take possession of the Custodial Loan Files as contemplated in Section 2.05.

Section 2.03. Books and Records; Intention of the Parties.

(a) As of each Transfer Date, the sale of each of the Loans conveyed on such Transfer Date shall be reflected on the balance sheets and other financial statements of the Depositor and the Loan Originator, as the case may be, as a sale of assets by the Depositor and a sale of assets and a contribution to capital by the Loan Originator, as the case may be, under GAAP. Each of the Servicer and the Custodian shall be responsible for maintaining, and shall maintain, a complete set of books

and records for each Loan which shall be clearly marked to reflect the ownership of each Loan, as of the related Transfer Date, by the Company and for the benefit of the Securityholders.

(b) It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments of the Loans and other property comprising the Company Estate on the initial Closing Date, on each Transfer Date and as otherwise contemplated by the Basic Documents and the Assignments shall constitute a sale of the Loans from the Depositor to the Company and such Loans shall not thereafter be property of the Depositor. The parties hereto shall treat the Secured Notes as indebtedness for federal, state and local income and franchise tax purposes.

(c) If any of the assignments and transfers of the Loans to the Company pursuant to this Agreement or the conveyance of the Loans other than for federal, state and local income or franchise tax purposes, is held or deemed not to be a sale or is held or deemed to be a pledge of security for a loan, the Depositor intends that the rights and obligations of the parties shall be established pursuant to the terms of this Agreement and that, in such event, with respect to such property, (i) consisting of Loans and related property, the Depositor shall be deemed to have granted, as of the related Transfer Date, to the Company a first priority security interest in the entire right, title and interest of the Depositor in and to such Loans and proceeds and all other property conveyed to the Company as of such Transfer Date, (ii) consisting of any other property specified in Section 2.01(a), the Depositor shall be deemed to have granted, as of the initial Closing Date, to the Company a first priority security interest in the entire right, title and interest of the Depositor in and to such property and the proceeds thereof. In such event, with respect to such property, this Agreement shall constitute a security agreement under applicable law.

(d) Within ten (10) days of the initial Advance Date, the Depositor shall, at each party's sole expense, cause to be filed UCC-1 Financing Statements naming the Company as "secured party" and describing the Collateral being sold by the Depositor to the Company with the office of the Secretary of State of the state in which the Depositor is located and any other jurisdictions as shall be necessary to perfect a security interest in the Collateral. In addition, within ten (10) days of the

initial Advance Date, the Loan Originator shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Depositor as "secured party" and describing the Loans being sold by the Loan Originator to the Depositor with the office of the Secretary of the State in which the Loan Originator is located and such other jurisdictions as shall be necessary to perfect a security interest in the Collateral.

Section 2.04. Delivery of Loan Documents.

(a) The Loan Originator shall, prior to the related Transfer Date (or, in the case of each Wet Funded Loan, the related Wet Funded Custodial File Delivery Date), in accordance with the terms and conditions set forth in the Custodial Agreement, deliver or cause to be delivered to the Custodian, a Loan Schedule and each of the documents constituting the Custodial Loan File with respect to each Loan. The Loan Originator shall assure that (i) in the event that any Wet Funded Loan is not closed and funded to the order of the appropriate Borrower on the day funds are provided to the Loan Originator by the Note Purchaser on behalf of the Company, such funds shall be promptly returned to the Note Purchaser on behalf of the Company and (ii) in the event that any Wet Funded Loan is subject to a rescission, all funds received in connection with such rescission shall be promptly returned by the Loan Originator to the Note Purchaser on behalf of the issuer.

(b) The Loan Originator shall, on the related Transfer Date (or in the case of a Wet Funded Loan, on or before the related Wet Funded Custodial File Delivery Date), deliver or cause to be delivered to the Servicer the related Servicer's Loan File (i) for the benefit of, and as agent for, the Note Purchaser and (ii) for the benefit of the Custodian, on behalf of the Noteholders, for so long as the Secured Notes are outstanding; after the Secured Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders.

(i) with respect to any Loans which are set forth as exceptions in the Exceptions Report, the Loan Originator shall cure such exceptions by delivering such missing documents to the Custodian or otherwise curing the defect no later than, in the case of (x) a non-Wet Funded Loan, 5 Business Days, or (y) in the case of a Wet Funded Loan one Business Day after the Wet Funded Custodial File Delivery Date, in each case, following the receipt of the first Exceptions Report listing such exception with respect to such Loan.

(c) The Facility Administrator shall cause the Custodian to take and maintain continuous physical possession of the Custodial Loan Files in the State of California (or, provided that the Note Purchaser is given prior written notice thereof and the Company causes to be delivered to the Note Purchaser an Opinion of Counsel with respect to the continued perfection of the Facility Administrator's security interest in the Custodial Loan Files notwithstanding such move, at a facility maintained by the Custodian in another state) and, in connection therewith, shall act solely as agent for the Noteholders in accordance with the terms hereof and not as agent for the Loan Originator, the Servicer or any other party.

Section 2.05. Acceptance by the Facility Administrator of the Loans; Certain Substitutions and Repurchases; Certification by the Custodian.

(a) The Facility Administrator declares that it will cause the Custodian to hold the Custodial Loan Files and any additions, amendments, replacements or supplements to the documents contained therein, as well as any other assets delivered to the Custodian, in trust, upon and subject to the conditions set forth herein. The Facility Administrator further agrees to cause the Custodian to execute and deliver such certifications as are required under the Custodial Agreement and to otherwise direct the Custodian to perform all of its obligations with respect to the Custodial Loan Files in strict accordance with the terms of the Custodial Agreement.

(b) (i) With respect to any Loans which are set forth as exceptions in the Exceptions Report, the Loan Originator shall cure such exceptions by delivering such missing documents to the Custodian or otherwise curing the defect no later than 5 Business Days, following the receipt of the first Exceptions Report listing such exception with respect to such Loan.

(ii) In the event that, with respect to any Loan, the Loan Originator does not comply with the document delivery requirements of Section 2 of the Custodial Agreement, the Loan Originator shall repurchase such Loan within one Business Day of notice thereof from the Facility Administrator or the Note Purchaser at the Repurchase Price thereof with respect to such Loan by depositing such Repurchase Price in the Collection Account. In lieu of such a repurchase, the Depositor and Loan Originator may comply with the substitution provisions of Section 3.06. The Loan Originator shall provide the Servicer, the Facility Administrator, the Company and the Note Purchaser with a certification of a Responsible Officer on or prior to such repurchase or substitution indicating that the Loan Originator intends to repurchase or substitute such Loan.

(iii) It is understood and agreed that the obligation of the Loan

Originator to repurchase or substitute any such Loan pursuant to this Section 2.05(b) shall constitute the sole remedy with respect to such failure to comply with the foregoing delivery requirements.

(c) The Servicer's Loan File shall be held in the custody of the Servicer (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Facility Administrator, on behalf of the Noteholders, for so long as the Secured Notes are outstanding; after the Secured Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders. It is intended that, by the Servicer's agreement pursuant to this Section 2.05(c), the Facility Administrator shall be deemed to have possession of the Servicer's Loan Files for purposes of Section 9-305 of the UCC of the state in which such documents or instruments are located. The Servicer shall promptly report to the Facility Administrator any failure by it to hold the Servicer's Loan File as herein provided and shall promptly take appropriate action to remedy any such failure. In acting as custodian of such documents and instruments, the Servicer agrees not to

assert any legal or beneficial ownership interest in the Loans or such documents or instruments. Subject to Section 7.01(d), the Servicer agrees to indemnify the Securityholders and the Facility Administrator, their officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended for any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever which may be imposed on, incurred by or asserted against the Securityholders or the Facility Administrator as the result of the negligence or willful misfeasance by the Servicer relating to the maintenance and custody of such documents or instruments which have been delivered to the Servicer; provided, however, that the Servicer will not be liable for any portion of any such amount resulting from the negligence or willful misconduct of any Securityholders or the Facility Administrator; and provided, further, that the Servicer will not be liable for any portion of any such amount resulting from the Servicer's compliance with any instructions or directions consistent with this Agreement issued to the Servicer by the Facility Administrator or the Majority Noteholders. The Facility Administrator shall have no duty to monitor or otherwise oversee the Servicer's performance as custodian of the Servicer Loan File hereunder.

Section 2.06. Conditions Precedent to Transfer Dates.

(a) At least two (2) Business Days prior to each Transfer Date, the Company shall give notice to the Note Purchaser of such upcoming Transfer Date and provide an estimate of the number of Loans and aggregate Principal Balance of such Loans to be transferred on such Transfer Date. Two Business Days prior to each Transfer Date, the Company shall provide the Note Purchaser a final Loan Schedule with respect to the Loans to be transferred on such Transfer Date. On each Transfer Date, the Depositor shall convey to the Company, the Loans and the other property and rights related thereto described in the related S&SA Assignment, and the Company, only upon the satisfaction of each of the conditions set forth below on or prior to such Transfer Date, shall deposit or cause to be deposited cash in the amount of the Advance Amount received from the Note Purchaser in the General Operating Account in respect thereof, and the Servicer shall, promptly after such deposit, withdraw the amount deposited in respect of applicable Advance Amount from the General Operating Account, and distribute such amount to or at the direction of the Depositor.

As of the Closing Date and each Transfer Date:

(i) the Depositor and the Servicer, as applicable, shall have delivered to the Company and the Note Purchaser duly executed Assignments, which shall have attached thereto a Loan Schedule setting

forth the appropriate information with respect to all Loans conveyed on such Transfer Date and shall have delivered to the Note Purchaser a computer readable transmission of such Loan Schedule;

(ii) the Depositor shall have deposited in the Collection Account all collections received with respect to each of the Loans conveyed on such Transfer Date on and after the applicable Transfer Cut-off Date;

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

(iv) the Funding Period shall be in effect;

(v) the Company shall have delivered the Custodial Loan File to the Custodian in accordance with the Custodial Agreement and the Note Purchaser shall have received a copy of the Exceptions Report reflecting such delivery;

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

(vii) the Depositor shall, at its own expense, within one Business Day following the Transfer Date, indicate in its computer files that the Loans identified in each S&SA Assignment have been sold to the Company pursuant to this Agreement and the S&SA Assignment;

(viii) the Depositor shall have taken any action requested by the Facility Administrator, the Company or the Noteholders required to maintain the ownership interest of the Company in the Loans conveyed;

(ix) no selection procedures believed by the Depositor to be adverse to the interests of the Noteholders shall have been utilized in selecting the Loans to be conveyed on such Transfer Date or Closing Date;

(x) the Company shall have provided the Note Purchaser no later than two Business Days prior to such date a Notice of Borrowing pursuant to Section 2.4 of the Note Purchase Agreement, with a copy to the Facility Administrator;

(xi) after giving effect to the Advance Amount associated therewith, the Secured Note Principal Balance will not exceed the Maximum Note Principal Balance;

(xii) all conditions precedent to the Depositor's purchase of Loans pursuant to the Loan Purchase and Contribution Agreement shall have been fulfilled as of such Transfer Date or Closing Date; and

(xiii) all conditions precedent to the Noteholders' purchase of the Advance Amount pursuant to the Note Purchase Agreement shall have been fulfilled as of such Transfer Date or Closing Date.

(xiv) in the case of non-Wet Funded Loans, the Company shall have delivered the Custodial Loan File to the Custodian in accordance with the Custodial Agreement and the Initial Noteholder shall have received a copy of the Trust Receipt and the Exceptions Report reflecting such

delivery.

Section 2.07. Termination of Funding Period.

Upon the occurrence of an Event of Default or Default, the Note Purchaser may, in its sole discretion, terminate the Funding Period, provided that if the precipitating Default is cured before it becomes an Event of Default and no other Default or Event of Default, or any Performance Trigger Event that has not been Deemed Cured, then exists, the Funding Period shall be reinstated.

Section 2.08. Correction of Errors.

The Company, the Depositor, the Loan Originator and the Servicer shall cooperate to reconcile any errors in calculating the Sales Price from and after the Closing Date. In the event that an error in the Sales Price is discovered by any such party, including, without limitation, any error due to miscalculations of Market Value where insufficient information has been provided with respect to a Loan to make an accurate determination of Market Value as of any applicable Transfer Date, any miscalculations of Principal Balance, accrued interest or aggregate unreimbursed Servicing Advances attributable to the applicable Loan, or any prepayments not properly credited, such party shall give prompt notice to the other parties hereto, and the party that shall have benefited from such error shall promptly remit to the other, by wire transfer of immediately available funds, the amount of such error with no interest thereon.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01. Representations and Warranties of the Depositor.

The Depositor hereby represents, warrants and covenants to the other parties hereto and the Securityholders that as of the Closing Date, as of each Transfer Date:

(a) The Depositor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has, and had at all relevant times, full power to own its property, to carry on its business as currently conducted, to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance of and compliance with all of the terms thereof will not violate the Depositor's organizational documents or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material

contract, agreement or other instrument to which the Depositor is a party or which are applicable to the Depositor or any of its assets;

(c) The Depositor has the full power and authority to enter into and consummate the transactions contemplated by each Basic Document to which the Depositor is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by the other party or parties thereto, constitutes a valid, legal and binding obligation of the Depositor, enforceable against it in accordance with the terms thereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a

proceeding in equity or at law);

(d) The Depositor is not in violation of, and the execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance and compliance with the terms of each Basic Document to which the Depositor is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Depositor or any of its properties or materially and adversely affect the performance of any of its duties hereunder;

(e) There are no actions or proceedings against, or investigations of, the Depositor currently pending with regard to which the Depositor has received service of process and no action or proceeding against, or investigation of, the Depositor is, to the knowledge of the Depositor, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Depositor, would reasonably be expected to prohibit its entering into any of the Basic Documents to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any of the Basic Documents to which it is a party or (C) if determined adversely to the Depositor, would reasonably be expected to prohibit or materially and adversely affect the performance by the Depositor of its obligations under, or the validity or enforceability of, any of the Basic Documents to which it is a party or the Securities;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Depositor of, or compliance by the Depositor with, any of the Basic Documents to which the Depositor is a party or the Securities, or for the consummation of the transactions contemplated by any of the Basic Documents to which the Depositor is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The Depositor is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations hereunder; it will not be rendered insolvent by the execution and delivery of any of the Basic Documents to which it is a party or the assumption of any of its obligations thereunder; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Depositor;

(h) The Depositor did not transfer the Loans sold thereon to the Trust with any intent to hinder, delay or defraud any of its creditors; nor will the Depositor be rendered insolvent as a result of such sale;

(i) The Depositor had good title to, and was the sole owner of, each Loan sold thereon by the Depositor free and clear of any lien other than any such lien released simultaneously with the sale contemplated herein, and, immediately upon each transfer and assignment herein contemplated, the Depositor will have delivered to the Trust good title to, and the Trust will be the sole owner of, each Loan transferred by the Depositor thereon free and clear of any lien;

(j) The Depositor acquired title to each of the Loans sold thereon by the Depositor in good faith, without notice of any adverse claim;

(k) None of the Basic Documents to which the Depositor is a party, nor any Officer's Certificate, statement, report or other document

prepared by the Depositor and furnished or to be furnished by it pursuant to any of the Basic Documents to which it is a party or in connection with the transactions contemplated thereby contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading;

(l) The Depositor is not required to be registered as an "investment company," under the Investment Company Act of 1940, as amended;

(m) The transfer, assignment and conveyance of the Loans by the Depositor thereon pursuant to this Agreement is not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction;

(n) The Depositor's principal place of business and chief executive offices are located at Irvine California; and

(o) The Depositor covenants that during the continuance of this Agreement it will comply in all respects with the provisions of its organizational documents in effect from time to time.

Section 3.02. Representations and Warranties of the Loan Originator.

The Loan Originator hereby represents and warrants to the other parties hereto and the Securityholders that as of the Closing Date, as of each Transfer Date:

(a) The Loan Originator is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property related to a Loan sold by it is located and (ii) is in compliance with the laws of any such jurisdiction, in both cases, to the extent necessary to ensure the enforceability of such Loans in accordance with the terms thereof and had at all relevant times, full corporate power to originate such Loans, to own its property, to carry on its business as currently conducted and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Loan Originator of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Loan Originator's articles of organization or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any contract, agreement or other instrument to which the Loan Originator is a party or which may be applicable to the Loan Originator or any of its assets;

(c) The Loan Originator has the full power and authority to enter into and consummate all transactions contemplated by the Basic Documents to be consummated by it, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Loan Originator, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Loan Originator is not in violation of, and the

execution and delivery of each Basic Document to which it is a party by the Loan Originator and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Loan Originator or its properties or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Loan Originator currently pending with regard to which the Loan Originator has received service of process and no action or proceeding against, or investigation of, the Loan Originator is, to the knowledge of the Loan Originator, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Loan Originator, would reasonably be expected to prohibit

its entering into any Basic Document to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Loan Originator, would reasonably be expected to prohibit or materially and adversely affect the sale of the Loans to the Depositor, the performance by the Loan Originator of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities; provided, however, that with respect to the Loan Originator's obligations under Section 9.1(c) of the Note Purchase Agreement, there shall also be a reasonable possibility of an adverse determination of such action, proceeding or investigation;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for: (1) the execution, delivery and performance by the Loan Originator of, or compliance by the Loan Originator with, any Basic Document to which it is a party, (2) the issuance of the Securities, (3) the sale of the Loans, or (4) the consummation of the transactions required of it by any Basic Document to which it is a party, except such as shall have been obtained before such date;

(g) Immediately prior to the Transfer Date related thereto, the Loan Originator had good title to the Loans sold by it on such Transfer Date without notice of any adverse claim;

(h) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Loan Originator to the Note Purchaser in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Loan Originator to the Note Purchaser in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(i) The Loan Originator is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations under each Basic Document to which it is a party; it will not be rendered insolvent by the execution and delivery of this Agreement or by the performance of its obligations under each Basic Document to which it is a party; no petition of bankruptcy (or similar insolvency

proceeding) has been filed by or against the Loan Originator prior to the date hereof;

(j) The Loan Originator has transferred the Loans transferred by it on or prior to such Transfer Date without any intent to hinder, delay or defraud any of its creditors;

(k) The Loan Originator has received fair consideration and reasonably equivalent value in exchange for the Loans sold by it on such Transfer Date;

(l) The Loan Originator has not dealt with any broker or agent or other Person who might be entitled to a fee, commission or compensation in connection with the transaction contemplated by this Agreement; and

(m) The Loan Originator's principal place of business and chief executive offices are located at Irvine, California.

It is understood and agreed that the representations and warranties set forth in this Section 3.02 shall survive delivery of the respective Custodial Loan Files to the Custodian (as the agent of the Facility Administrator) and shall inure to the benefit of the Securityholders, the Depositor, the Servicer, the Facility Administrator, the Owner Trustee and the Company. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Facility Administrator or the Trust of a breach of any of the foregoing representations and warranties that materially and adversely affects the value of any Loan or the interests of the Securityholders in any Loan or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The obligations of the Loan Originator set forth in Sections 2.05 and 3.06 to cure any breach or to substitute for or repurchase an affected Loan shall constitute the sole remedies available hereunder to the Securityholders, the Depositor, the Servicer, the Facility Administrator or the Trust respecting a breach of the representations and warranties contained in this Section 3.02, but shall be cumulative with, and not exclusive of, any remedies provided in any other Basic Document with respect to breaches of the Loan Originator's representations and warranties set forth therein. The fact that the Note Purchaser has conducted or has failed to conduct any partial or complete due diligence investigation of the Loan Files shall not affect the Securityholders, rights to demand repurchase or substitution as provided under this Agreement.

Section 3.03. Representations, Warranties and Covenants of the Servicer.

The Servicer hereby represents and warrants to and covenants with the other parties hereto and the Securityholders that as of the Closing Date, as of each Transfer Date:

(a) The Servicer is a corporation duly organized, validly existing and in good standing under the laws of the State of California and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property is located, and (ii) is in compliance with the laws of any such state, in both cases, to the extent necessary to ensure the enforceability of the Loans in accordance with the terms thereof and to perform its duties under each Basic Document to which it is a party and had at all relevant times, full corporate power to own its property, to carry on its business as currently conducted, to service the Loans and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Servicer of each Basic Document to which it is a party and its performance of and compliance with

the terms thereof will not violate the Servicer's articles of incorporation or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material contract, agreement or other instrument to which the Servicer is a party or which are applicable to the Servicer or any of its assets;

(c) The Servicer has the full power and authority to enter into and consummate all transactions contemplated by each Basic Document to which it is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party. Each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Servicer, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Servicer is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Servicer and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Servicer or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Servicer currently pending with regard to which the Servicer has received service of process and no action or proceeding against, or investigation of, the Servicer is, to the knowledge of the Servicer, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Servicer, would reasonably be expected to prohibit its entering into any Basic Document to which it is a party, (B) seek to prevent the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Servicer, would reasonably be expected to prohibit or materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities; provided, however, that with respect to the Servicer's obligations under Section 9.1(c) of the Note Purchase Agreement, there shall also be a reasonable possibility of an adverse determination of such action, proceeding or investigation;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance

by the Servicer of, or compliance by the Servicer with, any Basic Document to which it is a party or the Securities, or for the consummation of the transactions contemplated by any Basic Document to which it is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Servicer to the Note Purchaser in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant

thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Servicer to the Note Purchaser in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(h) The Servicer is solvent and will not be rendered insolvent as a result of the performance of its obligations pursuant to under the Basic Documents to which it is a party;

(i) The Servicer acknowledges and agrees that the Servicing Fee represents reasonable compensation for the performance of its services hereunder and that the entire Servicing Fee shall be treated by the Servicer, for accounting purposes, as compensation for the servicing and administration of the Loans pursuant to this Agreement; and

(j) The Servicer is an Eligible Servicer and covenants to remain an Eligible Servicer or, if not an Eligible Servicer, each Subservicer is an Eligible Servicer and the Servicer covenants to cause each Subservicer to be an Eligible Servicer.

It is understood and agreed that the representations, warranties and covenants set forth in this Section 3.03 shall survive delivery of the respective Custodial Loan Files to the Facility Administrator or the Custodian on its behalf and shall inure to the benefit of the Depositor, the Securityholders, the Facility Administrator and the Company. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Facility Administrator, the Owner Trustee or the Company of a breach of any of the foregoing representations, warranties and covenants that materially and adversely affects the value of any Loans or the interests of the Securityholders therein, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The fact that the Note Purchaser has conducted or has failed to conduct any partial or complete due diligence investigation shall not affect the Securityholders, rights to exercise their remedies as provided under this Agreement.

Section 3.04. Reserved.

Section 3.05. Representations and Warranties Regarding Loans.

The Loan Originator makes each of the representations and warranties set forth on Exhibit E.

Section 3.06. Purchase and Substitution.

(a) It is understood and agreed that the representations and warranties set forth in Exhibit E shall survive the conveyance of the Loans to the Facility Administrator on behalf of the Company, and the delivery of the Securities to the Securityholders. Upon discovery by the Depositor, the Servicer, the Loan Originator, the Custodian, the Company, the Facility Administrator or any Securityholder of a breach of any of such representations and warranties or the representations and warranties of the Loan Originator set forth in Section 3.02 which materially and adversely affects the value or enforceability of any Loan or the interests of the Securityholders in any Loan (notwithstanding that such representation and warranty was made to the Loan Originator's best knowledge) or which, as a result of the attributes of the aggregate Loan Pool, constitutes a breach of the representations and warranties set forth in Exhibit E, the party discovering such breach shall give prompt written notice to the others. The Loan Originator shall within 5 Business Days of the earlier of the Loan Originator's discovery or the Loan Originator's receiving notice of any breach of a representation or warranty, promptly cure

such breach in all material respects. If within 5 Business Days after the earlier of the Loan Originator's discovery of such breach or the Loan Originator's receiving notice thereof such breach has not been remedied by the Loan Originator and such breach materially and adversely affects the interests of the Securityholders in the related Loan (an "Unqualified Loan"), the Loan Originator shall promptly upon receipt of written instructions from the Majority Noteholders either (i) remove such Unqualified Loan from the Trust (in which case it shall become a Deleted Loan) and substitute one or more Qualified Substitute Loans in the manner and subject to the conditions set forth in this Section 3.06 or (ii) purchase such Unqualified Loan at a purchase price equal to the Repurchase Price with respect to such Unqualified Loan by depositing such Repurchase Price in the Collection Account.

Any substitution of Loans pursuant to this Section 3.06(a) shall be accompanied by payment by the Loan Originator of the Substitution Adjustment, if any, deposited in the Collection Account pursuant to Section 5.01(e).

(b) As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Facility Administrator and Note Purchaser a certification executed by a Responsible Officer of the Loan Originator to the effect that the Substitution Adjustment, if any, has been deposited in the Collection Account as required hereby. As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Custodian

the documents constituting the Custodial Loan File for such Qualified Substitute Loan or Loans.

The Servicer shall deposit in the Collection Account all payments received in connection with each Qualified Substitute Loan after the date of such substitution. Monthly Payments received with respect to Qualified Substitute Loans on or before the date of substitution will be retained by the Loan Originator. The Trust will be entitled to all payments received on the Deleted Loan on or before the date of substitution and the Loan Originator shall thereafter be entitled to retain all amounts subsequently received in respect of such Deleted Loan. The Loan Originator shall give written notice to the Company, the Servicer (if the Loan Originator is not then acting as such), the Facility Administrator and Note Purchaser that such substitution has taken place and the Servicer shall amend the Loan Schedule to reflect (i) the removal of such Deleted Loan from the terms of this Agreement and (ii) the substitution of the Qualified Substitute Loan. The Servicer shall promptly deliver to the Company, the Loan Originator, the Facility Administrator and Note Purchaser, a copy of the amended Loan Schedule. Upon such substitution, such Qualified Substitute Loan or Loans shall be subject to the terms of this Agreement in all respects, and the Loan Originator shall be deemed to have made with respect to such Qualified Substitute Loan or Loans, as of the date of substitution, the covenants, representations and warranties set forth in Exhibit E. On the date of such substitution, the Loan Originator will deposit into the Collection Account, an amount equal to the related Substitution Adjustment, if any. In addition, on the date of such substitution, the Servicer shall cause the Facility Administrator to release the Deleted Loan from the lien of the Facility Administrator and the Servicer will cause such Qualified Substitute Loan to be pledged to the Facility Administrator under the Facility Administration Agreement as part of the Collateral.

(c) With respect to all Unqualified Loans or other Loans repurchased by the Loan Originator pursuant to this Agreement, upon the deposit of the Repurchase Price therefor into the Collection Account, (i) the Company shall assign to the Loan Originator, without representation or warranty, all of the Company's right, title and interest in and to such Unqualified Loan, which right, title and interest were conveyed to the Company pursuant to Section 2.01 and (ii) the Facility Administrator shall assign to the Loan Originator, without recourse, representation or warranty, all the Facility Administrator's right, title and interest in and to such Unqualified Loans or Loans, which right, title

and interest were conveyed to the Facility Administrator pursuant to Section 2.01 and the Facility Administrator. The Company and the Facility Administrator shall, at the expense of the Loan Originator, take any actions as shall be reasonably requested by the Loan Originator to effect the repurchase of any such Loans and to have the Custodian return the Custodial Loan File of the deleted Loan to the Servicer.

(d) It is understood and agreed that the obligations of the Loan Originator set forth in this Section 3.06 to cure, purchase or substitute for a Unqualified Loan constitute the sole remedies hereunder of the Depositor, the Company, the Facility Administrator, the Owner Trustee and the Securityholders respecting a breach of the representations and warranties contained in Sections 3.02 and in Exhibit E. Any cause of action against the Loan Originator relating to or arising out of a defect in a Custodial

Loan File or against the Loan Originator relating to or arising out of a breach of any representations and warranties made in Sections 3.02 and in Exhibit E shall accrue as to any Loan upon (i) discovery of such defect or breach by any party and notice thereof to the Loan Originator or notice thereof by the Loan Originator to the Facility Administrator, (ii) failure by the Loan Originator to cure such defect or breach or purchase or substitute such Loan as specified above, and (iii) demand upon the Loan Originator, as applicable, by the Company or the Majority Noteholders for all amounts payable in respect of such Loan.

(e) Neither the Company nor the Facility Administrator shall have any duty to conduct any affirmative investigation other than as specifically set forth in this Agreement as to the occurrence of any condition requiring the repurchase or substitution of any Loan pursuant to this Section or the eligibility of any Loan for purposes of this Agreement.

Section 3.07. Dispositions.

(a) (i) In consideration of the consideration received from the Depositor under the Loan Purchase and Contribution Agreement, the Loan Originator hereby agrees and covenants that in connection with each Disposition it shall effect the following:

(A) make such representations and warranties concerning the Loans as of the "cut-off date" of the related Disposition to the Disposition Participants as may be necessary to effect the Disposition and such additional representations and warranties as may be necessary, in the reasonable opinion of any of the Disposition Participants, to effect such Disposition; provided, that the Loan Originator shall not be required to make any representation or warranty beyond the scope or substance of the representations and warranties delineated herein; and provided, further, that, to the extent that the Loan Originator has at the time of the Disposition actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator may notify the Disposition Participants of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty;

(B) supply such information, opinions of counsel, letters from law and/or accounting firms and other documentation and certificates regarding the origination of the Loans as any Disposition Participant shall reasonably request to effect a Disposition and enter into such indemnification agreements customary for such transaction relating to or in connection with the Disposition as the Disposition Participants may reasonably require;

(C) make itself available for and engage in good faith consultation with the Disposition Participants concerning information to be contained in any document, agreement, private placement memorandum, or filing with the Securities and Exchange Commission relating to the Loan Originator or the Loans

in connection with a Disposition and shall use reasonable efforts to compile any information and prepare any reports and certificates, into a form, whether written or electronic, suitable for inclusion in such documentation;

(D) to implement the foregoing and to otherwise effect a Disposition, enter into, or arrange for its Affiliates to enter into insurance and indemnity agreements, underwriting or placement agreements, servicing agreements, purchase agreements and any other documentation which may reasonably be required of or reasonably deemed appropriate by the Disposition Participants in order to effect a Disposition; and

(E) take such further actions as may be reasonably necessary to effect the foregoing;

provided, that notwithstanding anything to the contrary, (a) the Loan Originator shall have no liability for the Loans arising from or relating to the ongoing ability of the related Borrowers to pay under the Loans; (b) none of the indemnities hereunder shall constitute an unconditional guarantee by the Loan Originator of collectibility of the Loans; (c) the Loan Originator shall have no obligation with respect to the financial inability of any Borrower to pay principal, interest or other amount owing by such Borrower under a Loan; and (d) the Loan Originator shall only be required to enter into documentation in connection with Dispositions that is consistent with the prior public securitizations of affiliates of the Loan Originator, provided that to the extent an Affiliate of the Note Purchaser acts as "depositor" or performs a similar function in a Securitization, additional indemnities and informational representations and warranties are provided which are consistent with those in the Basic Documents and may upon request of the Loan Originator be set forth in a separate agreement between an Affiliate of the Note Purchaser and the Loan Originator.

(ii) In the event of any Disposition to the Loan Originator or any of its Affiliates (except in connection with a Securitization or a Disposition to an Affiliate which is a "qualified special purpose entity" in accordance with Financial Accounting Standards Board's Statement No. 140), the purchase price paid by the Loan Originator or any such Affiliate shall be the "fair market value" of the Loans subject to such Disposition (as determined by the Market Value Agent based upon recent sales of comparable loans or such other objective criteria as may be approved for determining "fair market value" by a nationally recognized accounting firm).

(iii) Each Disposition shall be effected on a servicing-released or servicing-retained basis, as the Note Purchaser shall direct, and, with respect to servicing- retained Dispositions, shall be subject to any required amendments to the related servicing provisions as may be necessary to effect the related Disposition including but not limited to the obligation to make recoverable principal and interest advances on the Loans.

(a) The Company shall effect Dispositions at the direction of the Majority Noteholders in accordance with the terms of this Agreement and the Basic

Documents. The Trust, the Servicer, the Loan Originator and the Facility Administrator agree to use commercially reasonable efforts, in connection with a Disposition made in connection with the occurrence of the Optional Redemption Date under (and as defined in) the Note Purchase Agreement, to permit the Depositor to act as "depositor" in such Disposition; provided, nothing herein shall be construed to require the Depositor to repurchase any Loans. In connection therewith, the Trust agrees to assist the Loan Originator in such Dispositions and accordingly it shall, at the request and direction of the

Majority Noteholders:

(i) transfer, deliver and sell all or a portion of the Loans, as of the "cut-off dates" of the related Dispositions, to such Disposition Participants as may be necessary to effect the Dispositions; provided, that any such sale shall be for "fair market value," as determined by the Market Value Agent in its reasonable discretion;

(ii)deposit the cash Disposition Proceeds into the Collection Account pursuant to Section 5.01(h);

(iii) to the extent that a Securitization creates any Retained Securities, to accept and retain such Retained Securities as a part of the Disposition Proceeds in accordance with the terms of this Agreement; and

(iv)take such further actions as may be reasonably necessary to effect such Dispositions.

(b) The Servicer hereby covenants that it will take such actions as may be reasonably necessary to effect Dispositions as the Disposition Participants may request and direct, including without limitation providing the Loan Originator such information as may be required to make representations and warranties required hereunder.

(c) The right to require the Company and the Loan Originator to effect Dispositions is subject to the conditions set forth in Section 3.07(a).

(d) The Majority Noteholders may effect Whole Loan Sales upon written notice to the Servicer of its intent to cause the Company to effect a Whole Loan Sale at least 5 Business Days in advance thereof. The Loan Originator or its Affiliates may concurrently bid to purchase Loans in a Whole Loan Sale; provided, however, that neither the Loan Originator nor any such Affiliates shall pay a price in excess of the fair market value thereof as reasonably determined by the Market Value Agent.

(e) Except as otherwise expressly set forth under this Section 3.07, the parties' rights and obligations under this Section 3.07 shall continue notwithstanding the occurrence of an Event of Default.

(f) The Disposition Participants (and the Majority Noteholders to the extent directing the Disposition Participants) shall be independent contractors to the

Company and shall have no fiduciary obligations to the Company or any of its Affiliates. In that connection, the Disposition Participants shall not be liable for any error of judgment made in good faith and shall not be liable with respect to any action they take or omits to take in good faith in the performance of their duties.

Section 3.08. Servicer Call.

Servicer Call. The Servicer may repurchase any Put/Call Loan at any time. Such Servicer Calls shall be solely at the option of the Servicer. Prior to exercising a Servicer Call, the Servicer shall deliver written notice to the Majority Noteholders and the Facility Administrator, which notice shall identify each Loan to be purchased and the Repurchase Price therefor. In connection with each Servicer Call, the Servicer shall deposit into the Collection Account the Repurchase Price for the Loans to be purchased.

Section 3.09. Modification of Underwriting Standards.

The Loan Originator shall give the Note Purchaser prompt written notification of any modification or change to the Underwriting Standards that

are material in nature; provided that if, within 15 Business Days after receipt of a copy thereof, the Note Purchaser informs the Loan Originator that it disapproves of one or more of such proposed modifications, "Underwriting Standards" shall mean, for purposes of this Agreement and the other Basic Documents, the Underwriting Standards previously in effect, modified only to the extent of such modifications as have not been disapproved by the Note Purchaser pursuant to this Section 3.09, unless the Note Purchaser consents in writing to any modification or change to such Underwriting Standards. Notwithstanding anything contained in this Agreement to the contrary, any Loan conveyed to the Company pursuant to this Agreement pursuant to underwriting guidelines that contain a modification or change to the Underwriting Standards that has been disapproved by the Note Purchaser, or which the Note Purchaser did not receive notice of (i.e., a Loan that could not have been originated in compliance with the "Underwriting Standards," as defined in this Section 3.09), shall be deemed an Unqualified Loan and be repurchased or substituted for in accordance with Section 3.06.

ARTICLE IV

ADMINISTRATION AND SERVICING OF THE LOANS

Section 4.01. Servicer's Servicing Obligations.

The Servicer, as independent contract servicer, shall service and administer the Loans in accordance with the terms and provisions set forth in the Servicing Addendum, which Servicing Addendum is incorporated herein by reference. The Servicer shall timely deliver any reports and other information necessary for the Facility Administrator to prepare reports the Facility Administrator is required to prepare under the Basic Documents on the basis of reports or other information to be provided by the Servicer.

ARTICLE V

DEPOSITS TO COLLECTION ACCOUNT

Section 5.01. Deposits to Collection Account. The Servicer shall deposit or cause to be deposited (without duplication):

(a) all payments on or in respect of each Loan collected on or after the related Transfer Cut-off Date (net of any Servicing Compensation retained therefrom) within two (2) Business Days after receipt thereof;

(b) all Net Liquidation Proceeds within two (2) Business Days after receipt thereof;

(c) all Mortgage Insurance Proceeds within two (2) Business Days after receipt thereof;

(d) all Released Mortgaged Property Proceeds within two (2) Business Days after receipt thereof;

(e) any amounts payable in connection with the repurchase of any Loan and the amount of any Substitution Adjustment pursuant to Sections 2.05 and 3.06 concurrently with payment thereof;

(f) any Repurchase Price payable in connection with a Servicer Call pursuant to Section 3.08 concurrently with payment thereof; and

(g) all cash Disposition Proceeds of any Disposition, unless a Disposition Confirmation executed and delivered pursuant to the Disposition Agreement specifies that such cash Disposition Proceeds are to be deposited to an escrow account established pursuant to the Disposition Agreement.

Section 5.02. Investment of Funds.

Funds held in the Collection Account shall be invested in accordance with the Facility Administration Agreement.

ARTICLE VI

VALUATIONS

Section 6.01. Valuation of Loans and Retained Securities Value; Market Value Agent.

(a) The Company hereby irrevocably appoints the Market Value Agent to determine the Market Value of each Loan and the Retained Securities Value of all Retained Securities, in accordance with subsections (b) and (c) below.

(b) The Market Value Agent shall determine the Market Value of each Loan in its sole discretion using its reasonable commercial judgment. In determining the Market Value of each Loan, the Market Value Agent may consider any information that it may deem relevant and shall base such determination primarily on the lesser of its estimate of the projected proceeds from such Loan's inclusion in (i) a Securitization (inclusive of the projected Retained Securities Value of any Retained Securities to be issued in connection with such Securitization) and (ii) a Whole Loan Sale, in each case net of such Loan's ratable share of all costs and fees associated with such Disposition, including, without limitation, any costs of issuance, sale, underwriting and funding reserve accounts. The Market Value Agent's determination, in its sole discretion using its reasonable commercial judgment, of Market Value shall be conclusive and binding upon the parties hereto, absent manifest error (including, without limitation, any error contemplated in Section 2.08).

(c) On each Business Day, the Market Value Agent shall determine in its sole discretion using its reasonable commercial judgment the Retained Securities Value of the Retained Securities, if any, expected to be issued pursuant to such Securitization as of the closing date of such Securitization. In making such determination the Market Value Agent may rely exclusively on quotations provided by leading dealers in instruments similar to such Retained Securities, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

ARTICLE VII

THE SERVICER

Section 7.01. Indemnification; Third Party Claims.

(a) The Servicer shall indemnify the Loan Originator, the Owner Trustee, the Trust, the Depositor, the Facility Administrator and the Noteholders, their respective officers, directors, employees, agents and "control persons," as such term is used under the Act and under the Securities Exchange Act of 1934 as amended (each a "Servicer Indemnified Party") and hold harmless each of them against any and all claims, losses, damages, penalties, fines, forfeitures, reasonable legal fees and related costs, judgments, and other costs and expenses resulting from any claim, demand, defense or assertion based on or grounded upon, or resulting from, a breach of any of the Servicer's representations and warranties and covenants contained in this Agreement or in any way relating to the failure of the Servicer to perform its duties and service the Loans in compliance with the terms of this Agreement except to the extent such loss arises out of such Servicer Indemnified Party's gross negligence or willful misconduct; provided, however, that if the Servicer is not liable pursuant to the provisions of Section 7.01(b) for its failure to perform its duties and service the Loans in compliance with the terms of this

Agreement, then the provisions of this Section 7.01 shall have no force and effect with respect to such failure.

(b) None of the Loan Originator, the Depositor or the Servicer or any of their respective Affiliates, directors, officers, employees or agents shall be under any liability to the Owner Trustee, the Company, the Facility Administrator or the Securityholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, directors, officers, employees, agents against the remedies provided herein for the breach of any warranties, representations or covenants made herein, or against any expense or liability specifically required to be borne by such party without right of reimbursement pursuant to the terms hereof, or against any expense or liability which would otherwise be imposed by reason of misfeasance, bad faith or negligence in the performance of the respective duties of the Servicer, the Depositor or the Loan Originator, as the case may be. The Loan Originator, the Depositor, the Servicer and any of their respective Affiliates, directors, officers, employees, agents may rely in good faith on any document of any kind which, prima facie, is properly executed and submitted by any Person respecting any matters arising hereunder.

(c) The Loan Originator agrees to indemnify and hold harmless the Depositor and the Noteholders, as the ultimate assignees from the Depositor (each an "Originator Indemnified Party," together with the Servicer Indemnified Parties, the "Indemnified Parties"), from and against any loss, liability, expense, damage, claim or injury arising out of or based on (i) any breach of any representation, warranty or covenant of the Loan Originator, the Servicer or their Affiliates, in any Basic Document, including, without limitation, the origination or prior servicing of the Loans by reason of any acts, omissions, or alleged acts or omissions arising out of activities of the Loan Originator, the Servicer or their Affiliates, and (ii) any untrue statement by the Loan Originator, the Servicer or its Affiliates of any material fact or any such Person's failure to state a material fact necessary to make such statements not misleading with respect to any such Person's statements contained in any Basic Document, including, without limitation, any Officer's Certificate, statement, report or other document or information prepared by any such Person and furnished or to be furnished by it pursuant to or in connection with the transactions contemplated thereby and not corrected prior to completion of the relevant transaction, including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the Loans or any such Person's business, operations or financial condition, including reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim; provided that the Loan Originator shall not indemnify an Originator Indemnified Party to the extent such loss, liability, expense, damage or injury is due to either an Originator Indemnified Party's willful misfeasance, bad faith or negligence or by reason of an Originator Indemnified Party's reckless disregard of its obligations hereunder; provided, further, that the Loan Originator shall not be so required to indemnify an Originator Indemnified Party or to otherwise be liable to an Originator Indemnified Party for any losses in respect of the performance of the Loans, the creditworthiness of the Borrowers under the Loans, changes in the market value of the Loans or other similar investment risks associated

with the Loans arising from a breach of any representation or warranty set forth in Exhibit E, a remedy for the breach of which is provided in

Section 3.06. The provisions of this indemnity shall run directly to and be enforceable by an Originator Indemnified Party subject to the limitations hereof.

(d) With respect to a claim subject to indemnity hereunder made by any Person against an Indemnified Party (a "Third Party Claim"), such Indemnified Party shall notify the related indemnifying parties (each an "Indemnifying Party") in writing of the Third Party Claim within a reasonable time after receipt by such Indemnified Party of written notice of the Third Party Claim unless the Indemnifying Parties shall have previously obtained actual knowledge thereof. Thereafter, the Indemnified Party shall deliver to the Indemnifying Parties, within a reasonable time after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim. No failure to give such notice or deliver such documents shall effect the rights to indemnity hereunder. Each Indemnifying Party shall promptly notify the Facility Administrator and the Indemnified Party (if other than the Facility Administrator) of any claim of which it has been notified and shall promptly notify the Facility Administrator and the Indemnified Party (if applicable) of its intended course of action with respect to any claim.

(e) If a Third Party Claim is made against an Indemnified Party: while maintaining control over its own defense, the Indemnified Party shall cooperate and consult fully with the Indemnifying Party in preparing such defense, and the Indemnified Party may defend the same in such manner as it may deem appropriate, including settling such claim or litigation after giving notice to the Indemnifying Party of such terms; and the Indemnifying Party will promptly reimburse the Indemnified Party upon written request.

Section 7.02. Merger or Consolidation of the Servicer.

The Servicer shall keep in full effect its existence, rights and franchises as a corporation, and will obtain and preserve its qualification to do business as a foreign corporation and maintain such other licenses and permits in each jurisdiction necessary to protect the validity and enforceability of each Basic Document to which it is a party and each of the Loans and to perform its duties under each Basic Document to which it is a party; provided, however, that the Servicer may merge or consolidate with any other corporation upon the satisfaction of the conditions set forth in the following paragraph.

Any Person into which the Servicer may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Servicer shall be a party, or any Person succeeding to the business of the Servicer, shall be an Eligible Servicer and shall be the successor of the Servicer, as applicable hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. The Servicer shall send notice of any such proposed merger, conversion, consolidation or succession to the Facility Administrator and the Company.

Section 7.03. Limitation on Liability of the Servicer and Others.

The Servicer and any director, officer, employee or agent of the Servicer may rely on any document of any kind which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper authorities respecting any matters arising hereunder. Subject to the terms of Section 7.01, the Servicer shall have no obligation to appear with respect to, prosecute or defend any legal action which is not incidental to the Servicer's duty to service the Loans in accordance with this Agreement.

Section 7.04. Servicer Not to Resign; Assignment.

The Servicer shall not resign from the obligations and duties hereby imposed on it except (a) with the consent of the Majority Noteholders or (b) upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination pursuant to clause (b) of the preceding sentence permitting the resignation of the Servicer shall be evidenced by an Independent opinion of counsel to such effect delivered (at the expense of the Servicer) to the Facility Administrator and Majority Noteholders. No resignation of the Servicer shall become effective until a successor servicer, appointed pursuant to the provisions of Section 8.02 shall have assumed the Servicer's responsibilities, duties, liabilities (other than those liabilities arising prior to the appointment of such successor) and obligations under this Agreement.

Except as expressly provided herein, the Servicer shall not assign or transfer any of its rights, benefits or privileges hereunder to any other Person, or delegate to or subcontract with, or authorize or appoint any other Person to perform any of the duties, covenants or obligations to be performed by the Servicer hereunder and any agreement, instrument or act purporting to effect any such assignment, transfer, delegation or appointment shall be void.

The Servicer agrees to cooperate with any successor Servicer in effecting the transfer of the Servicer's servicing responsibilities and rights hereunder pursuant to the first paragraph of this Section 7.04, including, without limitation, the transfer to such successor of all relevant records and documents (including any Loan Files in the possession of the Servicer) and all amounts received with respect to the Loans and not otherwise permitted to be retained by the Servicer pursuant to this Agreement. In addition, the Servicer, at its sole cost and expense, shall prepare, execute and deliver any and all documents and instruments to the successor Servicer including all Loan Files in its possession and do or accomplish all other acts necessary or appropriate to effect such termination and transfer of servicing responsibilities.

Section 7.05. Relationship of Servicer to Company, the Note Purchaser and the Facility Administrator.

The relationship of the Servicer (and of any successor to the Servicer as servicer under this Agreement) to the Company, the Note Purchaser, the Owner Trustee and the Facility Administrator under this Agreement is intended by the parties hereto to

be that of an independent contractor and not of a joint venturer, agent or partner of the Company, the Note Purchaser, the Owner Trustee or the Facility Administrator.

Section 7.06. Servicer May own Securities.

Each of the Servicer and any Affiliate of the Servicer may in its individual or any other capacity become the owner or pledgee of Securities with the same rights as it would have if it were not the Servicer or an Affiliate thereof except as otherwise specifically provided herein; provided, however, that at any time that Option One or any of its Affiliates is the Servicer, neither the Servicer nor any of its Affiliates (other than an Affiliate which is a corporation whose purpose is limited to holding securities and related activities and which cannot incur recourse debt) may be a Noteholder. Securities so owned by or pledged to the Servicer or such Affiliate shall have an equal and proportionate benefit under the provisions of this Agreement, without preference, priority, or distinction as among all of the Securities; provided, however, that any Securities owned by the Servicer or any Affiliate thereof, during the time such Securities are owned by them, shall be without voting rights for any purpose set forth in this Agreement unless the Servicer or such Affiliate owns all outstanding Securities of the related class. The Servicer shall notify the Facility Administrator promptly after it or any of its Affiliates becomes the owner or pledgee of a Security.

Section 7.07. Indemnification of the Facility Administrator and Note

Purchaser.

The Servicer agrees to indemnify the Facility Administrator and its employees, officers, directors and agents, and reimburse its reasonable out-of-pocket expenses in accordance with Section 7 of the Facility Administration Agreement as if it was a signatory thereto. The Servicer agrees to indemnify the Custodian in accordance with Section 14 of the Custodial Agreement. The Servicer agrees to indemnify the Note Purchaser in accordance with Section 8.1 of the Note Purchase Agreement as if it were signatory thereto.

ARTICLE VIII

SERVICER EVENTS OF DEFAULT

Section 8.01. Servicer Events of Default.

(a) In case one or more of the following Servicer Events of Default by the Servicer shall occur and be continuing, that is to say:

(i) any failure by Servicer to deposit into the Collection Account in accordance with Section 5.01(b) any amount required to be deposited by it under any Basic Document to which it is a party; or

(ii)any failure on the part of the Servicer duly to observe or perform in any material respect any other of the material covenants or agreements on the part of the Servicer, contained in any Basic Document to which it is a party, which

continues unremedied for a period of 30 days (or, in the case of payment of insurance premiums, for a period of 15 days) after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by Holders of 25% of the Percentage Interests of the Secured Notes or the Trust Certificates; or

(iii) any breach on the part of the Servicer of any representation or warranty contained in any Basic Document to which it is a party that materially and adversely affects the interests of any of the parties hereto or any Securityholder and which continues unremedied for a period of 30 days after the date on which notice of such breach, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by the Note Purchaser or Holders of 25% of the Percentage Interests (as defined in the Facility Administration Agreement) of the Secured Notes; or

(iv)there shall have been commenced before a court or agency or supervisory authority having jurisdiction in the premises an involuntary proceeding against the Servicer under any present or future federal or state bankruptcy, insolvency or similar law for the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, which action shall not have been dismissed for a period of 60 days; or

(v) the Servicer shall consent to the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to it or of or relating to all or substantially all of its property; or

(vi) the Servicer fails to be an Eligible Servicer; or

(vii) the Servicer ceases to be, directly or indirectly, a wholly-owned subsidiary of H&R Block Inc.; or

(viii) the Servicer ceases to meet the qualifications of either a Fannie Mae or Freddie Mac servicer which status continues unremedied for a period of 30 days; a

(ix)the Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy, insolvency or reorganization statute, make an assignment for the benefit of its creditors, voluntarily suspend payment of its obligations, or take any corporate action in furtherance of the foregoing.

(b) Then, and in each and every such case, so long as a Servicer Event of Default shall not have been remedied, the Facility Administrator or the Majority

Noteholders, by notice in writing to the Servicer may, in addition to whatever rights such Person may have at law or in equity to damages, including injunctive relief and specific performance, may terminate all the rights and obligations of the Servicer under this Agreement and in and to the Loans and the proceeds thereof, as servicer under this Agreement. Upon receipt by the Servicer of such written notice, all authority and power of the Servicer under this Agreement, whether with respect to the Loans or otherwise, shall, subject to Section 8.02, pass to and be vested in a successor servicer, and the successor servicer is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments and do or cause to be done all other acts or things necessary or appropriate to effect the purposes of such notice of termination, including, but not limited to, the transfer and endorsement or assignment of the Loans and related documents. The Servicer agrees to cooperate with the successor servicer in effecting the termination of the Servicer's responsibilities and rights hereunder, including, without limitation, the transfer to the successor servicer for administration by it of all amounts which shall at the time be credited by the Servicer to each Collection Account or thereafter received with respect to the Loans.

(c) Upon the occurrence of an (i) Event of Default under any of the Basic Documents, (ii) a Servicer Event of Default under this Agreement, or (iii) a material adverse change in the business or financial conditions of the Servicer (each, a "Term Event"), the Servicer's right to service the Loans pursuant to the terms of this Agreement shall remain in effect for an initial period commencing on the date on which such Term Event occurred and shall automatically terminate at 5:00 p.m., New York City time, on the last Business Day of the calendar month in which such Term Event occurred (the "Initial Term"). Thereafter, the Initial Term shall be extendible in the sole discretion of the Note Purchaser by written notice (each, a "Servicer Extension Notice") of the Noteholder for successive one-month terms (each such term ending at 5:00 p.m., New York City time ("EST"), on the last business day of the related month). Following a Term Event, the Servicer hereby agrees that the Servicer shall be bound for the duration of the Initial Term and the term covered by any such Servicer Extension Notice to act as the Servicer pursuant to this Agreement and the Servicing Agreement. Following a Term Event, the Servicer agrees that if, as of 3:00 p.m. New York City time on the last business day of any month, the Servicer shall not have received a Servicer Extension Notice from the Note Purchaser, the Servicer shall give written notice of such non-receipt to the Note Purchaser by 4:00 p.m. New York City time. Following a Term Event, the failure of the Note Purchaser to deliver a Servicer Extension Notice by 5:00 p.m. New York City time shall result in the automatic and immediate termination of the Servicer (the "Termination Date"). Notwithstanding these time frames, the Servicer and the Note Purchaser shall comply with all applicable laws in connection with such transfer and the Servicer shall continue to service the Loans until completion of such transfer.

Section 8.02. Appointment of Successor.

On and after the date the Servicer receives a notice of termination pursuant to Section 8.01 or is automatically terminated pursuant to Section 8.01(c), or the Owner

Trustee receives the resignation of the Servicer evidenced by an Opinion of Counsel or accompanied by the consents required by Section 7.04, or the Servicer is removed as servicer pursuant to this Article VIII or Section 4.01, then, the Majority Noteholders shall appoint a successor servicer to be the successor in all respects to the Servicer in its capacity as Servicer under this Agreement and the transactions set forth or provided for herein and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof; provided, however, that the successor servicer shall not be liable for any actions of any servicer prior to it.

The successor servicer shall be obligated to make Servicing Advances hereunder. As compensation therefor, the successor servicer appointed pursuant to the following paragraph, shall be entitled to all funds relating to the Loans which the Servicer would have been entitled to receive from the Collection Account pursuant to Section 5.01 as if the Servicer had continued to act as servicer hereunder, together with other Servicing Compensation in the form of assumption fees, late payment charges or otherwise as provided in section 4.15. The Servicer shall not be entitled to any termination fee if it is terminated pursuant to Section 8.01 but shall be entitled to any accrued and unpaid Servicing Compensation to the date of termination.

Any collections received by the Servicer after removal or resignation shall be endorsed by it to the Facility Administrator and remitted directly to the successor servicer for deposit into the Collection Account. The compensation of any successor servicer appointed shall be the Servicing Fee, together with other Servicing Compensation provided for herein. The Facility Administrator, the Company, any Custodian, the Servicer and any such successor servicer shall take such action, consistent with this Agreement, as shall be reasonably necessary to effect any such succession. Any costs or expenses incurred by the Facility Administrator in connection with the termination of the Servicer and the succession of a successor servicer shall be an expense of the outgoing Servicer and, to the extent not paid thereby, an expense of such successor servicer. The Servicer agrees to cooperate with the Facility Administrator and any successor servicer in effecting the termination of the Servicer's servicing responsibilities and rights hereunder and shall promptly provide the successor servicer all documents and records reasonably requested by it to enable it to assume the Servicer's functions hereunder and shall promptly also transfer to the successor servicer all amounts which then have been or should have been deposited in any Trust Account maintained by the Servicer or which are thereafter received with respect to the Loans. Upon the occurrence of an Event of Default, the Majority Noteholders shall have the right to order the Servicer's Loan Files and all other files of the Servicer relating to the Loans and all other records of the Servicer and all documents relating to the Loans which are then or may thereafter come into the possession of the Servicer or any third party acting for the Servicer to be delivered to such custodian or servicer as it selects and the Servicer shall deliver to such custodian or servicer such assignments as the Majority Noteholders shall request. No successor servicer shall be held liable by reason of any failure to make, or any delay in making, any distribution hereunder or any portion thereof caused by (i) the failure of the Servicer to deliver, or any delay in delivering, cash, documents or records to it or (ii) restrictions imposed by any regulatory authority having jurisdiction over the Servicer hereunder. No appointment of a successor to the Servicer hereunder shall be

effective until written notice of such proposed appointment shall have been provided by the Note Purchaser to the Facility Administrator and the Depositor, the Majority Noteholders and the Company shall have consented in writing thereto.

In connection with such appointment and assumption, the Majority Noteholder may make such arrangements for the compensation of such successor servicer out of payments on the Loans as they and such successor servicer shall agree.

Section 8.03. Waiver of Defaults.

The Majority Noteholders may waive any events permitting removal of the Servicer as servicer pursuant to this Article VIII. Upon any waiver of a past default, such default shall cease to exist and any Servicer Event of Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto except to the extent expressly so waived.

Section 8.04. Accounting Upon Termination of Servicer.

Upon termination of the Servicer under this Article VIII, the Servicer shall, at its own expense:

(a) deliver to its successor the funds in any Trust Account maintained by the Servicer;

(b) deliver to its successor all Loan Files and related documents and statements held by it hereunder and a Loan portfolio computer tape;

(c) deliver to its successor, to the Facility Administrator and to the Company and the Securityholders a full accounting of all funds, including a statement showing the Monthly Payments collected by it and a statement of monies held in trust by it for payments or charges with respect to the Loans; and

(d) execute and deliver such instruments and perform all acts reasonably requested in order to effect the orderly and efficient transfer of servicing of the Loans to its successor and to more fully and definitively vest in such successor all rights, powers, duties, responsibilities, obligations and liabilities of the Servicer under this Agreement.

ARTICLE IX

TERMINATION

Section 9.01. Termination.

(a) This Agreement shall terminate upon (i) the disposition of all funds with respect to the last Loan and the remittance of all funds due hereunder, and (ii) the payment of all amounts due and payable (including, without limitation,

indemnification payments), pursuant to any Basic Document (including, without limitation, the Note Purchase Agreement and the Secured Notes), to the Facility Administrator, the Owner Trustee, the Company, the Noteholders, the Servicer and the Custodian, written notice of the occurrence of either of which shall be provided to the Facility Administrator by the Servicer; or (B) the mutual consent of the Servicer, the Depositor and all Securityholders in writing and delivered to the Facility Administrator by the Servicer.

(b) The Secured Notes shall be subject to an early redemption or termination at the option of the Majority Noteholders in the manner and subject to the provisions of the Note Purchase Agreement.

(c) Except as provided in this Section 9.01, none of the Depositor, the Servicer or any Noteholder shall be entitled to revoke or terminate the Trust.

Section 9.02. Notice of Termination.

Notice of termination of this Agreement or of early redemption and termination of the Company pursuant to, or as described in, Section 9.01 shall be sent by the Facility Administrator to the Noteholders in accordance with the notice provisions of the Facility Administration Agreement.

ARTICLE X

MISCELLANEOUS PROVISIONS

Section 10.01. Amendment.

(a) This Agreement may be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Facility Administrator and the Company by written agreement, with the prior written consent of the Majority Noteholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, or of modifying in any manner the rights of the Securityholders; provided, however, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, collections of payments on Loans or distributions which are required to be made on any Security, without the consent of the holders of 100% of the Securities, (ii) adversely affect in any material respect the interests of any of the holders of the Securities in any manner other than as described in clause (i), without the consent of the holders of 51% of the Securities, or (iii) reduce the percentage of the Securities, the consent of which is required for any such amendment, without the consent of the holders of 100% of the Securities. The Facility Administrator shall have no responsibility for making any determination pursuant to the preceding sentence.

(b) It shall not be necessary for the consent of Securityholders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Section 10.02. Recordation of Agreement.

To the extent permitted by applicable law, this Agreement, or a memorandum thereof if permitted under applicable law, is subject to recordation in all appropriate public offices for real property records in all of the counties or other comparable jurisdictions in which any or all of the Mortgaged Property is situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Servicer at the Securityholders' expense on direction of the Majority Noteholders but only when accompanied by an Opinion of Counsel to the effect that such recordation materially and beneficially affects the interests of the Securityholders or is necessary for the administration or servicing of the Loans.

Section 10.03. Duration of Agreement.

This Agreement shall continue in existence and effect until terminated as herein provided.

Section 10.04. Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE

STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW. With respect to all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, each party irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan, City of New York, and each party irrevocably waives any objection which it may have at any time to the laying of venue of any suit, action or proceeding arising out of or relating hereto brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in any inconvenient forum and further irrevocably waives the right to object, with respect to such claim, suit, action or proceeding brought in any such court, that such court does not have jurisdiction over such party, provided that service of process is made by any lawful means. Nothing in this Section 10.04 shall affect the right of any party hereto or its assignees, or of the Note Purchaser or its assignees, to bring any other action or proceeding against any party hereto or its property in the courts of other jurisdictions.

Section 10.05. Notices.

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

If to the Depositor:

Option One Loan Warehouse Corporation
3 Ada
Irvine, CA 92618
Attention: Chief Financial Officer
Telephone: (949) 790-7504
Facsimile: (949) 790-7540
E-mail: bill.oneill@oomc.com

with a copy to:

Option One Loan Warehouse Corporation
3 Ada
Irvine, CA 92618
Attention: Assistant Treasurer
Telephone: (949) 790-3600 ext. 32527
Facsimile: (949) 790-7514
E-mail: Jason.Forsyth@oomc.com

If to the Company:

Option One Owner Trust 2002-3
c/o Wilmington Trust Company as Owner Trustee
One Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Attention: Corporate Trust Administration
Telephone: (302) 636-4144
Facsimile: (302) 651-8882
Email:

with a copy to:

the Servicer at its address set forth herein

If to the Servicer:

Option One Mortgage Corporation
3 Ada
Irvine, CA 92618
Attention: Chief Financial Officer
Telephone: (949) 790-7504
Facsimile: (949) 790-7540
E-mail: bill.oneill@oomc.com

If to the Loan Originator:

Option One Mortgage Corporation
3 Ada
Irvine, CA 92618
Attention: Chief Financial Officer
Telephone: (949) 790-7504
Facsimile: (949) 790-7540
E-mail: bill.oneill@oomc.com

If to the Facility Administrator:

Wells Fargo Bank, N.A.
9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: Corporate Trust Services -
Option One Owner Trust 2002-3
Telephone: (410) 884-2000
Facsimile: (410) 715-3714

or, in any such case, to such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by such Person. Any such notices shall be deemed to be effective with respect to any party hereto upon the receipt of such notice or telephone confirmation thereof by such party; provided that notices to the Securityholders shall be effective upon mailing or personal delivery. Each party hereto shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons

Section 10.06. Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held invalid for any reason whatsoever, then such covenants,

agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other covenants, agreements, provisions or terms of this Agreement.

Section 10.07. No Partnership.

Nothing herein contained shall be deemed or construed to create any partnership or joint venture between the parties hereto and the services of the Servicer shall be rendered as an independent contractor.

Section 10.08. Counterparts.

This Agreement may be executed in one or more counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original; such counterparts, together, shall

constitute one and the same Agreement.

Section 10.09. Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the Servicer, the Loan Originator, the Depositor, the Facility Administrator, the Company and the Securityholders and their respective successors and permitted assigns.

Section 10.10. Headings.

The headings of the various Sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

Section 10.11. Actions of Securityholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Depositor, the Servicer or the Company. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and conclusive in favor of the Depositor, the Servicer and the Company if made in the manner provided in this Section 10.11.

(b) The fact and date of the execution by any Securityholder of any such instrument or writing may be proved in any reasonable manner which the Depositor, the Servicer or the Company may deem sufficient.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Securityholder shall bind every holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu

thereof, in respect of anything done, or omitted to be done, by the Depositor, the Servicer or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(d) The Depositor, the Servicer or the Company may require additional proof of any matter referred to in this Section 10.11 as it shall deem necessary.

Section 10.12. Non-Petition Agreement.

Notwithstanding any prior termination of any Basic Document, the Loan Originator, the Servicer, the Depositor and the Facility Administrator each severally and not jointly covenants that it shall not, prior to the date which is one year and one day after the payment in full of the all of the Secured Notes, acquiesce, petition or otherwise, directly or indirectly, invoke or cause the Trust or the Depositor to invoke the process of any governmental authority for the purpose of commencing or sustaining a case against the Company or Depositor under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or Depositor or any substantial part of their respective property or ordering the winding up or liquidation of the affairs of the Company or the Depositor.

Section 10.13. Holders of the Securities.

(a) Any sums to be distributed or otherwise paid hereunder or under this Agreement to the holders of the Securities shall be paid to

such holders pro rata based on their Percentage Interests;

(b) Where any act or event hereunder is expressed to be subject to the consent or approval of the holders of the Securities, except where otherwise expressly provided, such consent or approval shall be capable of being given by the holder or holders evidencing in the aggregate not less than 51% of the Percentage Interests.

Section 10.14. Due Diligence Fees, Due Diligence.

The Loan Originator acknowledges that the Note Purchaser has the right to perform continuing due diligence reviews with respect to the Loans, for purposes of verifying compliance with the representations, warranties and specifications made hereunder, or otherwise, and the Loan Originator agrees that upon reasonable prior notice (with no notice being required upon the occurrence of an Event of Default) to the Loan Originator, the Note Purchaser, the Facility Administrator and Custodian or its authorized representatives will be permitted during normal business hours to examine, inspect, and make copies and extracts of, the Loan Files and any and all documents, records, agreements, instruments or information relating to such Loans in the possession or under the control of the Servicer and the Facility Administrator. The Loan Originator also shall make available to the Note Purchaser a knowledgeable financial or accounting officer for the purpose of answering questions respecting the Loan Files and the Loans. Without limiting the generality of the foregoing, the Loan Originator acknowledges that the Note Purchaser may purchase Notes based solely upon the information provided by the Loan

Originator to the Note Purchaser in the Loan Schedule and the representations, warranties and covenants contained herein, and that the Note Purchaser, at its option, has the right at any time to conduct a partial or complete due diligence review on some or all of the Loans securing such purchase, including, without limitation, ordering new credit reports and new appraisals on the related Mortgaged Properties and otherwise re-generating the information used to originate such Loan. The Note Purchaser may underwrite such Loans itself or engage a mutually agreed upon third party underwriter to perform such underwriting. The Loan Originator agrees to cooperate with the Note Purchaser and any third party underwriter in connection with such underwriting, including, but not limited to, providing the Note Purchaser and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such Loans in the possession, or under the control, of the Servicer. The Loan Originator further agrees that the Loan Originator shall reimburse the Note Purchaser for any and all reasonable out-of-pocket costs and expenses incurred by the Note Purchaser in connection with the Note Purchaser's activities pursuant to this Section 10.14 (the "Due Diligence Fees"); provided that, unless an Event of Default shall occur, the aggregate reimbursement obligation of the Loan Originator under this Agreement shall be limited to the amount set forth in the Note Purchase Agreement. In addition to the obligations set forth in Section 10.15, the Note Purchaser agrees (on behalf of itself and its Affiliates, directors, officers, employees and representatives) to use reasonable precaution to keep confidential, in accordance with its customary procedures for handling confidential information and in accordance with safe and sound practices, and not to disclose to any third party, any non-public information supplied to it or otherwise obtained by it hereunder with respect to the Loan Originator or any of its Affiliates (including, but not limited to, the Loan File); provided, however, that nothing herein shall prohibit the disclosure of any such information to the extent required by statute, rule, regulation or judicial process; provided, further, that, unless specifically prohibited by applicable law or court order, the Note Purchaser shall, prior to disclosure thereof, notify the Loan Originator of any request for disclosure of any such non-public information. The Note Purchaser further agrees not to use any such non-public information for any purpose unrelated to this Agreement and that the Note Purchaser shall not disclose such non-public information to any third party underwriter in connection with a potential Disposition without obtaining a written agreement from such third party underwriter to comply with the confidentiality provisions of this Section 10.14.

Section 10.15. Confidential Information.

In addition to the confidentiality requirements set forth in Section 10.14 above, each Noteholder agrees to hold and treat all Confidential Information (as defined below) in confidence and will not, without the prior written consent of the Servicer and the Loan Originator, be disclosed or used by such Noteholder or its subsidiaries, Affiliates, directors, officers, employees, agents or controlling persons (collectively, the "Information Recipients") other than for the purpose of making a decision to purchase or sell Notes or the taking of any other permitted action under this Agreement and or any other Basic Document. Each Noteholder agrees to disclose Confidential Information only to its Information Recipients who need to know it for the purpose of making a decision to purchase or sell Notes or the taking of any other permitted action under this

Agreement and or any other Basic Document (including in connection with the servicing of the Loans and in connection with any servicing transfers) and who are informed by such Noteholder of its confidential nature and who agree to be bound by the terms of this Section 10.15. Disclosure that is not in violation of the Right to Financial Privacy Act or other applicable law by such Noteholder of any Confidential Information at the request of its auditors, governmental regulatory authorities or self-regulatory authorities in connection with an examination of a Noteholder by any such authority shall not constitute a breach of its obligations under this Section 10.15 and shall not require the prior consent of the Servicer and the Loan Originator. Each Noteholder shall be responsible for any breach of this Section 10.15 by its Information Recipients. The Note Purchaser may use Confidential Information for internal due diligence purposes in connection with its analysis of the transactions contemplated by the Basic Documents. The Disposition Agent may disclose Confidential Information to the Disposition Participants as required to effect Dispositions. This Section 10.15 shall terminate upon the occurrence of an Event of Default. As used herein, "Confidential Information" means items (ii) and (iii) in the definition of "Loan Schedule". Confidential information shall not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by such Noteholder or any Information Recipients; (ii) was available to such Noteholder on a non-confidential basis prior to its disclosure to such Noteholder by the Servicer or the Loan Originator; (iii) is required to be disclosed by a governmental authority or related governmental agencies, auditors, accountants or as otherwise required by law; (iv) becomes available to such Noteholder on a non-confidential basis from a person other than the Servicer or the Loan Originator who, to the best knowledge of such Noteholder, is not otherwise bound by a confidentiality agreement with the Servicer or the Loan Originator or is not otherwise prohibited from transmitting the information to each Noteholder.

Section 10.16. No Recourse to Owner Trustee.

It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2002-3, 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 Company 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 Company, (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 Company or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Company under this Agreement or any other related documents.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the Company, the Depositor, the Servicer, the Facility Administrator and the Loan Originator have caused their names to be signed by their respective officers thereunto duly authorized, as of the day and year first above written, to this SALE AND SERVICING AGREEMENT.

OPTION ONE OWNER TRUST 2002-3,

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

BY: /s/ J. Oller

Name: Jeanne M. Oller
Title: Senior Financial Services Officer

OPTION ONE LOAN WAREHOUSE
CORPORATION, as Depositor

BY: /s/ C.R. Fulton

Name: Charles R. Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION,
as Loan Originator and Servicer

BY: /s/ C.R. Fulton

Name: Charles R. Fulton
Title: Vice President

WELLS FARGO BANK, N.A., as Facility
Administrator

BY: /s/ Reid Denny

Name: Reid Denny
Title: Vice President

Exhibit 10.48

==========

SECOND AMENDED AND RESTATED SALE AND SERVICING AGREEMENT

among

OPTION ONE OWNER TRUST 2001-1A

as Issuer

and

OPTION ONE LOAN WAREHOUSE CORPORATION

as Depositor

and

OPTION ONE MORTGAGE CORPORATION
as Loan Originator and Servicer

and

WELLS FARGO BANK, N.A.
as Indenture Trustee

Dated as of April 29, 2005

OPTION ONE OWNER TRUST 2001-1A
MORTGAGE-BACKED NOTES

==========

TABLE OF CONTENTS

SALE AND SERVICING AGREEMENT

This Second Amended and Restated Sale and Servicing Agreement is entered into effective as of April 29, 2005, among OPTION ONE OWNER TRUST 2001-1A, a Delaware business trust (the "Issuer" or the "Trust"), OPTION ONE LOAN WAREHOUSE CORPORATION, a Delaware corporation, as Depositor (in such capacity, the

"Depositor"), OPTION ONE MORTGAGE CORPORATION, a California corporation ("Option One"), as Loan Originator (in such capacity, the "Loan Originator") and as Servicer (in such capacity, the "Servicer"), and WELLS FARGO BANK, N.A. (formerly known as Wells Fargo Bank Minnesota, National Association), a national banking association, as Indenture Trustee on behalf of the Noteholders (in such capacity, the "Indenture Trustee").

W I T N E S S E T H:

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

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

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

2001-1B Sale and Servicing Agreement: The Sale and Servicing Agreement, dated as of April 1, 2001, and as amended and restated through and including April 16, 2004, among Option One Owner Trust 2001 -1B, the Depositor, Option One and the Indenture Trustee.

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

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

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

Additional Advance Rate: As defined in the Pricing Side Letter.

Additional LIBOR Margin: As defined in the Pricing Side Letter.

Additional Note Balance: As defined in the Advance Indenture.

Additional Note Principal Balance: With respect to each (i) Transfer Date, the aggregate Sales Prices of all Loans and Residual Securities conveyed on such date and (ii) Funding Date, the amount of Additional Note Balance purchased by the Issuer from the Advance Trust on such date.

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

Administration Agreement: The Administration Agreement, dated as of April 1, 2001, among the Issuer and the Administrator.

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

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

Advance Depositor: Option One Advance Corporation.

Advance Documents: The "Transaction Documents" as defined in the Advance Indenture.

Advance Indenture: The Indenture, dated as of November 1, 2003, between Option One Advance Trust 2003-ADV1, as issuer and Wells Fargo Bank Minnesota, National Association, not in its individual capacity, but solely as indenture trustee.

Advance Note: Any of the Advance Trust's Advance Receivables Backed Notes, Series 2003-ADV1, executed, authenticated and delivered under the Advance Indenture.

Advance Note Event of Default: An "Event of Default" as defined in the Advance Indenture.

Advance Note Purchase Agreement: The Note Purchase Agreement, dated as of November 1, 2003, among the Advance Trust, Option One Owner Trust 2001-1A, Option One Owner Trust 2001-1B, Option One Owner Trust 2001-2 and Greenwich Capital Financial Products, Inc. as agent.

Advance Trust: Option One Advance Trust 2003-ADV1.

Affiliate: With respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct

the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

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

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

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

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

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

Property is based solely upon clause (i) above.

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

Assignment: With respect to the Loans, an LPA Assignment or S&SA Assignment. With respect to the Residual Securities, an RSTA Assignment or S&SA Assignment.

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

Balloon Loan: Any Loan for which the related monthly payments, other than the monthly payment due on the maturity date stated in the Promissory Note, are computed on the basis of a period to full amortization ending on a date that is later than such maturity date.

Basic Documents: This Agreement, the Administration Agreement, the Custodial Agreement, the Indenture, the Loan Purchase and Contribution Agreement, the Master Disposition Confirmation Agreement, the Note Purchase Agreement, the Guaranty, the Advance

Note Purchase Agreement, the Trust Agreement, the Residual Securities Transfer Agreement, each Hedging Instrument and, as and when required to be executed and delivered, the Assignments.

Bill of Sale: With respect to any Funding Date, a bill of sale, substantially in the form attached as Exhibit C to the Receivables Purchase Agreement, delivered by Option One and the Depositor to the Issuer, the Agent and the Indenture Trustee pursuant to the Receivables Purchase Agreement.

Block: Block Financial Corporation, A Delaware corporation, and any successor thereto.

Borrower: The obligor or obligors on a Promissory Note.

Business Day: Any day other than (i) a Saturday or Sunday, or (ii) a day on which the New York Stock Exchange, the Federal Reserve Bank of New York or banking institutions in New York City, California, Maryland, Minnesota, Pennsylvania, Delaware or in the city in which the corporate trust office of the Indenture Trustee is located or the city in which the Servicer's servicing operations are located are authorized or obligated by law or executive order to be closed, or (iii) a day on which trading in securities on the New York Stock Exchange or any other major securities exchange in the United States is not conducted.

Certificateholder: A holder of a Trust Certificate.

Change of Control: As defined in the Indenture.

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

Closing Date: April 18, 2001.

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

Collateral Percentage: As defined in the Pricing Side Letter.

Collateral Value: As defined in the Pricing Side Letter.

Collateral Value Increase Date: any date following the related Transfer Date that the Collateral Value of specified Mortgage Loans shall be 102% pursuant to clause (III)(a)(2)(A) of the definition of Collateral Value.

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

Combined LTV or CLTV: With respect to any Second Lien Loan, the ratio of the outstanding Principal Balance on the related date of origination of (a) (i) such Loan plus (ii) the loan constituting the first lien to the lesser of (b) (x) the Appraised Value of the Mortgaged

Property at origination or (y) if the Mortgaged Property was purchased within 12 months of the origination of the Loan, the purchase price of the Mortgaged Property, expressed as a percentage.

Commission: The Securities and Exchange Commission.

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

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

Custodial Agreement: The custodial agreement dated as of April 1, 2001, among the Issuer, the Servicer, the Indenture Trustee and the Custodian, providing for the retention of the Custodial Loan Files by the Custodian on behalf of the Indenture Trustee.

Custodial Loan File: As defined in the Custodial Agreement.

Custodian: The custodian named in the Custodial Agreement, which custodian shall not be affiliated with the Servicer, the Loan Originator, the Depositor or any Subservicer. Wells Fargo Bank, N.A., a national banking association, shall be the initial Custodian pursuant to the terms of the Custodial Agreement.
Custodian Fee: For any Payment Date, the fee payable to the Custodian on such Payment Date as set forth in the Custodian Fee Notice for such Payment Date, which fee shall be calculated in accordance with the separate fee letter between the Custodian and the Servicer.

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

Daily Interest Accrual Amount: With respect to each day and the related Accrual Period, the sum of (i) interest accrued at the Note Interest Rate with respect to such Accrual Period on the Note Principal Balance as of the preceding Business Day minus the principal balance of the Advance Note and the portion of the Note Principal Balance related to the Residual Securities as of the preceding Business Day after giving effect to all changes to the Note Principal Balance, the principal amount of the Advance Note and the portion of the Note Principal Balance related to the Residual Securities on or prior to such preceding Business Day and (ii) interest accrued at the Additional Advance Rate plus the Additional LIBOR Margin on the portion of the Note Principal Balance

equal to the outstanding principal balance of the Advance Note and the portion of the Note Principal Balance related to the Residual Securities as of the preceding Business Day after giving effect to all changes to the principal amount of the Advance Note and the portion of the Note Principal Balance related to the Residual Securities on or prior to such Business Day.

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

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

Defaulted Loan: With respect to any Determination Date, any Loan, including, without limitation, any Liquidated Loan with respect to which any of the following has occurred as of the end of the related Remittance Period: (a) foreclosure or similar proceedings have been commenced; or (b) the Servicer or any Subservicer has determined in good faith and in accordance with the servicing standard set forth in Section 4.01 of the Servicing Addendum that such Loan is in default or imminent default.

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

Deleted Residual Security: A Residual Security replaced or to be replaced by one or more Qualified Substitute Residual Securities.

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

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

(a) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "instruments" within the meaning of Section 9-105(1)(i) of the UCC and are susceptible of physical delivery (except with respect to Trust Account Property consisting of certificated securities (as defined in Section 8-102(a)(4) of the UCC)), physical delivery to the Indenture Trustee or its custodian (or the related Securities Intermediary) endorsed to the Indenture Trustee or its custodian (or the related Securities Intermediary) or endorsed in blank (and if delivered and endorsed to the Securities Intermediary, by continuous credit thereof by book-entry to the related Trust Account);

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

appropriate entries in its records crediting the securities account of the related Securities Intermediary by the amount of such certificated security and the making by such Securities Intermediary of appropriate entries in its records identifying such certificated securities as credited to the related Trust Account (all of the Trust Account Property described in Subsections (a) and (b), "Physical Property");

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

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

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

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

depository institution for the Eligible Account; provided, however, that any such institution or association shall have combined capital, surplus and undivided profits of at least $50,000,000.

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

Determination Date: With respect to any Payment Date occurring on the 10th day of a month, the last calendar day of the month immediately preceding the

month of such Payment Date, and with respect to any other Payment Date, as mutually agreed by the Servicer and the Noteholders.

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

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

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

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

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

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

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

Eligible Account: At any time, an account which is: (i) maintained with a Designated Depository Institution; (ii) fully insured by either the Bank Insurance Fund or the Savings Association Insurance Fund of the FDIC; (iii) a trust account (which shall be a "segregated trust account") maintained with the corporate trust department of a federal or state chartered depository institution or trust company with trust powers and acting in its fiduciary capacity for the benefit of the Indenture Trustee and the Issuer, which depository institution or trust company

shall have capital and surplus of not less than $50,000,000; or (iv) with the prior written consent of the Majority Noteholders, any other account.

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

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

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

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

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

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

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

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

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

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

Financial Covenants: With respect to Option One, the following financial covenants:

(a) Option One must maintain a minimum "Tangible Net Worth" (defined and determined in accordance with GAAP and exclusive of (i) any loans outstanding to any officer or director of Option One or its Affiliates (ii) any intangibles (other than originated or purchased servicing rights) and (iii) any receivables from Block) of $425 million as of any day.

(b) Option One must maintain a ratio of 1.0 or greater at any time pursuant to the Capital Adequacy Test, attached as Exhibit I hereto.

(c) Option One may not exceed a maximum non-warehouse leverage ratio (the ratio of (i) the sum of (A) all funded debt (excluding debt from Block or any of its Affiliates and all non-recourse debt) less (B) 91% of its mortgage loan inventory held for sale less (C) 90% of servicing advance receivables (determined and valued in accordance with GAAP) to (ii) Tangible Net Worth) of 0.50x at any time. Any direct or indirect debt provided by Block will be subject to the Subordination Agreement; or, if Block does not enter into the Subordination Agreement, the maximum permitted non-warehousing leverage ratio including debt from Block will be 1.0x at any time, provided, that no more than 0.5x of such non-warehouse leverage ratio can be funded by entities not affiliated with Option One or Block.

(d) Option One must maintain a minimum liquidity facility (defined as a committed, unsecured, non-amortizing liquidity facility from Block not to mature (scheduled or accelerated) prior to the Maturity Date) in an amount no less than $150 million. Such facility from Block cannot contain covenants or termination events more restrictive than the covenants or termination events contained in the Basic Documents.

(e) Option One must 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.

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

Foreclosed Loan: As of any Determination Date, any Loan that as of the end of the preceding Remittance Period has been discharged as a result of (i) the completion of foreclosure or comparable proceedings by the Servicer on behalf of the Issuer; (ii) the acceptance of the deed or other evidence of title to the

related Mortgaged Property in lieu of foreclosure or other comparable proceeding; or (iii) the acquisition of title to the related Mortgaged Property by operation of law.

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

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

Funding Account: As defined in the Advance Indenture.

Funding Date: With respect to the Advance Note, the day on which Additional Note Balance is purchased by the Issuer under the Advance Note Purchase Agreement.

Funding Notice: As defined in the Advance Indenture.

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

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

Guaranty: The Guaranty made by H&R Block, Inc. in favor of the Indenture Trustee and the Noteholders.

Hedge Funding Requirement: With respect to any day, all amounts required to be paid or delivered by the Issuer under any Hedging Instrument, whether in respect of payments thereunder or in order to meet margin, collateral or other requirements thereof. Such amounts shall be calculated by the Market Value Agent and the Indenture Trustee shall be notified of such amount by the Market Value Agent.

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

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

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

Indenture: The Indenture dated as of April 1, 2001, and as amended and restated through and including April 29, 2005, between the Issuer and the Indenture Trustee, as the same may be further amended from time to time.

Indenture Trustee: Wells Fargo Bank, N.A., a national banking association, as Indenture Trustee under the Indenture, or any successor indenture trustee under the Indenture.

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

Independent: When used with respect to any specified Person, such Person (i) is in fact independent of the Loan Originator, the Servicer, the Depositor or any of their respective Affiliates, (ii) does not have any direct financial interest in, or any material indirect financial interest in, the Loan Originator, the Servicer, the Depositor or any of their respective Affiliates and (iii) is not connected with the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, as an officer, employee, promoter, underwriter, trustee, partner, director or

Person performing similar functions; provided, however, that a Person shall not fail to be Independent of the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates merely because such Person is the beneficial owner of 1% or less of any class of securities issued by the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, as the case may be.

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

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

Initial Noteholder: Greenwich Capital Financial Products, Inc. or an Affiliate thereof identified in writing by Greenwich Capital Financial Products, Inc. to the Indenture Trustee and the other parties hereto.

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

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

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

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

LIBOR Margin: As defined in the Pricing Side Letter.

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

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

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

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

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

Liquidation Proceeds: With respect to a Liquidated Loan, any cash amounts received in connection with the liquidation of such Liquidated Loan, whether through trustee's sale, foreclosure sale or other disposition, any cash amounts received in connection with the management of the Mortgaged Property from Defaulted Loans, any proceeds from Primary Insurance Policies and any other amounts required to be deposited in the Collection Account pursuant to Section 5.01(b)(1) hereof, in each case other than Mortgage Insurance Proceeds and Released Mortgaged Property Proceeds. Liquidation Proceeds shall also include any awards or settlements in respect of the related Mortgage Property, whether permanent or temporary, partial or entire, by exercise of the power of eminent domain or condemnation.

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

Loan Documents: With respect to a Loan, the documents comprising the Custodial Loan File for such Loan or with respect to a Residual Security, the related pooling and servicing agreement or indenture, the physical Residual Security unless such Residual Security is held in book-entry form and any transferor letters, transferee letters, assignments or bond powers required under the related pooling and servicing agreement, the related indenture or applicable law to transfer such Residual Security.

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

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

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

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

Loan Purchase and Contribution Agreement: The Loan Purchase and Contribution Agreement, between Option One, as seller and the Depositor, as purchaser, dated as of April 1, 2001, and all supplements and amendments thereto.

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

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

Lost Note Affidavit: With respect to any Loan as to which the original Promissory Note has been permanently lost or destroyed and has not been replaced, an affidavit from the Loan Originator certifying that the original Promissory Note has been lost, misplaced or destroyed (together with a copy of the related Promissory Note and indemnifying the Issuer against any loss, cost or liability resulting from the failure to deliver the original Promissory Note) in the form of Exhibit L attached to the Custodial Agreement.

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

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

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

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

Market Value Agent: Greenwich Capital Financial Products, Inc. or an Affiliate thereof designated by Greenwich Capital Financial Products, Inc. in writing to the parties hereto and, in either case, its successors in interest

Master Disposition Confirmation Agreement: The Master Disposition Confirmation Agreement, dated as of April 1, 2001, by and among Option One, the Depositor, Option One Owner Trust 2001-1A, Option One Owner Trust 2001-1B, Option One Owner Trust 2001-2, Wells Fargo Bank Minnesota, National Association, Bank of America, N.A., Greenwich Capital Financial Products, Inc., and Steamboat Funding Corporation.

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

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

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

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

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

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

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

leases related thereto.

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

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

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

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

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

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

Nonrecoverable Monthly Advance: Any Monthly Advance previously made or proposed to be made with respect to a Loan or Foreclosure Property that, in the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Initial Noteholder, will not, or, in the case of a proposed Monthly Advance,

would not be, ultimately recoverable from the related late payments, Mortgage Insurance Proceeds, Liquidation Proceeds or condemnation proceeds on such Loan or Foreclosure Property as provided herein.

Nonrecoverable Servicing Advance: With respect to any Loan or any Foreclosure Property, (a) any Servicing Advance previously made and not reimbursed from late collections, condemnation proceeds, Liquidation Proceeds, Mortgage Insurance Proceeds or the Released Mortgaged Property Proceeds on the related Loan or Foreclosure Property or (b) a Servicing Advance proposed to be made in respect of a Loan or Foreclosure Property either of which, in the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Initial Noteholder, would not be ultimately recoverable.

Nonutilization Fee: As defined in the Pricing Side Letter.

Note: The meaning assigned thereto in the Indenture.

Noteholder: The meaning assigned thereto in the Indenture.

Note Interest Rate: With respect to each Accrual Period, a per annum interest rate equal to One-Month LIBOR for the related LIBOR Determination Date

plus the LIBOR Margin and the Additional LIBOR Margin for such Accrual Period.

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

Note Purchase Agreement: The Note Purchase Agreement, dated as of April 18, 2001, and as amended and restated through and including April 29, 2005, among the Initial Noteholder, the Issuer and the Depositor, as The same may be amended from time to time.

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

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

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

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

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

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

Overcollateralization Shortfall: As defined in the Pricing Side Letter.

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

Owner Trustee Fee: The annual fee of $4,000 payable in equal monthly installments to the Servicer pursuant to Section 5.01(c)(3)(i) which shall in

turn pay such amount annually to the Owner Trustee on the anniversary of the Closing Date occurring each year during the term of this Agreement.

Paying Agent: The meaning assigned thereto in the Indenture.

Payment Date: Each of, (i) the 10th day of each calendar month commencing on the first such 10th day to occur after the first Transfer Date, or if any such day is not a Business Day, the first Business Day immediately following such day, (ii) any day a Loan or Residual Security is sold pursuant to the terms hereof, (iii) a Put Date as specified by the Majority Noteholder pursuant to Section 10.05 of the Indenture, and (iv) an additional Payment Date pursuant to Section 5.01(c)(4)(i) and 5.01(c)(4)(iii). From time to time, the Majority Noteholders and the Issuer may agree, upon written notice to the Owner Trustee and the Indenture Trustee, to additional Payment Dates in accordance with Section 5.01(c)(4)(ii).

Payment Statement: As defined in Section 6.01(b) hereof.

Percentage Interest: As defined in the Trust Agreement.

Performance Trigger: Shall exist, as of any Determination Date, if the aggregate Principal Balance of all Loans that are not Scratch & Dent Loans and that are Delinquent greater than 59 days (including Defaulted Loans and Foreclosed Loans) as of such Determination Date

divided by the Pool Principal Balance as of such Determination Date is greater than 2%, provided, however, that a Performance Trigger shall not occur if such percentage is reduced to less than 2% within 5 Business Days of such Determination Date as the result of the exercise of a Servicer Call. A Performance Trigger shall continue to exist until Deemed Cured.

Periodic Cap: With respect to each ARM Loan and any Rate Change Date therefor, the annual percentage set forth in the related Promissory Note, which is the maximum annual percentage by which the Loan Interest Rate for such Loan may increase or decrease (subject to the Lifetime Cap or the Lifetime Floor) on such Rate Change Date from the Loan Interest Rate in effect immediately prior to such Rate Change Date.

Permitted Investments: Each of the following:

(e) Direct general obligations of the United States or the obligations of any agency or instrumentality of the United States fully and unconditionally guaranteed, the timely payment or the guarantee of which constitutes a full faith and credit obligation of the United States.

(f) Federal Housing Administration debentures rated Aa2 or higher by Moody's and AA or better by S&P.

(g) Freddie Mac senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(h) Federal Home Loan Banks' consolidated senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(i) Fannie Mae senior debt obligations rated Aa2 or higher by Moody's.

(j) Federal funds, certificates or deposit, time and demand deposits, and bankers' acceptances (having original maturities of not more than 365 days) of any domestic bank, the short-term debt obligations of which have been rated A-1 or better by S&P and P-1 or better by Moody's.

(k) Investment agreements approved by the Initial Noteholder provided:

(1) The agreement is with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated Aa2 or better by Moody's and AA or better by S&P, and

(2) Monies invested thereunder may be withdrawn without any penalty, premium or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

(3) The agreement is not subordinated to any other obligations of such insurance company or bank, and

(4) The same guaranteed interest rate will be paid on any future deposits made pursuant to such agreement, and

(5) The Indenture Trustee and the Initial Noteholder receive an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

(l) Commercial paper (having original maturities of not more than 365 days) rated A-1 or better by S&P and P-1 or better by Moody's.

(m) Investments in money market funds rated AAAM or AAAM-G by S&P and Aaa or P-1 by Moody's.

(n) Investments approved in writing by the Initial Noteholder;

provided that no instrument described above is permitted to evidence either the right to receive (a) only interest with respect to obligations underlying such instrument or (b) both principal and interest payments derived from obligations underlying such instrument and the interest and principal payments with respect to such instrument provided a yield to maturity at par greater than 120% of the yield to maturity at par of the underlying obligations; and provided, further, that no instrument described above may be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to stated maturity; and provided, further, that, with respect to any instrument described above, such instrument qualifies as a "permitted investment" within the meaning of Section 860G(a)(5) of the Code and the regulations thereunder.

Each reference in this definition to the Rating Agency shall be construed, as a reference to each of S&P and Moody's.

Person: Any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, national banking association, unincorporated organization or government or any agency or political subdivision thereof.

Physical Property: As defined in clause (b) of the definition of "Delivery" above.

Pool Principal Balance: With respect to any Determination Date, the aggregate Principal Balances of the Loans as of such Determination Date.

Prepaid Installment: With respect to any Loan, any installment of principal thereof and interest thereon received prior to the scheduled Due Date for such installment, intended by the Borrower as an early payment thereof and not as a Prepayment with respect to such Loan.

Prepayment: Any payment of principal of a Loan which is received by the Servicer in advance of the scheduled due date for the payment of such principal (other than the principal portion of any Prepaid Installment), and the proceeds of any Mortgage Insurance Policy which are to be applied as a payment of principal on the related Loan shall be deemed to be Prepayments for all purposes of this Agreement.

Preservation Expenses: Expenditures made by the Servicer in connection with a foreclosed Loan prior to the liquidation thereof, including, without limitation, expenditures for real estate property taxes, hazard insurance premiums, property restoration or preservation.

Pricing Side Letter: The pricing letter of even date herewith, signed by the parties hereto.

Primary Insurance Policy: A policy of primary mortgage guaranty insurance issued by a Qualified Insurer pursuant to Section 4.06 of the Servicing Addendum.

Principal Balance: With respect to any Loan or related Foreclosure Property, (i) at the Transfer Cut-off Date, the Transfer Cut-off Date Principal Balance and (ii) with respect to any other date of determination, the outstanding unpaid principal balance of the Loan as of the end of the preceding Remittance Period (after giving effect to all payments received thereon and the allocation of any Net Loan Losses with respect thereto for a Defaulted Loan prior to the end of such Remittance Period); provided, however, that any Liquidated Loan shall be deemed to have a Principal Balance of zero. With respect to any Residual Security, (i) at the Transfer Cut-off Date the Transfer Cut-off Date Principal Balance and (ii) with respect to any other date of determination, the outstanding unpaid principal balance of the Residual Security as of such date.

Proceeding: Means any suit in equity, action at law or other judicial or administrative proceeding.

Promissory Note: With respect to a Loan, the original executed promissory note or other evidence of the indebtedness of the related Borrower or Borrowers.

Put/Call Loan: Any (i) non-Scratch & Dent Loan that has become 30 or more days (but less than 60 days) Delinquent, (ii) non-Scratch & Dent Loan that has become 60 or more days (but less than 90 days) Delinquent, (iii) non-Scratch & Dent Loan that has become 90 or more days Delinquent, (iv) non-Scratch & Dent Loan that is a Defaulted Loan, (v) non-Scratch & Dent Loan that has been in default for a period of 30 days or more (other than a Loan referred to in clause (i), (ii), (iii) or (iv) hereof), (vi) non-Scratch & Dent Loan that does not meet criteria established by independent rating agencies or surety agency conditions for Dispositions which criteria have been established at the related Transfer Date and may be modified only to match changed criteria of independent rating agencies or surety agents, or (vii) non-Scratch & Dent Loan that is inconsistent with the intended tax status of a Securitization.

Put Date: Any date on which all or a portion of the Notes are to be purchased by the Issuer as a result of the exercise of the Put Option.

Put Option: The right of the Majority Noteholders to require the Issuer to repurchase all or a portion of the Notes in accordance with Section 10.04 of the Indenture.

QSPE Affiliate: Option One Owner Trust 2001-1B, Option One Owner Trust 2001-2, Option One Owner Trust 2002-3, Option One Owner Trust 2003-4. Option One Owner Trust 2003-5 or any other Affiliate which is a "qualified special purpose entity" in accordance with Financial Accounting Standards Board's Statement No. 140 or 125.

Qualified Insurer: An insurance company duly qualified as such under the laws of the states in which the Mortgaged Property is located, duly authorized and licensed in such states to transact the applicable insurance business and to write the insurance provided and that meets the requirements of Fannie Mae and Freddie Mac.

Qualified Substitute Loan: A Loan or Loans substituted for a Deleted Loan pursuant to Section 3.06 hereof, which (i) has or have been approved in writing by the Majority Noteholders and (ii) complies or comply as of the date of substitution with each representation and warranty set forth in Exhibit E and is or are not 30 or more days Delinquent as of the date of substitution for such Deleted Loan or Loans.

Qualified Substitute Residual Security: A Residual Security or Residual Securities substituted for a Deleted Residual Security pursuant to Section 3.06 hereof, which has or have been approved in writing by the Majority Noteholders.

Rapid Amortization Trigger: Shall exist, as of any Determination Date, if the aggregate Principal Balance of all Loans that are not Scratch & Dent Loans and that are Delinquent greater than 59 days (including Defaulted Loans and Foreclosed Loans) as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 3%; provided, however, that a Rapid Amortization Trigger shall not occur if such percentage is reduced to less than 3% within 5 Business Days of such Determination Date as a result of the exercise of a Servicer Call. A Rapid Amortization Trigger shall continue to exist until it is Deemed Cured.

Rate Change Date: The date on which the Loan Interest Rate of each ARM is subject to adjustment in accordance with the related Promissory Note.

Rating Agencies: S&P and Moody's or such other nationally recognized credit rating agencies as may from time to time be designated in writing by the Majority Noteholders in their sole discretion.

Receivables Purchase Agreement: The Receivables Purchase Agreement, dated as of November 1, 2003, among Option One, the Advance Depositor and the Advance Trust.

Receivables Seller: Option One.

Record Date: With respect to each Payment Date, the close of business of the immediately preceding Business Day.

Reference Banks: Deutsche Bank National Trust Company, Barclay's Bank PLC, The Tokyo Mitsubishi Bank and National Westminster Bank PLC and their successors in interest; provided, however, that if the Initial Noteholder determines that any of the foregoing banks are not suitable to serve as a Reference Bank, then any leading banks selected by the Initial Noteholder with the approval of the Issuer, which approval shall not be unreasonably withheld, which are engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London and (ii) which have been designated as such by the Initial Noteholder with the approval of the Issuer, which approval shall not be unreasonably withheld.

Refinanced Loan: A Loan the proceeds of which were not used to purchase the related Mortgaged Property.

Released Mortgaged Property Proceeds: With respect to any Loan, proceeds received by the Servicer in connection with (i) a taking of an entire Mortgaged Property by exercise of the power of eminent domain or condemnation or (ii) any release of part of the Mortgaged Property from the lien of the related Mortgage, whether by partial condemnation, sale or otherwise; which proceeds in either case are not released to the Borrower in accordance with applicable law and/or Accepted Servicing Practices.

Remittance Date: The Business Day immediately preceding each Payment Date.

Remittance Period: With respect to any Payment Date, the period commencing immediately following the Determination Date for the preceding Payment Date (or, in the case of the initial Payment Date, commencing immediately following the

initial Transfer Cut-off Date) and ending on and including the related Determination Date.

Repurchase Price: With respect to a Loan the sum of (i) the Principal Balance thereof as of the date of purchase or repurchase, plus (ii) all accrued and unpaid interest on such Loan to the date of purchase or repurchase computed at the applicable Loan Interest Rate, plus (iii) the amount of any unreimbursed Servicing Advances made by the Servicer with respect to such Loan (after deducting therefrom any amounts received in respect of such purchased or repurchased Loan and being held in the Collection Account for future distribution to the extent such amounts represent recoveries of principal not yet applied to reduce the related Principal Balance or interest (net of the Servicing Fee) for the period from and after the date of repurchase). The Repurchase Price shall be (i) increased by the net negative value or (ii) decreased by the net positive value of all Hedging Instruments terminated with respect to the purchase of such Loan. To the extent the Servicer does not reimburse itself for amounts, if any, in respect of the Servicing Advance Reimbursement Amount pursuant to Section 5.01(c)(1) hereof, with respect to such Loan, the Repurchase Price shall be reduced by such amounts. With respect to a Residual Security the sum of (i) the Principal Balance thereof as of the date of purchase or repurchase, plus (ii) all accrued and unpaid interest on such Residual Security to the date of purchase or repurchase computed at the applicable Residual Security Interest Rate.

Residual Security: Any security sold to the Trust hereunder and pledged to the Indenture Trustee, which security must be (i) a mortgage-backed security issued by Option One Mortgage Acceptance Corp. and evidencing an interest in a securitization trust backed by residential mortgage loans, which mortgage loans are serviced by Option One (including, without limitation, securities designated as class C certificates and class P certificates that meet the foregoing criteria) or (ii) net interest margin security issued by a trust sponsored by Option One and backed by class C certificates and/or class P certificates, which certificates are in turn backed by residential mortgage loans serviced by Option One.

Residual Securities Interest Rate: With respect to each Residual Security, the annual rate of interest borne by such Residual Security.

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

Residual Securities Schedule: The schedule of Residual Securities conveyed to the Issuer on the Closing Date and on each Transfer Date and delivered to the Initial Noteholder in the form of a computer-readable transmission specifying the information set forth on Exhibit G hereto.

Residual Securities Transfer Agreement: The Residual Securities Transfer Agreement dated as of April 16, 2004, between the Loan Originator and the Depositor, as the same may be further amended or supplemented from time to time.

Reserve Interest Rate: With respect to any LIBOR Determination Date, the rate per annum that the Initial Noteholder determines to be either (i) the arithmetic mean (rounded to the nearest whole multiple of 1/16%) of the one-month U.S. dollar lending rates which New York City banks selected by the Initial Noteholder are quoting on the relevant LIBOR Determination Date to the principal London offices of leading banks in the London interbank market or (ii) in the event that the Initial Noteholder can determine no such arithmetic mean, the lowest one-month U.S. dollar lending rate which New York City banks selected by the Initial Noteholder are quoting on such LIBOR Determination Date to

leading European banks.

Responsible Officer: When used with respect to the Indenture Trustee or Custodian, any officer within the corporate trust office of such Person, including any Vice President, Assistant Vice President, Secretary, Assistant Secretary or any other officer of such Person customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject. When used with respect to the Issuer or any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Responsible Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter). When used with respect to the Depositor, the Loan Originator or the Servicer, the President, any Vice President, or the Treasurer.

Retained Securities: With respect to a Securitization, any subordinated securities issued or expected to be issued, or excess collateral value retained or expected to be retained, in

connection therewith to the extent the Depositor, the Loan Originator or an Affiliate thereof retains, instead of sell, such securities.

Retained Securities Value: With respect to any Business Day and a Retained Security, the market value thereof as determined by the Market Value Agent in accordance with Section 6.03(d) hereof.

Revolving Period: With respect to the Notes, the period commencing on April 29, 2005 and ending on the earlier of (i) April 28, 2006 and (ii) the date on which the Revolving Period is terminated pursuant to Section 2.07.

RSTA Assignment: The assignment of Residual Securities from Option One to the Depositor under the Residual Securities Transfer Agreement.

Sales Price: With respect to each Loan and each Residual Security and any Transfer Date, the sum of the Collateral Values with respect to such Loan or such Residual Security conveyed on such Transfer Date as of such Transfer Date.

S&SA Assignment: An assignment, in the form of Exhibit C hereto, of Loans or Residual Securities and other property from the Depositor to the Issuer pursuant to this Agreement.

Scratch & Dent Loan: A Loan identified as having minor documentation, appraisal or underwriting deficiencies, which Loan may not be Delinquent on the Transfer Date; provided, that the Loan Originator has provided a detailed description of such deficiencies to the Initial Noteholder prior to the Transfer Date (or, with respect to Loans that become Scratch & Dent Loans after the Transfer Date, within one Business Day of the discovery, of such deficiencies); provided further, however, that any Scratch & Dent Loan which has deficiencies that render it an Unqualified Loan will be repurchased or substituted pursuant to the procedures in Section 3.05.

Second Lien Loan: A Loan secured by the lien on the Mortgaged Property, subject to one Senior Lien on such Mortgaged Property.

Securities: The Notes and the Trust Certificates.

Securities Intermediary: A "securities intermediary" as defined in Section

8-102(a)(14) of the UCC that is holding a Trust Account for the Indenture Trustee as the sole "entitlement holder" as defined in Section 8-102(a)(7) of the UCC.

Securitization: A sale or transfer of Loans or Residual Securities by the Issuer at the direction of the Majority Noteholders to any other Person in order to effect one or a series of structured-finance securitization transactions, including but not limited to transactions involving the issuance of securities which may be treated for federal income tax purposes as indebtedness of Option One or one or more of its wholly-owned subsidiaries.

Securityholder: Any Noteholder or Certificateholder.

Senior Lien: With respect to any Second Lien Loan, the mortgage loan having a senior priority lien on the related Mortgaged Property.

Servicer: Option One, in its capacity as the servicer hereunder, or any successor appointed as herein provided.

Servicer Call: The optional repurchase by the Servicer of a Loan pursuant to Section 3.08(b) hereof.

Servicer Event of Default: As described in Section 9.01 hereof.

Servicer Put: The mandatory repurchase by the Servicer, at the option of the Majority Noteholders, of a Loan pursuant to Section 3.08(a) hereof.

Servicer's Fiscal Year: May 1st of each year through April 30th of the following year.

Servicer's Loan File: With respect to each Loan, the file held by the Servicer, consisting of all documents (or electronic images thereof) relating to such Loan, including, without limitation, copies of all of the Loan Documents included in the related Custodial Loan File.

Servicer's Remittance Report: A report prepared and computed by the Servicer in substantially the form of Exhibit B attached hereto.

Servicing Addendum: The terms and provisions set forth in Exhibit F attached hereto relating to the administration and servicing of the Loans.

Servicing Advance Reimbursement Amount: With respect to any Determination Date, the amount of any Servicing Advances that have not been reimbursed as of such date, including Nonrecoverable Servicing Advances.

Servicing Advances: As defined in Section 4.14(b) of the Servicing Addendum.

Servicing Compensation: The Servicing Fee and other amounts to which the Servicer is entitled pursuant to Section 4.15 of the Servicing Addendum.

Servicing Fee: As to each Loan (including any Loan that has been foreclosed and for which the related Mortgaged Property has become a Foreclosure Property, but excluding any Liquidated Loan), the fee payable monthly to the Servicer, which shall be the product of 0.50% (50 basis points), or such other lower amount as shall be mutually agreed to in writing by the Majority Noteholders and the Servicer, and the Principal Balance of such Loan as of the beginning of the related Remittance Period, divided by 12. The Servicing Fee shall only be payable to the extent interest is collected on a Loan.

Servicing Officer: Any officer of the Servicer or Subservicer involved in, or responsible for, the administration and servicing of the Loans whose name and specimen signature appears on a list of servicing officers annexed to an Officer's Certificate furnished by the Servicer or the Subservicer, respectively, on the date hereof to the Issuer and the Indenture Trustee, on

behalf of the Noteholders, as such list may from time to time be amended.

S&P: Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

State: Means any one of the states of the United States of America or the District of Columbia.

Subservicer: Any Person with which the Servicer has entered into a Subservicing Agreement and which is an Eligible Servicer and satisfies any requirements set forth in Section 4.22 of the Servicing Addendum in respect of the qualifications of a Subservicer.

Subservicing Account: An account established by a Subservicer pursuant to a Subservicing Agreement, which account must be an Eligible Account.

Subservicing Agreement: Any agreement between the Servicer and any Subservicer relating to subservicing and/or administration of any or all Loans as provided in Section 4.22 in the Servicing Addendum.

Subsidiary: With respect to any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

Substitution Adjustment: With respect to any Loan, as to any date on which a substitution occurs pursuant to Section 2.05 or Section 3.06 hereof, the amount, if any, by which (a) the aggregate principal balance of any Qualified Substitute Loans (after application of principal payments received on or before the related Transfer Cut-off Date) is less than (b) the aggregate of the Principal Balances of the related Deleted Loans as of the first day of the month in which such substitution occurs. With respect to any Residual Security, as to any date on which a substitution occurs pursuant to Section 2.05 or Section 3.06 hereof, the amount, if any, by which (a) the aggregate principal balance of any Qualified Substitute Residual Security (after application of principal payments received on or before the related Transfer Cut-off Date) is less than (b) the aggregate of the Principal Balances of the related Deleted Residual Securities as of the first day of the month in which such substitution occurs.

Tangible Net Worth: With respect to any Person, as of any date of determination, the consolidated Net Worth of such Person and its Subsidiaries, less the consolidated net book value of all assets of such Person and its Subsidiaries (to the extent reflected as an asset in the balance sheet of such Person or any Subsidiary at such date) which will be treated as intangibles under GAAP, including, without limitation, such items as deferred financing expenses, net leasehold improvements, good will, trademarks, trade names, service marks, copyrights, patents, licenses and unamortized debt discount and expense; provided, that residual securities issued by such Person or its Subsidiaries shall not be treated as intangibles for purposes of this definition.

Termination Price: As of any Determination Date, an amount without duplication equal to the greater of (A) the Note Redemption Amount and (B) the sum of (i) the Principal Balance of each Loan included in the Trust as of the end of the preceding Remittance Period; (ii) all unpaid interest accrued on the Principal Balance of each such Loan at the related Loan Interest Rate to the end

of the preceding Remittance Period; (iii) the aggregate fair market value of each Foreclosure Property included in the Trust as of the end of the preceding Remittance Period, as determined by an Independent appraiser acceptable to the Majority Noteholders as of a date not more than 30 days prior to such Payment Date; (iv) the Note Principal Balance of the Advance Note as of such date; (v) all accrued and unpaid interest on the Advance Note; (v) the Principal Balance of each Residual Security as of such date; (vi) all accrued and unpaid interest on the Residual Security as of such date; and (vii) all other amounts due under the Advance Documents.

Transfer Cut-off Date: With respect to each Loan or Residual Security, the first day of the month in which the Transfer Date with respect to such Loan or Residual Security occurs or, with respect a Loan originated in such month, the date of origination.

Transfer Cut-off Date Principal Balance: As to each Loan or Residual Security, its Principal Balance as of the opening of business on the Transfer Cut-off Date (after giving effect to any payments received on the Loan or Residual Security before the Transfer Cut-off Date).

Transfer Date: With respect to each Loan or Residual Security, the day such Loan or Residual Security is either (i) sold and conveyed to the Depositor by the Loan Originator pursuant to the Loan Purchase and Contribution Agreement or the Residual Securities Transfer Agreement and to the Issuer by the Depositor pursuant to Section 2.01 hereof or (ii) sold to the Issuer pursuant to the Master Disposition Confirmation Agreement, which results in an increase in the Note Principal Balance by the related Additional Note Principal Balance. With respect to any Qualified Substitute Loan or Qualified Substitute Residual Security, the Transfer Date shall be the day such Loan is conveyed to the Trust pursuant to Section 2.05 or 3.06.

Transfer Obligation: The obligation of the Loan Originator under Section 5.06 hereof to make certain payments in connection with Dispositions and other related matters.

Transfer Obligation Account: The account designated as such, established and maintained pursuant to Section 5.05 hereof.

Transfer Obligation Target Amount: With respect to any Payment Date, the cumulative total of all withdrawals pursuant to Section 5.05(e), 5.05(f), 5.05(g), and 5.05(h) hereof from the Transfer Obligation Account to but not including such Payment Date minus any amount withdrawn from the Transfer Obligation Account to return to the Loan Originator pursuant to Section 5.05(i)(i).

Trust: Option One Owner Trust 2001-1A, the Delaware business trust created pursuant to the Trust Agreement.

Trust Agreement: The Trust Agreement dated as of April 1, 2001 among the Depositor and the Owner Trustee.

Trust Account Property: The Trust Accounts, all amounts and investments held from time to time in the Trust Accounts and all proceeds of the foregoing.

Trust Accounts: The Distribution Account, the Collection Account and the Transfer Obligation Account.

Trust Certificate: The meaning assigned thereto in the Trust Agreement.

Trust Estate: Shall mean the assets subject to this Agreement, the Trust Agreement and the Indenture and assigned to the Trust, which assets consist of: (i) such Loans as from time to time are subject to this Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files

and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan and Residual Security received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments (ix) the Advance Note and all right, title and interest of the Trust in and under the Advance Documents, including without limitation, all voting and consent rights of the Noteholders thereunder, (x) such Residual Securities as from time to time are subject to this Agreement as listed in the Residual Securities Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Residual Securities and Unqualified Residual Securities and by the addition of Qualified Substitute Residual Securities, together with the Loan Documents relating thereto and all proceeds thereof and (xi) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement, the Master Disposition Confirmation Agreement and the Residual Securities Transfer Agreement, and all proceeds of any of the foregoing.

Trust Fees and Expenses: As of each Payment Date, an amount equal to the Servicing Compensation, the Owner Trustee Fee, the Indenture Trustee Fee and the Custodian Fee, if any, and any expenses of the foregoing.

UCC: The Uniform Commercial Code as in effect in the State of New York.

UCC Assignment: A form "UCC-2" or "UCC-3" statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction to reflect an assignment of a secured party's interest in collateral.

UCC-1 Financing Statement: A financing statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction.

Underwriting Guidelines: The underwriting guidelines (including the loan origination guidelines) of the Loan Originator, as the same may be amended from time to time with notice to the Initial Noteholder.

Unfunded Transfer Obligation: With respect to any date of determination, an amount equal to (x) the sum of (A) 10% of the aggregate Collateral Value (as of the related Transfer Date) of all Loans sold hereunder, plus (B) 10% of the aggregate Collateral Value (as of the related Funding Date) of the initial principal balance of the Advance Note and all Additional Note Balance related thereto purchased by the Issuer, plus (C) 10% of the aggregate Collateral Value (as of the related Transfer Date) of all Residual Securities sold hereunder, plus (D) any amounts withdrawn from the Transfer Obligation Account for return to the Loan Originator pursuant to Section 5.05(i)(i) hereof prior to such Payment Date, less (y) the sum of (i) the aggregate amount of payments actually made by the Loan Originator in respect of the Transfer Obligation pursuant to Section 5.06, (ii) the amount obtained by multiplying (a) the Unfunded Transfer Obligation Percentage by (b) the aggregate Collateral Value (as of the related date of Disposition) of all Loans and Residual Securities that have been subject to a Disposition and (iii) without duplication, the aggregate amount of the Repurchase Prices paid by the Servicer in respect of any Servicer Puts.

Unfunded Transfer Obligation Percentage: As of any date of determination, an amount equal to (x) the Unfunded Transfer Obligation as of such date, divided by (y) 100% of the aggregate Collateral Values as of the related Transfer Date of all Loans in the Loan Pool and all Residual Securities in the Residual

Securities Pool..

Unqualified Loan: As defined in Section 3.06(a) hereof.

Unqualified Residual Security As defined in Section 3.06(a) hereof.

Wet Funded Custodial File Delivery Date: With respect to a Wet Funded Loan, the later of the fifteenth Business Day and the twentieth calendar day after the related Transfer Date, provided that if a Default or Event of Default shall have occurred, the Wet Funded Custodial File Delivery Date shall be the earlier of (x) such fifteenth Business Day or twentieth calendar day and (y) the fifth day after the occurrence of such event.

Wet Funded Loan: A Loan for which the related Custodial Loan File shall not have been delivered to the Custodian as of the related Transfer Date.

Whole Loan Sale: A Disposition of Loans pursuant to a whole-loan sale.

Section 1.02 Other Definitional Provisions.

(a) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of

agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement or in any such certificate or other document shall control.

(d) The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Article, Section, Schedule and Exhibit references contained in this Agreement are references to Articles, Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

ARTICLE II

CONVEYANCE OF THE TRUST ESTATE; ADDITIONAL NOTE PRINCIPAL BALANCES

Section 2.01 Conveyance of the Trust Estate; Additional Note Principal Balances.

(a) (i) On the terms and conditions of this Agreement, on each Transfer Date during the Revolving Period, the Depositor agrees to offer for sale and to sell a portion of each of the Loans or Residual Securities, as applicable, and contribute to the capital stock of the Issuer the balance of

each of the Loans or Residual Securities, as applicable, and deliver the related Loan Documents to or at the direction of the Issuer. To the extent the Issuer has or is able to obtain sufficient funds under the Note Purchase Agreement and the Notes for the purchase thereof, the Issuer agrees to purchase such Loans offered for sale by the Depositor. On the terms and conditions of this Agreement and the Master Disposition Confirmation Agreement, on each Transfer Date during the Revolving Period, the Issuer may acquire Loans from another QSPE Affiliate of the Loan Originator to the extent the Issuer has or is able to obtain sufficient funds for the purchase thereof. On the terms and conditions of this Agreement and the Residual Securities Transfer Agreement, on each Transfer Date during the Revolving Period, the Issuer may acquire Residual Securities from the Loan Originator to the extent the Issuer has or is able to obtain sufficient funds for the purchase thereof. On the terms and conditions of this Agreement and the Advance Note Purchase Agreement, on each Funding Date during the

Revolving Period, the Issuer shall acquire Additional Note Balance from the Advance Trust to the extent the Issuer has or is able to obtain sufficient funds under the Note Purchase Agreement and the Notes for the purchase thereof.

(ii) On each Transfer Date, in consideration of the payment of the Additional Note Principal Balance pursuant to Section 2.06(a) hereof and as a contribution to the assets of the Issuer, the Depositor as of the related Transfer Date and concurrently with the execution and delivery hereof, hereby sells, transfers, assigns, sets over and otherwise conveys to the Issuer, without recourse, but subject to the other terms and provisions of this Agreement, all of the right, title and interest of the Depositor in and to the Trust Estate.

(iii) During the Revolving Period, on each Transfer Date, subject to the conditions precedent set forth in Section 2.06(a) and in accordance with the procedures set forth in Section 2.01(c), the Depositor, pursuant to an S&SA Assignment, will assign to the Issuer without recourse all of its respective right, title and interest, in and to the Loans and Residual Securities and all proceeds thereof listed on the Loan Schedule or Residual Securities Schedule, as applicable, attached to such S&SA Assignment, including all interest and principal received by the Loan Originator, the Depositor or the Servicer on or with respect to the Loans or Residual Securities on or after the related Transfer Cut-off Date, together with all right, title and interest in and to the proceeds of any related Mortgage Insurance Policies and all of the Depositor's rights, title and interest in and to (but none of its obligations under) the Loan Purchase and Contribution Agreement, the Residual Securities Transfer Agreement and all proceeds of the foregoing.

(iv) The foregoing sales, transfers, assignments, set overs and conveyances do not, and are not intended to, result in a creation or an assumption by the Issuer of any of the obligations of the Depositor, the Loan Originator or any other Person in connection with the Trust Estate or under any agreement or instrument relating thereto except as specifically set forth herein.

(b) As of the Closing Date and as of each Transfer Date and each Funding Date, the Issuer acknowledges the conveyance to it of the Trust Estate, including, as applicable, all rights, title and interest of the Depositor and any QSPE Affiliate in and to the Trust Estate, receipt of which is hereby acknowledged by the Issuer. Concurrently with such delivery, as of the Closing Date and as of each Transfer Date and each Funding Date, pursuant to the Indenture the Issuer pledges the Trust Estate to the Indenture Trustee. In addition, concurrently with such delivery and in exchange therefor, the Owner Trustee, pursuant to the instructions of the Depositor, has executed (not in its individual capacity, but solely as Owner Trustee on behalf of the Issuer) and caused the Trust Certificates to be authenticated and delivered to or at the direction of the Depositor.

(c) (i) Pursuant to and subject to the Note Purchase Agreement, the Trust may, at its sole option, from time to time request that the Initial

Noteholder advance on any Transfer Date Additional Note Principal Balances and the Initial Noteholder shall remit on such Transfer Date, to the Advance Account, an amount equal to the Additional Note Principal Balance. In addition, if the 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. Pursuant to and subject to the Note Purchase Agreement, the Trust shall request that the Initial Noteholder advance on each Funding Date Additional Note Principal Balances equal to the Additional Note Balance to be purchased by the Trust on such date and the Initial Noteholder shall remit on such Funding Date to the Funding Account an amount equal to such Additional Note Principal Balance.

(ii) Notwithstanding anything to the contrary herein, in no event shall the Initial Noteholder be required to advance Additional Note Principal Balances on a Transfer Date or Collateral Value Increase Date if the conditions precedent with respect to such Transfer Date or Collateral Value Date under Section 2.06(a) and the conditions precedent to the purchase of Additional Note Principal Balances set forth in Section 3.01 of the Note Purchase Agreement have not been fulfilled. Notwithstanding anything to the contrary herein, in no event shall the Initial Noteholder be required to advance Additional Note Principal Balances on a Funding Date if the conditions precedent with respect to such Funding Date under Section 2.06(b), the conditions precedent to the purchase of Additional Note Principal Balances set forth in Section 3.02 of the Note Purchase Agreement and the conditions precedent to the purchase of Additional Principal Balances set forth in Section 3.01 of the Advance Note Purchase Agreement have not been fulfilled.

(iii) The Servicer shall appropriately note such Additional Note Principal Balance (and the increased Note Principal Balance) in the next succeeding Payment Statement; provided, however, that failure to make any such notation in such Payment Statement or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest and principal payments in respect of the Note Principal Balance held by such Noteholder. The Initial Noteholder shall record on the schedule attached to such Noteholder's Note, the date and amount of any Additional Note Principal Balance advanced by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance held by such Noteholder.

(iv) Absent manifest error, the Note Principal Balance of each Note as set forth in the Initial Noteholder's records shall be binding upon the Noteholders and the Trust, notwithstanding any notation made by the Servicer in its Payment Statement pursuant to the preceding paragraph.

Section 2.02 Ownership and Possession of Loan Files.

With respect to each Loan, as of the related Transfer Date the ownership of the related Promissory Note, the related Mortgage and the contents of the related Servicer's Loan File and Custodial Loan File shall be vested in the Trust for the benefit of the Securityholders, although possession of the Servicer's Loan File on behalf of and for the benefit of the Securityholders shall remain with the Servicer, and the Custodian shall take possession of the Custodial Loan Files as contemplated in Section 2.05 hereof.

Section 2.03 Books and Records; Intention of the Parties.

(a) As of each Transfer Date, the sale of each of the Loans and Residual Securities conveyed by the Depositor on such Transfer Date shall be reflected on the balance sheets and other financial statements of the Depositor and the Loan Originator, as the case may be, as a sale of assets and a contribution to capital by the Loan Originator and the Depositor, as applicable, under GAAP. Each of the Servicer and the Custodian shall be responsible for maintaining, and shall maintain, a complete set of books and records for each Loan and Residual Security which shall be clearly marked to reflect the ownership of each Loan or Residual Security, as of the related Transfer Date, by the Issuer and for the benefit of the Securityholders.

(b) It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments of the Trust Estate on the initial Closing Date, on each Transfer Date and as otherwise contemplated by the Basic Documents and the Assignments shall constitute a sale of the Loans, Residual Securities and all related property from the Depositor to the Issuer and such property shall not be property of the Depositor. It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments on each Funding Date shall constitute a sale of the Advance Note, the related Additional Note Balances and all related property from the Advance Trust to the Issuer and such property shall not be property of the Advance Depositor or the Receivables Seller. The parties hereto shall treat the Notes as indebtedness for federal, state and local income and franchise tax purposes.

(c) If any of the assignments and transfers of the Loans or the Residual Securities and the other property of the Trust Estate specified in Section 2.01(a) hereof to the Issuer pursuant to this Agreement or the conveyance of the Loans or the Residual Securities or any of such other property of the Trust Estate to the Issuer, other than for federal, state and local income or franchise tax purposes, is held or deemed not to be a sale or is held or deemed to be a pledge of security for a loan, the Depositor intends that the rights and obligations of the parties shall be established pursuant to the terms of this Agreement and that, in such event, with respect to such property, (i) consisting of Loans or Residual Securities and related property, the Depositor shall be deemed to have granted, as of the related Transfer Date, to the Issuer a first priority security interest in the entire right, title and interest of the Depositor in and to such Loans or Residual Securities and proceeds and all other property conveyed to the Issuer as of such Transfer Date, (ii) consisting of any other property specified in Section 2.01(a), the Depositor shall be deemed to have granted, as of the initial Closing Date, to the Issuer a first priority security interest in the entire right, title and interest of the Depositor in and to such property and the proceeds thereof. In such event, with respect to such property, this Agreement shall constitute a security agreement under applicable law.

(d) On the Closing Date, the Depositor shall, at such party's sole expense, cause to be filed UCC-1 Financing Statements naming the Issuer as "secured party" and describing the Trust Estate being sold by the Depositor to the Issuer with the appropriate governmental filing office in the state in which the Depositor is organized and any other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. In addition, on the Closing Date, the Loan Originator shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Depositor as "secured party" and describing the Loans being sold by the

Loan Originator to the Depositor with the appropriate governmental office in the state in which the Loan Originator is organized and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. In addition, on the Closing Date, the Depositor shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Depositor as "secured party" and describing the Loans being sold by the Loan Originator to the Depositor with the

appropriate governmental office in the state in which the Loan Originator is organized and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. On or before the initial Funding Date, the Issuer shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Issuer as "secured party" and describing the Advance Note being sold by the Advance Trust to the Issuer with the appropriate governmental office in the state in which the Advance Trust is organized and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. On or before the initial Transfer Date with respect to Residual Securities, the Issuer shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Issuer as "secured party" and describing each Residual Security being sold by the Advance Trust to the Issuer with the appropriate governmental office in the state of Delaware and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate.

Section 2.04 Delivery of Loan Documents.

(a) The Loan Originator shall, prior to the related Transfer Date (or, in the case of each Wet Funded Loan, the related Wet Funded Custodial File Delivery Date), in accordance with the terms and conditions set forth in the Custodial Agreement, deliver or cause to be delivered to the Custodian, as the designated agent of the Indenture Trustee, a Loan Schedule and each of the documents constituting the Custodial Loan File with respect to each Loan. The Loan Originator shall assure that (i) in the event that any Wet Funded Loan is not closed and funded to the order of the appropriate Borrower on the day funds are provided to the Loan Originator by the Initial Noteholder on behalf of the Issuer, such funds shall be promptly returned to the Initial Noteholder on behalf of the Issuer and (ii) in the event that any Wet Funded Loan is subject to a recission, all funds received in connection with such recission shall be promptly returned to the Initial Noteholder on behalf of the Issuer. With respect to each Residual Security, the Loan Originator shall, prior to the related Transfer Date, deliver or cause to be delivered to the Indenture trustee a Residual Security Schedule and each of the related Loan Documents and shall cause the Delivery of such Residual Security to the Indenture Trustee.

(b) The Loan Originator shall, on the related Transfer Date (or in the case of a Wet Funded Loan, on or before the related Wet Funded Custodial File Delivery Date), deliver or cause to be delivered to the Servicer the related Servicer's Loan File (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders.

(c) The Indenture Trustee shall cause the Custodian to take and maintain continuous physical possession of the Custodial Loan Files in the State of California (or upon prior written notice from the Custodian to the Loan Originator and the Initial Noteholder and delivery of an Opinion of Counsel with respect to the continued perfection of the Indenture

Trustee's security interest, in the State of Minnesota or Utah) and, in connection therewith, shall act solely as agent for the Noteholders in accordance with the terms hereof and not as agent for the Loan Originator, the Servicer or any other party.

Section 2.05 Acceptance by the Indenture Trustee of the Loans; Certain Substitutions and Repurchases; Certification by the Custodian.

(a) The Indenture Trustee declares that it will cause the Custodian to hold the Custodial Loan Files and any additions, amendments, replacements or supplements to the documents contained therein, as well as any other assets included in the Trust Estate and delivered to the Custodian, in trust, upon and subject to the conditions set forth herein. The Indenture Trustee further agrees to cause the Custodian to execute and deliver such certifications as are required under the Custodial Agreement and to otherwise direct the Custodian to

perform all of its obligations with respect to the Custodial Loan Files in strict accordance with the terms of the Custodial Agreement.

(b) (i) With respect to any Loans which are set forth as exceptions in the Exceptions Report, the Loan Originator shall cure such exceptions by delivering such missing documents to the Custodian or otherwise curing the defect no later than, in the case of (x) a non-Wet Funded Loan, 5 Business Days, or (y) in the case of a Wet Funded Loan one Business Day after the Wet Funded Custodial File Delivery Date, in each case, following the receipt of the first Exceptions Report listing such exception with respect to such Loan.

(ii) In the event that, with respect to any Loan, the Loan Originator does not comply with the document delivery requirements of this Section 2.05 and such failure has a material adverse effect on the value or enforceability of any Loan or the interests of the Securityholders in any Loan, the Loan Originator shall repurchase such Loan within one Business Day of notice thereof from the Indenture Trustee or the Initial Noteholder at the Repurchase Price thereof with respect to such Loan by depositing such Repurchase Price in the Collection Account. In lieu of such a repurchase, the Depositor and Loan Originator may comply with the substitution provisions of Section 3.06 hereof. The Loan Originator shall provide the Servicer, the Indenture Trustee, the Issuer and the Initial Noteholder with a certification of a Responsible Officer on or prior to such repurchase or substitution indicating that the Loan Originator intends to repurchase or substitute such Loan.

(iii) It is understood and agreed that the obligation of the Loan Originator to repurchase or substitute any such Loan pursuant to this Section 2.05(b) shall constitute the sole remedy with respect to such failure to comply with the foregoing delivery requirements.

(c) In performing its reviews of the Custodial Loan Files pursuant to the Custodial Agreement, the Custodian shall have no responsibility to determine the genuineness of any document contained therein and any signature thereon. The Custodian shall not have any responsibility for determining whether any document is valid and binding, whether the text of any assignment or endorsement is in proper or recordable form, whether any document has been recorded in accordance with the requirements of any applicable jurisdiction, or whether a blanket assignment is permitted in any applicable jurisdiction.

(d) The Servicer's Loan File shall be held in the custody of the Servicer (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders. It is intended that, by the Servicer's agreement pursuant to this Section 2.05(d), the Indenture Trustee shall be deemed to have possession of the Servicer's Loan Files for purposes of Section 9-305 of the UCC of the state in which such documents or instruments are located. The Servicer shall promptly report to the Indenture Trustee any failure by it to hold the Servicer's Loan File as herein provided and shall promptly take appropriate action to remedy any such failure. In acting as custodian of such documents and instruments, the Servicer agrees not to assert any legal or beneficial ownership interest in the Loans or such documents or instruments. Subject to Section 8.01(d), the Servicer agrees to indemnify the Securityholders and the Indenture Trustee, their officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended for any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever which may be imposed on, incurred by or asserted against the Securityholders or the Indenture Trustee as the result of the negligence or willful misfeasance by the Servicer relating to the maintenance and custody of such documents or instruments which have been delivered to the Servicer; provided, however, that the Servicer will not be liable for any portion of any such amount resulting from the negligence or willful misconduct of any Securityholders or the Indenture Trustee; and provided, further, that the Servicer will not be liable for any portion of any

such amount resulting from the Servicer's compliance with any instructions or directions consistent with this Agreement issued to the Servicer by the Indenture Trustee or the Majority Noteholders. The Indenture Trustee shall have no duty to monitor or otherwise oversee the Servicer's performance as custodian of the Servicer Loan File hereunder.

Section 2.06 Conditions Precedent to Transfer Dates, Funding Dates and Collateral Value Increase Dates.

(a) Two (2) Business Days prior to each Transfer Date, the Issuer shall give notice to the Initial Noteholder of such upcoming Transfer Date and provide an estimate of the number of Loans and Residual Securities and the aggregate Principal Balance of such Loans and the aggregate Principal Balance of such Residual Securities to be transferred on such Transfer Date. On the Business Day prior to each Transfer Date, the Issuer shall provide the Initial Noteholder a final Loan Schedule with respect to the Loans to be transferred on such Transfer Date and a final Residual Securities Schedule with respect to the Residual Securities to be transferred on such Transfer Date. On each Transfer Date, the Depositor or the applicable QSPE Affiliate shall convey to the Issuer, the Loans, Residual Securities and the other property and rights related thereto described in the related S&SA Assignment, and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Transfer Date, shall deposit or cause to be deposited cash in the amount of the Additional Note Principal Balance received from the Initial Noteholder in the Advance Account in respect thereof, and the Servicer shall, promptly after such deposit, withdraw the amount deposited in respect of applicable Additional Note Principal Balance from the Advance Account, and distribute such amount to or at the direction of the Depositor or the applicable QSPE Affiliate.

As of the Closing Date, each Transfer Date and, as applicable, each Collateral Value Increase Date:

(i) the Depositor, the QSPE Affiliate and the Servicer, as applicable, shall have delivered to the Issuer and the Initial Noteholder duly executed Assignments, which shall have attached thereto a Loan Schedule and Residual Securities Schedule, as applicable, setting forth the appropriate information with respect to all Loans and Residual Securities conveyed on such Transfer Date and shall have delivered to the Initial Noteholder a computer readable transmission of such Loan Schedule and/or Residual Securities Schedule;

(ii) the Depositor shall have deposited, or caused to be deposited, in the Collection Account all collections received with respect to each of the Loans and Residual Securities on and after the applicable Transfer Cut-off Date or, in the case of purchases from a QSPE Affiliate, such QSPE Affiliate shall have deposited, or caused to be deposited, in the Collection Account all collections received with respect to each of the Loans and allocable to the period after the related Transfer Date;

(iii) as of such Transfer Date or Collateral Value Increase Date, neither the Loan Originator, the Depositor or the QSPE Affiliate, as applicable, shall (A) be insolvent, (B) be made insolvent by its respective sale of Loans or Residual Securities or (C) have reason to believe that its insolvency is imminent;

(iv) the Revolving Period shall not have terminated;

(v) as of such Transfer Date or Collateral Value Increase Date (after giving effect to the sale of Loans on such Transfer Date), there shall be no Overcollateralization Shortfall;

(vi) in the case of non-Wet Funded Loans, the Issuer shall have delivered the Custodial Loan File to the Custodian in accordance with the Custodial Agreement and the Initial Noteholder shall have received a copy of the Trust Receipt and Exceptions Report reflecting such delivery;

(vii) each of the representations and warranties made by the Loan Originator contained in Exhibit E with respect to the Loans and Section 3 of the Residual Securities Transfer Agreement with respect to the Residual Securities shall be true and correct in all material respects as of the related Transfer Date with the same effect as if then made and the proviso set forth in Section 3.05 with respect to Loans sold by a QSPE Affiliate shall not be applicable to any Loans, and the Depositor or the QSPE Affiliate, as applicable, shall have performed all obligations to be performed by it under the Basic Documents on or prior to such Transfer Date or Collateral Value Increase Date;

(viii) the Depositor or the QSPE Affiliate shall, at its own expense, within one Business Day following the Transfer Date, indicate in its computer files that the Loans and Residual Securities identified in each S&SA Assignment have been sold to the Issuer pursuant to this Agreement and the S&SA Assignment;

(ix) the Depositor or the QSPE Affiliate shall have taken any action requested by the Indenture Trustee, the Issuer or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate;

(x) no selection procedures believed by the Depositor or the QSPE Affiliate to be adverse to the interests of the Noteholders shall have been utilized in selecting the Loans or the Residual Securities to be conveyed on such Transfer Date;

(xi) the Depositor shall have provided the Issuer, the Indenture Trustee and the Initial Noteholder no later than two Business Days prior to such date a notice of Additional Note Principal Balance in the form of Exhibit A hereto;

(xii) after giving effect to the Additional Note Principal Balance associated therewith, the Note Principal Balance will not exceed the Maximum Note Principal Balance;

(xiii) all conditions precedent to the Depositor's purchase of Loans and the Residual Securities pursuant to the Loan Purchase and Contribution Agreement and the Residual Securities Transfer Agreement shall have been fulfilled as of such Transfer Date and, in the case of purchases from a QSPE Affiliate, all conditions precedent to the Issuer's purchase of Loans pursuant to the Master Disposition Confirmation Agreement shall have been fulfilled as of such Transfer Date;

(xiv) all conditions precedent to the Noteholders' purchase of Additional Note Principal Balance pursuant to the Note Purchase Agreement shall have been fulfilled as of such Transfer Date or Collateral Value Increase Date;

(xv) with respect to each Loan acquired from any QSPE Affiliate that has a limited right of recourse to the Loan Originator under the terms of the applicable loan purchase agreement, the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of the related loan purchase contract providing for recourse by that QSPE Affiliate to the Loan Originator; and

(xvi) with respect to each Wet Funded Loan, the Guaranty shall be in full force and effect.

(b) Two (2) Business Days prior to each Funding Date, the Issuer shall deliver or cause to be delivered to the Initial Noteholder the Funding Notice and Funding Date Report delivered by the Receivables Seller pursuant to the Receivables Purchase Agreement. On each Funding Date, the Issuer shall purchase the Additional Note Balance issued by the Advance Trust on such Funding Date, and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Funding Date, shall cause the Initial Noteholder to

deposit the applicable Additional Note Principal Balance into the Funding Account.

As of the each Funding Date:

(xvii) the Receivables Seller and the Advance Depositor, shall have delivered to the Issuer the related Funding Notice and Bill of Sale, and the exhibits related thereto, pursuant to the Receivables Purchase Agreement;

(xviii) neither the Loan Originator nor the Depositor shall (A) be insolvent or (B) have reason to believe that its insolvency is imminent;

(xix) the Revolving Period shall not have terminated;

(xx) after giving effect to the purchase of Additional Note Balance on such Funding Date, there shall be no Overcollateralization Shortfall;

(xxi) the Issuer shall have taken any action requested by the Indenture Trustee or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate;

(xxii) the Issuer shall have provided the Indenture Trustee and the Initial Noteholder no later than two Business Days prior to such date a notice of Additional Note Principal Balance in the form of Exhibit A hereto;

(xxiii) after giving effect to the Additional Note Principal Balance associated therewith, the Note Principal Balance will not exceed the Maximum Note Principal Balance;

(xxiv) all conditions precedent to the Issuer's purchase of Additional Note Balance pursuant to the Advance Note Purchase Agreement shall have been fulfilled as of such Funding Date; and

(xxv) all conditions precedent to the Noteholders' purchase of Additional Note Balance pursuant to the Note Purchase Agreement shall have been fulfilled as of such Funding Date.

Section 2.07 Termination of Revolving Period.

Upon the occurrence of (i) an Event of Default or Default or (ii) a Rapid Amortization Trigger or (iii) the Unfunded Transfer Obligation Percentage equals 4.0% or less or (iv) Option One or any of its Affiliates shall default under, or fail to perform as requested under, or shall otherwise materially breach the terms of any repurchase agreement, loan and security agreement or similar credit facility or agreement entered into by Option One or any of its Affiliates, including the 2001-1B Sale and Servicing Agreement and the Sale and Servicing Agreement, dated as of April 1, 2001, as amended and restated through and including November 25, 2003, among the Option One Owner Trust 2001-2, the Depositor, Option One and the Indenture Trustee, and such default, failure or breach shall entitle any counterparty to declare the Indebtedness thereunder to be due and payable prior to the maturity thereof, the Initial Noteholder may, in any such case, in its sole discretion, terminate the Revolving Period.

Section 2.08 Correction of Errors.

The parties hereto who have relevant information shall cooperate to reconcile any errors in calculating the Sales Price from and after the Closing Date. In the event that an error in the Sales Price is discovered by either party, including without limitation, any error due to miscalculations of Market Value where insufficient information has been provided with respect to a Loan or Residual Security to make an accurate determination of Market Value as of any applicable Transfer Date, any miscalculations of Principal Balance, accrued

interest, Overcollateralization Shortfall or aggregate unreimbursed Servicing Advances attributable to the applicable Loan or Residual Security, or any prepayments not properly credited, such party shall give prompt notice to the other parties hereto, and the party that shall have benefitted from such error shall promptly remit to the other, by wire transfer of immediately available funds, the amount of such error with no interest thereon.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Depositor.

The Depositor hereby represents, warrants and covenants to the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Depositor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has, and had at all relevant times, full power to own its property, to carry on its business as currently conducted, to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance of and compliance with all of the terms thereof will not violate the Depositor's organizational documents or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material contract, agreement or other instrument to which the Depositor is a party or which are applicable to the Depositor or any of its assets;

(c) The Depositor has the full power and authority to enter into and consummate the transactions contemplated by each Basic Document to which the Depositor is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by the other party or parties thereto, constitutes a valid, legal and binding obligation of the Depositor, enforceable against it in accordance with the terms thereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Depositor is not in violation of, and the execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance and compliance with the terms of each Basic Document to which the Depositor is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Depositor or any of its properties or materially and adversely affect the performance of any of its duties hereunder;

(e) There are no actions or proceedings against, or investigations of, the Depositor currently pending with regard to which the Depositor has received service of process and no action or proceeding against, or investigation of, the Depositor is, to the knowledge of the Depositor, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Depositor, would prohibit its entering into any of the Basic Documents to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any of the Basic

Documents to which it is a party or (C) if determined adversely to the Depositor, would reasonably be expected to prohibit or materially and adversely affect the performance by the Depositor of its obligations under, or the validity or enforceability of, any of the Basic Documents to which it is a party or the Securities (it being understood that the satisfaction of the Financial Covenants by the Loan Originator is not considered an obligation of the Depositor);

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Depositor of, or compliance by the Depositor with, any of the Basic Documents to which the Depositor is a party or the Securities, or for the consummation of the transactions contemplated by any of the Basic Documents to which the Depositor is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The Depositor is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations hereunder; it will not be rendered insolvent by the execution and delivery of any of the Basic Documents to which it is a party or the assumption of any of its obligations thereunder; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Depositor;

(h) The Depositor did not transfer the Loans or Residual Securities sold thereon by the Depositor to the Trust with any intent to hinder, delay or defraud any of its creditors; nor will the Depositor be rendered insolvent as a result of such sale;

(i) The Depositor had good title to, and was the sole owner of, each Loan and Residual Security sold thereon by the Depositor free and clear of any lien other than any such lien released simultaneously with the sale contemplated herein, and, immediately upon each transfer and assignment herein contemplated, the Depositor will have delivered to the Trust good title to, and the Trust will be the sole owner of, each Loan and Residual Security transferred by the Depositor thereon free and clear of any lien;

(j) The Depositor acquired title to each of the Loans and Residual Securities sold thereon by the Depositor in good faith, without notice of any adverse claim;

(k) None of the Basic Documents to which the Depositor is a party, nor any Officer's Certificate, statement, report or other document prepared by the Depositor and furnished or to be furnished by it pursuant to any of the Basic Documents to which it is a party or in connection with the transactions contemplated thereby contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading;

(l) The Depositor is not required to be registered as an "investment company" under the Investment Company Act of 1940, as amended;

(m) The transfer, assignment and conveyance of the Loans and the Residual Securities by the Depositor thereon pursuant to this Agreement is not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction;

(n) The Depositor's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto;

(o) The Depositor covenants that during the continuance of this Agreement it will comply in all respects with the provisions of its organizational documents in effect from time to time; and

(p) The representations and warranties set forth in (h), (i), (j)

and (m) above were true and correct (with respect to the applicable QSPE Affiliate) with respect to each Loan transferred to the Trust by any QSPE Affiliate at the time such Loan was transferred to a QSPE Affiliate.

Section 3.02 Representations and Warranties of the Loan Originator.

The Loan Originator hereby represents and warrants to the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Loan Originator is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property related to a Loan sold by it is located and (ii) is in compliance with the laws of any such jurisdiction, in both cases, to the extent necessary to ensure the enforceability of such Loans in accordance with the terms thereof and had at all relevant times, full corporate power to originate such Loans, to own its property, to carry on its business as currently conducted and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Loan Originator of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Loan Originator's articles of organization or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or

result in the breach or acceleration of, any contract, agreement or other instrument to which the Loan Originator is a party or which may be applicable to the Loan Originator or any of its assets;

(c) The Loan Originator has the full power and authority to enter into and consummate all transactions contemplated by the Basic Documents to be consummated by it, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Loan Originator, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Loan Originator is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Loan Originator and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Loan Originator or its properties or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Loan Originator currently pending with regard to which the Loan Originator has received service of process and no action or proceeding against, or investigation of, the Loan Originator is, to the knowledge of the Loan Originator, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Loan Originator, would prohibit its entering into any Basic Document to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any

Basic Document to which it is a party or (C) if determined adversely to the Loan Originator, would reasonably be expected to prohibit or materially and adversely affect the sale of the Loans or Residual Securities to the Depositor, the performance by the Loan Originator of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities, provided, however, that for purposes of calculating whether the Loan Seller satisfies the Financial Covenants, such action, proceeding or investigation shall not be taken into account unless there is a reasonable possibility of an adverse determination of such action, proceeding or investigation;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for: (1) the execution, delivery and performance by the Loan Originator of, or compliance by the Loan Originator with, any Basic Document to which it is a party, (2) the issuance of the Securities, (3) the sale and contribution of the Loans or the sale of the Residual Securities, or (4) the consummation of the transactions required of it by any Basic Document to which it is a party, except such as shall have been obtained before such date;

(g) Immediately prior to the sale of any Loan or Residual Security to the Depositor, the Loan Originator had good title to such Loan or Residual Security sold by it on such date without notice of any adverse claim;

(h) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Loan Originator to the Initial Noteholder in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Loan Originator to the Initial Noteholder in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(i) The Loan Originator is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations under each Basic Document to which it is a party; it will not be rendered insolvent by the execution and delivery of this Agreement or by the performance of its obligations under each Basic Document to which it is a party; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Loan Originator prior to the date hereof;

(j) The Loan Originator has transferred the Loans or Residual Securities transferred by it on or prior to such Transfer Date without any intent to hinder, delay or defraud any of its creditors;

(k) The Loan Originator has received fair consideration and reasonably equivalent value in exchange for the Loans and Residual Securities sold by it on such Transfer Date to the Depositor;

(l) The Loan Originator has not dealt with any broker or agent or other Person who might be entitled to a fee, commission or compensation in connection with the transaction contemplated by this Agreement;

(m) The Loan Originator is in compliance with each of its financial covenants set forth in Section 7.02; and

(n) The Loan Originator's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto.

It is understood and agreed that the representations and warranties set forth in this Section 3.02 shall survive delivery of the respective Custodial Loan Files to the Custodian (as the agent of the Indenture Trustee) and shall inure to the benefit of the Securityholders, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee or the Trust of a breach of any of the foregoing representations and warranties that materially and adversely affects the value of

any Loan or Residual Security or the interests of the Securityholders in any Loan or Residual Security or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The obligations of the Loan Originator set forth in Sections 2.05 and 3.06 hereof to cure any breach or to substitute for or repurchase an affected Loan or Residual Security shall constitute the sole remedies available hereunder to the Securityholders, the Depositor, the Servicer, the Indenture Trustee or the Trust respecting a breach of the representations and warranties contained in this Section 3.02. The fact that the Initial Noteholder has conducted or has failed to conduct any partial or complete due diligence investigation of the Loan Files shall not affect the Securityholders rights to demand repurchase or substitution as provided under this Agreement.

Section 3.03 Representations, Warranties and Covenants of the Servicer.

The Servicer hereby represents and warrants to and covenants with the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Servicer is a corporation duly organized, validly existing and in good standing under the laws of the State of California and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property is located, and (ii) is in compliance with the laws of any such state, in both cases, to the extent necessary to ensure the enforceability of the Loans in accordance with the terms thereof and to perform its duties under each Basic Document to which it is a party and had at all relevant times, full corporate power to own its property, to carry on its business as currently conducted, to service the Loans and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Servicer of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Servicer's articles of incorporation or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material contract, agreement or other instrument to which the Servicer is a party or which are applicable to the Servicer or any of its assets;

(c) The Servicer has the full power and authority to enter into and consummate all transactions contemplated by each Basic Document to which it is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party. Each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Servicer, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Servicer is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Servicer and its performance and compliance with the terms of each Basic Document to which it is

a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state,

municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Servicer or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Servicer currently pending with regard to which the Servicer has received service of process and no action or proceeding against, or investigation of, the Servicer is, to the knowledge of the Servicer, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Servicer, would prohibit its entering into any Basic Document to which it is a party, (B) seek to prevent the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Servicer, would reasonably be expected to prohibit or materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities, provided, however, that for the purpose of calculating whether the Servicer satisfies the Financial Covenants, such action, proceeding or investigation shall not be taken into account unless there is a reasonable possibility of an adverse determination of such action, proceeding or investigation;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Servicer of, or compliance by the Servicer with, any Basic Document to which it is a party or the Securities, or for the consummation of the transactions contemplated by any Basic Document to which it is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Servicer to the Initial Noteholder in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Servicer to the Initial Noteholder in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(h) The Servicer is solvent and will not be rendered insolvent as a result of the performance of its obligations pursuant to under the Basic Documents to which it is a party;

(i) The Servicer acknowledges and agrees that the Servicing Compensation represents reasonable compensation for the performance of its services hereunder and that the entire Servicing Compensation shall be treated by the Servicer, for accounting purposes, as compensation for the servicing and administration of the Loans pursuant to this Agreement;

(j) The Servicer is in compliance with each of its financial covenants set forth in Section 7.02; and

(k) The Servicer is an Eligible Servicer and covenants to remain an Eligible Servicer or, if not an Eligible Servicer, each Subservicer is an

Eligible Servicer and the Servicer covenants to cause each Subservicer to be an Eligible Servicer.

It is understood and agreed that the representations, warranties and covenants set forth in this Section 3.03 shall survive delivery of the respective Custodial Loan Files to the Indenture Trustee or the Custodian on its behalf and shall inure to the benefit of the Depositor, the Securityholders, the Indenture Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee or the Issuer of a breach of any of the foregoing representations, warranties and covenants that materially and adversely affects the value of any Loan or Residual Security or the interests of the Securityholders therein or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The fact that the Initial Noteholder has conducted or has failed to conduct any partial or complete due diligence investigation shall not affect the Securityholders, rights to exercise their remedies as provided under this Agreement.

Section 3.04 Reserved.

Section 3.05 Representations and Warranties Regarding Loans.

The Loan Originator makes each of the representations and warranties set forth on Exhibit E hereto with respect to each Loan and makes each representation and warranty set forth in Section 3 of the Residual Securities Transfer Agreement with respect to each Residual Security, provided, however, that with respect to each Loan transferred to the Issuer by a QSPE Affiliate, to the extent that the Loan Originator has at the time of such transfer actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator shall notify the Initial Noteholder of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty.

In addition, the Loan Originator represents and warrants with respect to each Loan sold by a QSPE Affiliate that the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of any loan purchase agreement providing for recourse by that QSPE Affiliate to the Loan Originator.

Section 3.06 Purchase and Substitution.

(a) It is understood and agreed that the representations and warranties set forth in Exhibit E hereto and in Section 3 of the Residual Securities Transfer Agreement shall survive the conveyance of the Loans or the Residual Securities to the Indenture Trustee on behalf of the Issuer, and the delivery of the Securities to the Securityholders. Upon discovery by the Depositor, the Servicer, the Loan Originator, the Custodian, the Issuer, the Indenture Trustee or any Securityholder of a breach of any of such representations and warranties or the representations and warranties of the Loan Originator set forth in Section 3.02 which materially

and adversely affects the value or enforceability of any Loan or Residual Security or the interests of the Securityholders in any Loan or Residual Security (notwithstanding that such representation and warranty was made to the Loan Originator's best knowledge) or which, as a result of the attributes of the aggregate Loan Pool or Residual Securities Pool, constitutes a breach of the representations and warranties set forth in Exhibit E or in Section 3 of the Residual Securities Transfer Agreement, the party discovering such breach shall give prompt written notice to the others. The Loan Originator shall within 5 Business Days of the earlier of the Loan Originator's discovery or the Loan Originator's receiving notice of any breach of a representation or warranty, promptly cure such breach in all material respects. If within 5 Business Days

after the earlier of the Loan Originator's discovery of such breach or the Loan Originator's receiving notice thereof such breach has not been remedied by the Loan Originator and such breach materially and adversely affects the interests of the Securityholders in the related Loan (an "Unqualified Loan") or related Residual Security (an "Unqualified Residual Security"), the Loan Originator shall promptly upon receipt of written instructions from the Majority Noteholders either (i) remove such Unqualified Loan (in which case it shall become a Deleted Loan) or Unqualified Residual Security (in which case it shall become a Deleted Residual Security) from the Trust and substitute one or more Qualified Substitute Loans (in place of a Deleted Loan) or Qualified Residual Securities (in place of a Deleted Residual Security) in the manner and subject to the conditions set forth in this Section 3.06 or (ii) purchase such Unqualified Loan or Unqualified Residual Security at a purchase price equal to the Repurchase Price with respect to such Unqualified Loan or Unqualified Residual Security by depositing or causing to be deposited such Repurchase Price in the Collection Account.

Any substitution of Loans or Residual Securities pursuant to this Section 3.06(a) shall be accompanied by payment by the Loan Originator of the Substitution Adjustment, if any, (x) if no Overcollateralization Shortfall exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i) or (y) otherwise to be deposited in the Collection Account pursuant to Section 5.01(b)(1) hereof.

(b) As to any Deleted Loan or Deleted Residual Security for which the Loan Originator substitutes a Qualified Substitute Loan or Loans or Qualified Substitute Residual Security or Residual Securities, the Loan Originator shall effect such substitution by delivering to the Indenture Trustee and Initial Noteholder a certification executed by a Responsible Officer of the Loan Originator to the effect that the Substitution Adjustment, if any, has been (x) if no Overcollateralization Shortfall exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i), or (y) otherwise deposited in the Collection Account. As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Custodian the documents constituting the Custodial Loan File for such Qualified Substitute Loan or Loans. As to any Deleted Residual Security for which the Loan Originator substitutes a Qualified Substitute Residual Security or Residual Securities, the Loan Originator shall effect such substitution by delivering to the Trustee the Loan Documents for such Qualified Substitute Residual Security or Residual Securities.

The Servicer shall deposit in the Collection Account all payments received in connection with each Qualified Substitute Loan or Qualified Substitute Residual Security after the date of such substitution. Monthly Payments received with respect to Qualified Substitute Loans or

Qualified Substitute Residual Securities on or before the date of substitution will be retained by the Loan Originator. The Trust will be entitled to all payments received on the Deleted Loan or Deleted Residual Security on or before the date of substitution and the Loan Originator shall thereafter be entitled to retain all amounts subsequently received in respect of such Deleted Loan or Residual Security. The Loan Originator shall give written notice to the Issuer, the Servicer (if the Loan Originator is not then acting as such), the Indenture Trustee and Initial Noteholder that such substitution has taken place and the Servicer shall amend the Loan Schedule or Residual Security Schedule, as applicable, to reflect (i) the removal of such Deleted Loan or Deleted Residual Security from the terms of this Agreement and (ii) the substitution of the Qualified Substitute Loan or Qualified Substitute Residual Security. The Servicer shall promptly deliver to the Issuer, the Loan Originator, the Indenture Trustee and Initial Noteholder, a copy of the amended Loan Schedule and/or a copy of the amended Residual Security Schedule. Upon such substitution, such Qualified Substitute Loan or Loans or Qualified Substitute Residual

Security or Residual Securities shall be subject to the terms of this Agreement in all respects, and the Loan Originator shall be deemed to have made with respect to such Qualified Substitute Loan or Loans, as of the date of substitution, the covenants, representations and warranties set forth in Exhibit E hereto and with respect to such or Qualified Substitute Residual Security or Residual Securities, the covenants, representations and warranties set forth in the Residual Securities Transfer Agreement. On the date of such substitution, the Loan Originator will (x) if no Overcollateralization Shortfall exists as of the date of substitution (after giving effect to such substitution), remit to the Noteholders as provided in Section 5.01(c)(4)(i) or (y) otherwise deposit into the Collection Account, in each case an amount equal to the related Substitution Adjustment, if any. In addition, on the date of such substitution, the Servicer shall cause the Indenture Trustee to release the Deleted Loan or Deleted Residual Securities from the lien of the Indenture and the Servicer will cause such Qualified Substitute Loan or Qualified Substitute Residual Securities to be pledged to the Indenture Trustee under the Indenture as part of the Trust Estate.

(c) With respect to all Unqualified Loans, Unqualified Residual Securities or other Loans or Residual Securities repurchased by the Loan Originator pursuant to this Agreement, upon the deposit of the Repurchase Price therefor into the Collection Account, (i) the Issuer shall assign to the Loan Originator, without representation or warranty, all of the Issuer's right, title and interest in and to such Unqualified Loan or Unqualified Residual Security, which right, title and interest were conveyed to the Issuer pursuant to Section 2.01 hereof and (ii) the Indenture Trustee shall assign to the Loan Originator, without recourse, representation or warranty, all the Indenture Trustee's right, title and interest in and to such Unqualified Loans or Loans or Unqualified Residual Security or Residual Securities, which right, title and interest were conveyed to the Indenture Trustee pursuant to Section 2.01 hereof and the Indenture. The Issuer and the Indenture Trustee shall, at the expense of the Loan Originator, take any actions as shall be reasonably requested by the Loan Originator to effect the repurchase of any such Loans or Residual Securities and to have the Custodian return the Custodial Loan File of the deleted Loan to the Servicer or to have the Trustee return the Loan Documents of the Deleted Residual Security to the Servicer.

(d) It is understood and agreed that the obligations of the Loan Originator set forth in this Section 3.06 to cure, purchase or substitute for a Unqualified Loan or Unqualified

Residual Security constitute the sole remedies hereunder of the Depositor, the Issuer, the Indenture Trustee, the Owner Trustee and the Securityholders respecting a breach of the representations and warranties contained in Sections 3.02 hereof and in Exhibit E hereto and the Residual Security Transfer Agreement. Any cause of action against the Loan Originator relating to or arising out of a defect in a Custodial Loan File or the Loan Documents (with respect to a Residual Security) or against the Loan Originator relating to or arising out of a breach of any representations and warranties made in Sections 3.02 hereof and in Exhibit E hereto or the Residual Security Transfer Agreement shall accrue as to any Loan or Residual Security upon (i) discovery of such defect or breach by any party and notice thereof to the Loan Originator or notice thereof by the Loan Originator to the Indenture Trustee, (ii) failure by the Loan Originator to cure such defect or breach or purchase or substitute such Loan or Residual Security as specified above, and (iii) demand upon the Loan Originator, as applicable, by the Issuer or the Majority Noteholders for all amounts payable in respect of such Loan or Residual Security.

(e) Neither the Issuer nor the Indenture Trustee shall have any duty to conduct any affirmative investigation other than as specifically set forth in this Agreement as to the occurrence of any condition requiring the repurchase or substitution of any Loan or Residual Security pursuant to this Section or the eligibility of any Loan for purposes of this Agreement.

Section 3.07 Dispositions.

(a) The Majority Noteholders may at any time, and from time to time, require that the Issuer redeem all or any portion of the Note Principal Balance of the Notes by paying the Note Redemption Amount with respect to the Note Principal Balance to be redeemed. In connection with any such redemption, the Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with this Agreement, including in accordance with this Section 3.07.

(b) (i) In consideration of the consideration received from the Depositor under the Loan Purchase and Contribution Agreement and the Residual Securities Transfer Agreement, the Loan Originator hereby agrees and covenants that in connection with each Disposition it shall effect the following:

(A) make such representations and warranties concerning the Loans as of the "cut-off date" of the related Disposition to the Disposition Participants as may be necessary to effect the Disposition and such additional representations and warranties as may be necessary, in the reasonable opinion of any of the Disposition Participants, to effect such Disposition; provided, that, to the extent that the Loan Originator has at the time of the Disposition actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator may notify the Disposition Participants of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty;

(B) supply such information, opinions of counsel, letters from law and/or accounting firms and other documentation and certificates regarding the origination of the Loans or the issuance of the Residual Securities as any Disposition Participant shall reasonably request to effect a Disposition and enter into such indemnification agreements customary for such

transaction relating to or in connection with the Disposition as the Disposition Participants may reasonably require;

(C) make itself available for and engage in good faith consultation with the Disposition Participants concerning information to be contained in any document, agreement, private placement memorandum, or filing with the Securities and Exchange Commission relating to the Loan Originator, the Loans or the Residual Securities in connection with a Disposition and shall use reasonable efforts to compile any information and prepare any reports and certificates, into a form, whether written or electronic, suitable for inclusion in such documentation;

(D) to implement the foregoing and to otherwise effect a Disposition, enter into, or arrange for its Affiliates to enter into insurance and indemnity agreements, underwriting or placement agreements, servicing agreements, purchase agreements and any other documentation which may reasonably be required of or reasonably deemed appropriate by the Disposition Participants in order to effect a Disposition; and

(E) take such further actions as may be reasonably necessary to effect the foregoing;

provided, that notwithstanding anything to the contrary, (a) the Loan Originator shall have no liability for the Loans or the Residual Securities arising from or relating to the ongoing ability of the related Borrowers to pay under the Loans or under the loans underlying the Residual Securities; (b) none of the indemnities hereunder shall constitute an unconditional guarantee by the Loan Originator of collectibility of the Loans or the Residual Securities; (c) the Loan Originator shall have no obligation with respect to the financial inability of any Borrower to pay principal, interest or other amount owing by such Borrower under a Loan or under a loan underlying a Residual Security; and (d) the Loan Originator shall only be required to enter into documentation in connection with Dispositions that is consistent with the prior public securitizations of affiliates of the Loan Originator, provided that to the

extent an Affiliate of the Initial Noteholder acts as "depositor" or performs a similar function in a Securitization, additional indemnities and informational representations and warranties are provided which are consistent with those in the Basic Documents and may upon request of the Loan Originator be set forth in a separate agreement between an Affiliate of the Initial Noteholder and the Loan Originator.

(ii) In the event of any Disposition to the Loan Originator or any of its Affiliates (except in connection with a Securitization or a Disposition to a QSPE Affiliate), the purchase price paid by the Loan Originator or any such Affiliate shall be the "fair market value" of the Loans or the Residual Securities subject to such Disposition (as determined by the Market Value Agent based upon recent sales of comparable loans or securities or such other objective criteria as may be approved for determining "fair market value" by a "Big Five" national accounting firm).

(iii) As long as no Event of Default or Default shall have occurred and be continuing under this Agreement or the Indenture, the Servicer may continue to service the Loans included in any Disposition subject to any applicable "term-to-term" servicing provisions in Section 9.01(c) and subject to any required amendments to the related servicing provisions as

may be necessary to effect the related Disposition including but not limited to the obligation to make recoverable principal and interest advances on the Loans.

After the termination of the Revolving Period, the Loan Originator, the Issuer and the Depositor shall use commercially reasonable efforts to effect a Disposition at the direction of the Disposition Agent.

(c) The Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with the terms of this Agreement and the Basic Documents. In connection therewith, the Trust agrees to assist the Loan Originator in such Dispositions and accordingly it shall, at the request and direction of the Majority Noteholders:

(i) transfer, deliver and sell all or a portion of the Loans or Residual Securities, as of the "cut-off dates" of the related Dispositions, to such Disposition Participants as may be necessary to effect the Dispositions; provided, that any such sale shall be for "fair market value," as determined by the Market Value Agent in its reasonable discretion;

(ii) deposit the cash Disposition Proceeds into the Distribution Account pursuant to Section 5.01(c)(2)(D);

(iii) to the extent that a Securitization creates any Retained Securities, to accept such Retained Securities as a part of the Disposition Proceeds in accordance with the terms of this Agreement; and

(iv) take such further actions, including executing and delivering documents, certificates and agreements, as may be reasonably necessary to effect such Dispositions.

(d) The Servicer hereby covenants that it will take such actions as may be reasonably necessary to effect Dispositions as the Disposition Participants may request and direct, including without limitation providing the Loan Originator such information as may be required to make representations and warranties required hereunder, and covenants that it will make such representations and warranties regarding its servicing of the Loans hereunder as of the Cut-off Date of the related Disposition as reasonably required by the Disposition Participants.

(e) [reserved]

(f) The Majority Noteholders may effect Whole Loan Sales upon written notice to the Servicer of its intent to cause the Issuer to effect a

Whole Loan Sale at least 5 Business Days in advance thereof. The Disposition Agent shall serve as agent for Whole Loan Sales and will receive a reasonable fee for such services provided that no such fee shall be payable if (i) the Loan Originator or its Affiliates purchase such Loans and (ii) no Event of Default or Default shall have occurred. The Loan Originator or its Affiliates may concurrently bid to purchase Loans in a Whole Loan Sale; provided, however, that neither the Loan Originator nor any such Affiliates shall pay a price in excess of the fair market value thereof (as determined by the Market Value Agent based upon recent sales of comparable loans or such other objective criteria as may be approved for determining "fair market value" by a "Big Five" national accounting firm). In the event that the Loan Originator does not bid in any such Whole Loan

Sale, it shall have a right of first refusal to purchase the Loans offered for sale at the price offered by the highest bidder. The Disposition Agent shall conduct any Whole Loan Sale subject to the Loan Originator's right of first refusal and shall promptly notify the Loan Originator of the amount of the highest bid. The Loan Originator shall have five (5) Business Days following its receipt of such notice to exercise its right of first refusal by notifying the Disposition Agent in writing.

(g) Except as otherwise expressly set forth under this Section 3.07, the parties' rights and obligations under this Section 3.07 shall continue notwithstanding the occurrence of an Event of Default.

(h) The Disposition Participants (and the Majority Noteholders to the extent directing the Disposition Participants) shall be independent contractors to the Issuer and shall have no fiduciary obligations to the Issuer or any of its Affiliates. In that connection, the Disposition Participants shall not be liable for any error of judgment made in good faith and shall not be liable with respect to any action they take or omits to take in good faith in the performance of their duties.

Section 3.08 Servicer Put; Servicer Call.

(a) Servicer Put. The Servicer shall promptly purchase, upon the written demand of the Majority Noteholders, any Put/Call Loan; provided, however, that the Servicer may, upon receipt of such demand, elect to repurchase such Put/Call Loan pursuant to (b) below, in which case such repurchase shall be deemed a Servicer Call.

(b) Servicer Call. The Servicer may repurchase any Put/Call Loan at any time. Such Servicer Calls shall be solely at the option of the Servicer. Prior to exercising a Servicer Call, the Servicer shall deliver written notice to the Majority Noteholders and the Indenture Trustee which notice shall identify each Loan to be purchased and the Repurchase Price therefor; provided, however, that the Servicer may irrevocably waive its right to repurchase any Put/Call Loan as soon as reasonably practicable following its receipt of notice of the occurrence of any event or events giving rise to such Loan being a Put/Call Loan.

(c) In connection with each Servicer Put, the Servicer shall remit for deposit into the Collection Account the Repurchase Price for the Loans to be repurchased. In connection with each Servicer Call, the Servicer shall deposit into the Collection Account the Repurchase Price for the Loans to be purchased. The aggregate Repurchase Price of all Loans transferred pursuant to Section 3.08(a) shall in no event exceed the Unfunded Transfer Obligation at the time of any Servicer Put.

Section 3.09 Modification of Underwriting Guidelines.

The Loan Originator shall give the Initial Noteholder prompt written notification of any modification or change to the Underwriting Guidelines. If the Noteholder objects in writing to any modification or change to the Underwriting Guidelines within 15 days after receipt of such notice, no Loans may be conveyed to the Issuer pursuant to this Agreement unless such Loans have

been originated pursuant to the Underwriting Guidelines without giving effect to such modification or change. Notwithstanding anything contained in this Agreement to the contrary,

any Loan conveyed to the Issuer pursuant to this Agreement pursuant to a modification or change to the Underwriting Guidelines that has been rejected by the Initial Noteholder or which the Initial Noteholder did not receive notice of, such Loan shall be deemed an Unqualified Loan and be repurchased or substituted for in accordance with Section 3.06.

ARTICLE IV

ADMINISTRATION AND SERVICING OF THE LOANS

Section 4.01 Servicer's Servicing Obligations.

The Servicer, as independent contract servicer, shall service and administer the Loans in accordance with the terms and provisions set forth in the Servicing Addendum, which Servicing Addendum is incorporated herein by reference.

ARTICLE V

ESTABLISHMENT OF TRUST ACCOUNTS; TRANSFER OBLIGATION

Section 5.01 Collection Account and Distribution Account.

(a) (1) Establishment of Collection Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained one or more Collection Accounts (collectively, the "Collection Account"), which shall be separate Eligible Accounts entitled "Option One Owner Trust 2001-1A Collection Account, Wells Fargo Bank, N.A., as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-1A Mortgage-Backed Notes." The Collection Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Collection Account shall be invested in accordance with Section 5.03 hereof. Net investment earnings shall not be considered part of funds available in the Collection Account.

(2) Establishment of Distribution Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained, one or more Distribution Accounts (collectively, the "Distribution Account"), which shall be separate Eligible Accounts, entitled "Option One Owner Trust 2001-1A Distribution Account, Wells Fargo Bank, N.A., as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-1A Mortgage-Backed Notes." The Distribution Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Distribution Account shall be invested in accordance with Section 5.03 hereof. The Servicer may, at its option, maintain one account to serve as both the Distribution Account and the Collection Account, in which case, the account shall be entitled "Option One Owner Trust 2001-1A Collection/Distribution Account, Wells Fargo Bank, N.A., as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-1A Mortgage-Backed Notes." If the Servicer makes such an election, all references herein or in any other Basic Document to either the Collection Account or the Distribution Account shall mean the Collection/Distribution Account described in the preceding sentence.

(3) The Servicer will inform the Indenture Trustee of the location of any accounts held in the Indenture Trustee's name, including any location to which an account is transferred.

(b) Deposits to Collection Account. The Servicer shall deposit or

cause to be deposited (without duplication):

(i) all payments on or in respect of each Loan collected on or after the related Transfer Cut- off Date or with respect to each Loan purchased from a QSPE Affiliate, all such payments allocable to such Loan on or after the related Transfer Date (net, in each case, of any Servicing Compensation retained therefrom) within two (2) Business Days after receipt thereof;

(ii) all Net Liquidation Proceeds within two (2) Business Days after receipt thereof;

(iii) all Mortgage Insurance Proceeds within two (2) Business Days after receipt thereof;

(iv) all Released Mortgaged Property Proceeds within two (2) Business Days after receipt thereof;

(v) any amounts payable in connection with the repurchase of any Loan and the amount of any Substitution Adjustment pursuant to Sections 2.05 and 3.06 hereof concurrently with payment thereof;

(vi) any Repurchase Price payable in connection with a Servicer Call pursuant to Section 3.08 hereof concurrently with payment thereof;

(vii) the deposit of the Termination Price under Section 10.02 hereof concurrently with payment thereof;

(viii) Nonutilization Fees;

(ix) [reserved];

(x) any payments received under Hedging Instruments or the return of amounts by the Hedging Counterparty pledged pursuant to prior Hedge Funding Requirements in accordance with the last sentence of this Section 5.01(b)(1); and

(xi) any Repurchase Price payable in connection with a Servicer Put remitted by the Servicer pursuant to Section 3.08.

Except as otherwise expressly provided in Section 5.01(c)(4)(i), the Servicer agrees that it will cause the Loan Originator, Borrower or other appropriate Person paying such amounts, as the case may be, to remit directly to the Servicer for deposit into the Collection Account all amounts referenced in clauses (i) through (xi) to the extent such amounts are in excess of a

Monthly Payment on the related Loan. To the extent the Servicer receives any such amounts, it will deposit them into the Collection Account on the same Business Day as receipt thereof.

(c) Withdrawals From Collection Account; Deposits to Distribution Account.

(1) Withdrawals From Collection Account -- Reimbursement Items. The Paying Agent shall periodically but in any event on each Determination Date, make the following withdrawals from the Collection Account prior to any other withdrawals, in no particular order of priority:

(i) to withdraw any amount not required to be deposited in the Collection Account or deposited therein in error, including Servicing Compensation;

(ii) to withdraw the Servicing Advance Reimbursement Amount; and

(iii) to clear and terminate the Collection Account in

connection with the termination of this Agreement.

(2) Deposits to Distribution Account - Payment Dates.

(A) On the Business Day prior to each Payment Date, the Paying Agent shall deposit into the Distribution Account such amounts as are required from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g) and 5.05(h).

(B) After making all withdrawals specified in Section 5.01(c)(1) above, on each Remittance Date, the Paying Agent (based on information provided by the Servicer for such Payment Date), shall withdraw the Monthly Remittance Amount (or, with respect to an additional Payment Date pursuant to Section 5.01(c)(4)(ii), all amounts on deposit in the Collection Account on such date up to the amount necessary to make the payments due on the related Payment Date in accordance with Section 5.01(c)(3)) from the Collection Account not later than 5:00 P.M., New York City time and deposit such amount into the Distribution Account.

(C) On each Payment Date, the Servicer shall cause to be deposited in the Distribution Account all payments on the Advance Note made on or before such Payment Date and not previously distributed pursuant to Section 5.01(c)(3).

(D) The Servicer shall deposit or cause to be deposited in the Distribution Account any cash Disposition Proceeds pursuant to Section 3.07. To the extent the Servicer receives such amounts, it will deposit them into the Distribution Account on the same Business Day as receipt thereof.

(E) On each Payment Date, the Servicer shall cause to be deposited in the Distribution Account all payments on each Residual Security made on or before such Payment Date.

(3) Withdrawals From Distribution Account -- Payment Dates. On each Payment Date, to the extent funds are available in the Distribution Account, the Paying Agent

(based on the information provided by the Servicer contained in the Servicer's Remittance Report for such Payment Date) shall make withdrawals therefrom for application in the following order of priority:

(i) to distribute on such Payment Date the following amounts in the following order: (a) to the Indenture Trustee, an amount equal to the Indenture Trustee Fee and all unpaid Indenture Trustee Fees from prior Payment Dates and all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid by the Servicer or the Depositor up to an amount not to exceed $25,000 per annum, (b) to the Custodian, an amount equal to the Custodian Fee and all unpaid Custodian Fees from prior Payment Dates, (c) to the Servicer, an amount equal to the Servicing Compensation and all unpaid Servicing Compensation from prior Payment Dates (to the extent not retained from collections or remitted to the Servicer pursuant to Section 5.01(c)) and (d) to the Servicer, in trust for the Owner Trustee, an amount equal to the Owner Trustee Fee and all unpaid Owner Trustee Fees from prior Payment Dates;

(ii) to distribute on such Payment Date, the Hedge Funding Requirement to the appropriate Hedging Counterparties;

(iii) to the holders of the Notes pro rata, the sum of the Interest Payment Amount for such Payment Date and the Interest Carry-Forward Amount for the preceding Payment Date;

(iv) to the holders of the Notes pro rata, the Overcollateralization Shortfall for such Payment Date; provided, however, that if (a) a Rapid Amortization Trigger shall have occurred and not been Deemed Cured or (b) an Event of Default under the Indenture or Default shall have

occurred, the holders of the Notes shall receive, in respect of principal, all remaining amounts on deposit in the Distribution Account;

(v) to the Initial Noteholder, the Nonutilization Fee for such Payment Date, together with any Nonutilization Fees unpaid from any prior Payment Dates;

(vi) to the appropriate Person, amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and Due Diligence Fees until such amounts are paid in full;

(vii) to the Transfer Obligation Account, all remaining amounts until the balance therein equals the Transfer Obligation Target Amount;

(viii) to the Indenture Trustee all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid pursuant to clause (i) above;

(ix) all Nonrecoverable Servicing Advances not previously reimbursed; and

(x) to the holders of the Trust Certificates, in accordance with Section 5.2(b) of the Trust Agreement, all amounts remaining therein.

(4) (i) If the Loan Originator or the Servicer, as applicable, repurchases, purchases or substitutes a Loan pursuant to Section 2.05, 3.06, 3.08(a), 3.08(b) or 3.08(c), then the Noteholders and the Issuer shall deem such date to be an additional Payment Date and the Issuer shall provide written notice to the Indenture Trustee and the Paying Agent of such additional Payment Date at least one Business Day prior to such Payment Date. On such additional Payment Date, the Loan Originator or the Servicer, in satisfaction of its obligations under 2.05, 3.06, 3.08(a) 3.08(b) or 3.08(c) and in satisfaction of the obligations of the Issuer and the Paying Agent to distribute such amounts to the Noteholders pursuant to Section 5.01(c), shall remit to the Noteholders, on behalf of the Issuer and the Paying Agent, an amount equal to the Repurchase Prices and any Substitution Adjustments (as applicable) to be paid by the Loan Originator or the Servicer by 12:00 p.m. New York City time, as applicable, under such Section, on such Payment Date, and the Note Principal Balance will be reduced accordingly. Such amounts shall be deemed deposited into the Collection Account and the Distribution Account, as applicable, and such amounts will be deemed distributed pursuant to the terms of Section 5.01(c). Upon notice of an additional Payment Date to the Paying Agent and the Indenture Trustee as provided above, the Paying Agent shall provide the Loan Originator or the Servicer (as applicable) information necessary so that remittances to the Noteholders pursuant to this clause (4)(i) may be made by the Loan Originator or the Servicer, as applicable, in compliance with Section 5.02(a) hereof.

(ii) To the extent that there is deposited in the Collection Account or the Distribution Account any amounts referenced in Section 5.01(b)(1)(vii) and 5.01(c)(2)(D), the Majority Noteholders and the Issuer may agree, upon reasonable written notice to the Paying Agent and the Indenture Trustee, to additional Payment Dates. The Issuer and the Majority Noteholder shall give the Paying Agent and the Indenture Trustee at least one (1) Business Day's written notice prior to such additional Payment Date and such notice shall specify each amount in Section 5.01(c) to be withdrawn from the Collection Account and Distribution Account on such day.

(iii) To the extent that there is deposited in the Distribution Account any amounts referenced in Section 5.05(f), the Majority Noteholders may, in their sole discretion, establish an additional Payment Date by written notice delivered to the Paying Agent and the Indenture Trustee at least one Business Day prior to such additional Payment Date. On such additional Payment Date, the Paying Agent shall pay the sum of the Overcollateralization Shortfall to the Noteholders in respect of principal on the Notes.

Notwithstanding that the Notes have been paid in full, the Indenture Trustee, the Paying Agent and the Servicer shall continue to maintain the Distribution Account hereunder until this Agreement has been terminated.

Section 5.02 Payments to Securityholders.

(a) All distributions made on the Notes on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made on a pro rata basis among the Noteholders of record of the Notes on the next preceding Record Date based on the Percentage Interest represented by their respective Notes, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of

immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest (as defined in the Indenture) of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee 5 Business Days prior to the related Record Date, and otherwise by check mailed to the address of such Noteholder appearing in the Notes Register. The final distribution on each Note will be made in like manner, but only upon presentment and surrender of such Note at the location specified in the notice to Noteholders of such final distribution.

(b) All distributions made on the Trust Certificates on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made in accordance with the Percentage Interest among the holders of the Trust Certificates of record on the next preceding Record Date based on their Percentage Interests (as defined in the Trust Agreement) on the date of distribution, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of each such holder, if such holder shall own of record a Trust Certificate in an original denomination aggregating at least 25% of the Percentage Interests and shall have so notified the Paying Agent and the Indenture Trustee 5 Business Days prior to the related Record Date, and otherwise by check mailed to the address of such Certificateholder appearing in the Certificate Register. The final distribution on each Trust Certificate will be made in like manner, but only upon presentment and surrender of such Trust Certificate at the location specified in the notice to holders of the Trust Certificates of such final distribution. Any amount distributed to the holders of the Trust Certificates on any Payment Date shall not be subject to any claim or interest of the Noteholders. In the event that at any time there shall be more than one Certificateholder, the Indenture Trustee shall be entitled to reasonable additional compensation from the Servicer for any increase in its obligations hereunder.

Section 5.03 Trust Accounts; Trust Account Property.

(a) Control of Trust Accounts. Each of the Trust Accounts established hereunder has been pledged by the issuer to the Indenture Trustee under the Indenture and shall be subject to the lien of the Indenture. Amounts distributed from each Trust Account in accordance with the terms of this Agreement shall be released for the benefit of the Securityholders from the Trust Estate upon such distribution thereunder or hereunder. The Indenture Trustee shall possess all right, title and interest in and to all funds on deposit from time to time in the Trust Accounts and in all proceeds thereof (including all income thereon) and all such funds, investments, proceeds and income shall be part of the Trust Account Property and the Trust Estate. If, at any time, any Trust Account ceases to be an Eligible Account, the Indenture Trustee shall, within ten Business Days (or such longer period, not to exceed 30 calendar days, with the prior written consent of the Majority Noteholders) (i) establish a new Trust Account as an Eligible Account, (ii) terminate the ineligible Trust Account, and (iii) transfer any cash and investments from such ineligible Trust Account to such new Trust Account.

With respect to the Trust Accounts, the Issuer and the Indenture Trustee agree, that each such Trust Account shall be subject to the sole and

exclusive dominion, custody and control of the Indenture Trustee for the benefit of the Noteholders, and, except as may be

consented to in writing by the Majority Noteholders, the Indenture Trustee shall have sole signature and withdrawal authority with respect thereto.

The Servicer (unless it is also the Paying Agent) shall not be entitled to make any withdrawals or payments from the Trust Accounts.

(b) (1) Investment of Funds. Funds held in the Collection Account, the Distribution Account and the Transfer Obligation Account may be invested (to the extent practicable and consistent with any requirements of the Code) in Permitted Investments, as directed by the Servicer prior to the occurrence of an Event of Default and by the Majority Noteholders thereafter, in writing or facsimile transmission confirmed in writing by the Servicer or Majority Noteholders, as applicable. In the event the Indenture Trustee has not received such written direction, such Funds shall be invested in any Permitted Investment described in clause (i) of the definition of Permitted Investments. In any case, funds in the Collection Account, the Distribution Account and the Transfer Obligation Account must be available for withdrawal without penalty, and any Permitted Investments must mature or otherwise be available for withdrawal, one Business Day prior to the next Payment Date and shall not be sold or disposed of prior to its maturity subject to Subsection (b)(2) of this Section. All interest and any other investment earnings on amounts or investments held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be paid to the Servicer immediately upon receipt by the Indenture Trustee. All Permitted Investments in which funds in the Collection Account, the Distribution Account or the Transfer Obligation Account are invested must be held by or registered in the name of "Wells Fargo Bank, N.A., as Indenture Trustee, in trust for the Option One Owner Trust 2001-1A Mortgage-Backed Notes."

(2) Insufficiency and Losses in Trust Accounts. If any amounts are needed for disbursement from the Collection Account, the Distribution Account or the Transfer Obligation Account held by or on behalf of the Indenture Trustee and sufficient uninvested funds are not available to make such disbursement, the Indenture Trustee shall cause to be sold or otherwise converted to cash a sufficient amount of the investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be. The Indenture Trustee shall not be liable for any investment loss or other charge resulting therefrom, unless such loss or charge is caused by the failure of the Indenture Trustee to perform in accordance with written directions provided pursuant to this Section 5.03.

If any losses are realized in connection with any investment in the Collection Account, the Distribution Account or the Transfer Obligation Account pursuant to this Agreement during a period in which the Servicer has the right to direct investments pursuant to Section 5.03(b), then the Servicer shall deposit the amount of such losses (to the extent not offset by income from other investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be) into the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be, immediately upon the realization of such loss. All interest and any other investment earnings on amounts held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be taxed to the Issuer and for federal and state income tax purposes the Issuer shall be deemed to be the owner of the Collection Account, the Distribution Account and/or the Transfer Obligation Account, as the case may be.

(c) Subject to Section 6.01 of the Indenture, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in any Trust Account held by the Indenture Trustee resulting from any investment loss on any Permitted Investment included therein.

(d) With respect to the Trust Account Property, the Indenture Trustee acknowledges and agrees that:

(1) any Trust Account Property that is held in deposit accounts shall be held solely in the Eligible Accounts, subject to the last sentence of Subsection (a) of this Section 5.03; and each such Eligible Account shall be subject to the sole and exclusive dominion, custody and control of the Indenture Trustee; and, without limitation on the foregoing, the Indenture Trustee shall have sole signature authority with respect thereto;

(2) any Trust Account Property that constitutes Physical Property shall be delivered to the Indenture Trustee in accordance with paragraphs (a) and (b) of the definition of "Delivery" in Section 1.01 hereof and shall be held, pending maturity or disposition, solely by the Indenture Trustee or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Indenture Trustee;

(3) any Trust Account Property that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations shall be delivered in accordance with paragraph (c) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued book-entry registration of such Trust Account Property as described in such paragraph; and

(4) any Trust Account Property that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (3) above shall be delivered to the Indenture Trustee in accordance with paragraph (d) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued registration of the Indenture Trustee's (or its nominee's) ownership of such security.

Section 5.04 Advance Account.

(a) The Servicer shall cause to be established and maintained in its name, an Advance Account (the "Advance Account"), which need not be a segregated account. The Advance Account shall be maintained with any financial institution the Servicer elects.

(b) Deposits and Withdrawals. Amounts in respect of the transfer of Additional Note Principal Balances purchased on Transfer Dates related to Loans and Residual Securities shall be deposited in and withdrawn from the Advance Account as provided in Sections 2.01 (c) and 2.06 hereof and Section 3.01 of the Note Purchase Agreement.

Section 5.05 Transfer Obligation Account.

(a) The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained in the name of the Indenture Trustee a Transfer Obligation Account (the "Transfer Obligation Account"), which shall be a separate Eligible Account and may be

interest-bearing, entitled "Option One Owner Trust 2001-1A Transfer Obligation Account, Wells Fargo Bank, N.A., as Indenture Trustee, in trust for the Option One Owner Trust 2001-1A Mortgage-Backed Notes." The Indenture Trustee shall have no monitoring or calculation obligation with respect to withdrawals from the Transfer Obligation Account. Amounts in the Transfer Obligation Account shall be invested in accordance with Section 5.03.

(b) In accordance with Section 5.06, the Loan Originator shall deposit into the Transfer Obligation Account any amounts as may be required thereby.

(c) On each Payment Date, the Paying Agent will deposit in the

Transfer Obligation Account any amounts required to be deposited therein pursuant to Section 5.01(c)(3)(vii).

(d) On the date of each Disposition, the Paying Agent shall withdraw from the Transfer Obligation Account such amount on deposit therein in respect of the payment of Transfer Obligations as may be requested by the Disposition Agent in writing to effect such Disposition.

(e) On each Payment Date, the Paying Agent shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account and (y) the Interest Carry-Forward Amount as of such date.

(f) If with respect to any Business Day there exists an Overcollateralization Shortfall, the Paying Agent, upon the written direction of the Initial Noteholder, shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Business Day the lesser of (x) the amount then on deposit in the Transfer Obligation Account and (y) the amount of such Overcollateralization Shortfall as of such date.

(g) If with respect to any Payment Date there shall exist a Hedge Funding Requirement, the Paying Agent, upon the written direction of the Servicer or the Initial Noteholder, shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on the Business Day prior to such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account (after making all other required withdrawals therefrom with respect to such Payment Date) and (y) the amount of such Hedge Funding Requirement as of such date.

(h) In the event of the occurrence of an Event of Default under the Indenture, the Paying Agent shall withdraw all remaining funds from the Transfer Obligation Account and apply such funds in satisfaction of the Notes as provided in Section 5.04(b) of the Indenture.

(i) The Paying Agent shall return to the Loan Originator all amounts on deposit in the Transfer Obligation Account (after making all other withdrawals pursuant to this Section 5.05) until the Majority Noteholders provide written notice to the Indenture Trustee (with a copy to the Loan Originator and the Servicer) of the occurrence of a default or event of default (however defined) under any Basic Document with respect to the Issuer, the Depositor, the Loan Originator or any of their Affiliates and (ii) upon the date of the termination of this

Agreement pursuant to Article X, the Paying Agent shall withdraw any remaining amounts from the Transfer Obligation Account and remit all such amounts to the Loan Originator.

Section 5.06 Transfer Obligation.

(a) In consideration of the transactions contemplated by the Basic Documents, the Loan Originator agrees and covenants with the Depositor that:

(i) In connection with each Disposition it shall fund, or cause to be funded, reserve funds, pay credit enhancer fees, pay, or cause to be paid, underwriting fees, fund any difference between the cash Disposition Proceeds and the aggregate Note Principal Balance at the time of such Disposition, and make, or cause to be made, such other payments as may be, in the reasonable opinion of the Disposition Agent, commercially reasonably necessary to effect Dispositions, in each case to the extent that Disposition Proceeds are insufficient to pay such amounts;

(ii) In connection with Hedging Instruments, on the Business Day prior to each Payment Date, it shall deliver to the Servicer for deposit into the Transfer Obligation Account any Hedge Funding Requirement (to the extent amounts available on the related Payment Date pursuant to Section 5.01

are insufficient to make such payment), when, as and if due to any Hedging Counterparty;

(iii) if any Interest Carry-Forward Amount shall occur, it shall deposit into the Transfer Obligation Account any such Interest Carry-Forward Amount on or before the Business Day preceding such related Payment Date;

(iv) If on any Business Day there exists an Overcollateralization Shortfall, upon the written direction of the Initial Noteholder, it shall on such Business Day deposit into the Transfer Obligation Account the full amount of the Overcollateralization Shortfall as of such date, provided, that in the event that notice of such Overcollateralization Shortfall is provided to the Loan Originator after 3:00 p.m. New York City time, the Loan Originator shall make such deposit on the following Business Day; and

(v) Notwithstanding anything to the contrary herein, in the event of the occurrence of an Event of Default under the Indenture, the Loan Originator shall promptly deposit into the Transfer Obligation Account the entire amount of the Unfunded Transfer Obligation;

provided, that notwithstanding anything to the contrary contained herein, the Loan Originator's cumulative payments under or in respect of the Transfer Obligations (after subtracting therefrom any amounts returned to the Loan Originator pursuant to Section 5.05(i)(i)) together with the Servicer's payments in respect of any Servicer Puts shall not in the aggregate exceed the Unfunded Transfer Obligation.

(b) The Loan Originator agrees that the Noteholders, as ultimate assignee of the rights of the Depositor under this Agreement and the other Basic Documents, may enforce the rights of the Depositor directly against the Loan Originator.

ARTICLE VI

STATEMENTS AND REPORTS; SPECIFICATION OF TAX MATTERS

Section 6.01 Statements.

(a) No later than 12 noon (New York City time) on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Initial Noteholder by electronic transmission, the receipt and legibility of which shall be confirmed by telephone, and with hard copy thereof to be delivered no later than one (1) Business Day after such Remittance Date, the Servicer's Remittance Report, setting forth the date of such Report (day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2001-1A"), and the date of this Agreement, all in substantially the form set out in Exhibit B hereto. Furthermore, on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Initial Noteholder a data file providing, with respect to each Loan in the Loan Pool as of the last day of the related Remittance Period (i) if such Loan is an ARM, the current Loan Interest Rate; (ii) the Principal Balance with respect to such Loan; (iii) the date of the last Monthly Payment paid in full; and (iv) such other information as may be reasonably requested by the Initial Noteholder and the Indenture Trustee. In addition, no later than 12:00 noon (New York City time) on the 15th day of each calendar month (or if such day is not a Business Day, the preceding Business Day), the Custodian shall prepare and provide to the Servicer and the Indenture Trustee by facsimile, the Custodian Fee Notice for the Payment Date falling in such calendar month.

(b) No later than 12 noon (New York City time) on each Remittance Date, the Servicer shall prepare (or cause to be prepared) and provide to the Indenture Trustee electronically or via fax, receipt confirmed by telephone, the Initial Noteholder and each Noteholder, a statement (the "Payment Statement"), stating each date and amount of a purchase of Additional Note Principal Balance

(day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2001-1A"), the date of this Agreement and the following information:

(1) the aggregate amount of collections in respect of principal of the Loans received by the Servicer during the preceding Remittance Period;

(2) the aggregate amount of collections in respect of interest on the Loans received by the Servicer during the preceding Remittance Period;

(3) all Mortgage Insurance Proceeds received by the Servicer during the preceding Remittance Period and not required to be applied to restoration or repair of the related Mortgaged Property or returned to the Borrower under applicable law or pursuant to the terms of the applicable Mortgage Insurance Policy;

(4) all Net Liquidation Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(5) all Released Mortgaged Property Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(6) the aggregate amount of all Servicing Advances made by the Servicer during the preceding Remittance Period;

(7) the aggregate of all amounts deposited into the Distribution Account in respect of the repurchase of Unqualified Loans and the repurchase of Loans pursuant to Section 2.05 hereof during the preceding Remittance Period;

(8) the aggregate Principal Balance of all Loans for which a Servicer Call was exercised during the preceding Remittance Period;

(9) the aggregate Principal Balance of all Loans for which a Servicer Put was exercised during the preceding Remittance Period;

(10) the aggregate amount of all payments received under Hedging Instruments during the preceding Remittance Period;

(11) the aggregate amount of all withdrawals from the Distribution Account pursuant to Section 5.01(c)(1)(i) hereof during the preceding Remittance Period;

(12) the aggregate amount of cash Disposition Proceeds received during the preceding Remittance Period;

(13) withdrawals from the Collection Account in respect of the Servicing Advance Reimbursement Amount with respect to the related Payment Date;

(14) [reserved];

(15) the number and aggregate Principal Balance of all Loans that are (i) 30-59 days Delinquent, (ii) 60- 89 days Delinquent, (iii) 90 or more days Delinquent as of the end of the related Remittance Period;

(16) the aggregate amount of Liquidated Loan Losses incurred (i) during the preceding Remittance Period, and (ii) during the preceding three Remittance Periods;

(17) the aggregate of the Principal Balances of all Loans in the Loan Pool as of the end of the related Remittance Period;

(18) the aggregate amount of all deposits into the Distribution Account from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g), and 5.05(h) on the related Payment Date;

(19) the aggregate amount of distributions in respect of Servicing Compensation to the Servicer, and unpaid Servicing Compensation from prior Payment Dates for the related Payment Date;

(20) the aggregate amount of distributions in respect of Indenture Trustee Fees and unpaid Indenture Trustee Fees from prior Payment Dates for the related Payment Date;

(21) the aggregate amount of distributions in respect of the Custodian Fee and unpaid Custodian Fees from prior Payment Dates for the related Payment Date;

(22) the aggregate amount of distributions in respect of the Owner Trustee Fees and unpaid Owner Trustee Fees from prior Payment Dates and for the related Payment Date;

(23) the Unfunded Transfer Obligation and Overcollateralization Shortfall on such Payment Date for the related Payment Date;

(24) the aggregate amount of distributions to the Transfer Obligation Account for the related Payment Date;

(25) the aggregate amount of distributions in respect of Trust/Depositor Indemnities for the related Payment Date;

(26) the aggregate amount of distributions to the holders of the Trust Certificates for the related Payment Date;

(27) the Note Principal Balance of the Notes as of the last day of the related Remittance Period (without taking into account any Additional Note Principal Balance between the last day of such Remittance Period and the related Payment Date) before and after giving effect to distributions made to the holders of the Notes for such Payment Date;

(28) the Pool Principal Balance as of the end of the preceding Remittance Period; and

(29) whether a Performance Trigger or a Rapid Amortization Trigger shall exist with respect to such Payment Date.

Such Payment Statement shall also be provided on the Remittance Date to the Initial Noteholder and Indenture Trustee in the form of a data file in a form mutually agreed to by and between the Initial Noteholder, the Indenture Trustee and the Servicer. The Indenture Trustee shall have no duty to monitor the occurrence of a Performance Trigger, Rapid Amortization Trigger or any events resulting in withdrawals from the Transfer Obligation Account.

Section 6.02 Specification of Certain Tax Matters.

The Paying Agent shall comply with all requirements of the Code and applicable state and local law with respect to the withholding from any distributions made to any Securityholder of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith, giving due effect to any applicable exemptions from such withholding and effective certifications or forms provided by the recipient. Any amounts withheld pursuant to this Section 6.02 shall be deemed to have been distributed to the Securityholders, as the case may be, for all purposes of this Agreement. The Indenture Trustee shall have no responsibility for preparing or filing any tax returns.

Section 6.03 Valuation of Loans and Residual Securities, Hedge Value and Retained Securities Value; Market Value Agent.

(a) The Initial Noteholder hereby irrevocably appoints, and the Issuer hereby consents to the appointment of, the Market Value Agent as agent on behalf of the Noteholders to determine the Market Value of each Loan and Residual Security, the Hedge Value of each Hedging Instrument and the Retained Securities Value of all Retained Securities.

(b) Except as otherwise set forth in Section 3.07, the Market Value Agent shall determine the Market Value of each Loan and Residual Security, for the purposes of the Basic Documents, in its sole judgment, exercised in good faith. In determining the Market Value of each Loan and Residual Security, the Market Value Agent may consider any information that it may deem relevant and shall base such determination primarily on the lesser of its estimate of the projected proceeds from such Loan's or Residual Security's inclusion in (i) a Securitization (inclusive of the projected Retained Securities Value of any Retained Securities to be issued in connection with such Securitization) and (ii) a Whole Loan Sale, in each case net of such Loan's ratable share of all costs and fees associated with such Disposition, including, without limitation, any costs of issuance, sale, underwriting and funding reserve accounts. The Market Value Agent's determination, in its sole judgment, of Market Value shall be conclusive and binding upon the parties hereto, absent manifest error (including without limitation, any error contemplated in Section 2.08).

(c) On each Business Day the Market Value Agent shall determine in its sole judgment, exercised in good faith, the Hedge Value of each Hedging Instrument as of such Business Day. In making such determination the Market Value Agent may rely exclusively on quotations provided by the Hedging Counterparty, by leading dealers in instruments similar to such Hedging Instrument, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

(d) On each Business Day, the Market Value Agent shall determine in its sole judgment, exercised in good faith, the Retained Securities Value of the Retained Securities, if any, expected to be issued pursuant to such Securitization as of the closing date of such Securitization. In making such determination the Market Value Agent may rely exclusively on quotations provided by leading dealers in instruments similar to such Retained Securities, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

ARTICLE VII

HEDGING; FINANCIAL COVENANTS

Section 7.01 Hedging Instruments.

(a) On each Transfer Date, the Trust shall enter into such Hedging Instruments as the Market Value Agent, on behalf of the Majority Noteholders, shall determine are necessary in order to hedge the interest rate risk with respect to the Collateral Value of the

Loans being purchased on such Transfer Date. The Market Value Agent shall determine, in its sole discretion, whether any Hedging Instrument conforms to the requirements of Section 7.01(b), (c) and (d).

(b) Each Hedging Instrument shall expressly provide that in the event of a Disposition or other removal of the Loan from the Trust, such portion of the Hedging Instrument shall terminate as the Disposition Agent deems appropriate to facilitate the hedging of the risks specified in Section 7.01(a). In the event that the Hedging Instrument is not otherwise terminated, it shall contain provisions that allow the position of the Trust to be assumed by an Affiliate of the Trust upon the liquidation of the Trust. The terms of the

assignment documentation and the credit quality of the successor to the Trust shall be subject to the Hedging Counterparty's approval.

(c) Any Hedging Instrument that provides for any payment obligation on the part of the Issuer must (i) be without recourse to the assets of the Issuer, (ii) contain a non-petition covenant provision in the form of Section 11.13, (iii) limit payment dates thereunder to Payment Dates and (iv) contain a provision limiting any cash payments due on any day under such Hedging Instrument solely to funds available therefor in the Collection Account on such day pursuant to Section 5.01(c)(3)(ii) hereof and funds available therefor in the Transfer Obligation Account.

(d) Each Hedging Instrument must (i) provide for the direct payment of any amounts thereunder to the Collection Account pursuant to Section 5.01(b)(1)(x), (ii) contain an assignment of all of the Issuer's rights (but none of its obligations) under such Hedging Instrument to the Indenture Trustee and shall include an express consent to the Hedging Counterparty to such assignment, (iii) provide that in the event of the occurrence of an Event of Default, such Hedging Instrument shall terminate upon the direction of the Majority Noteholders, (iv) prohibit the Hedging Counterparty from "setting-off" or "netting" other obligations of the Issuer or its Affiliates against such Hedging Counterparty's payment obligations thereunder, (v) provide that the appropriate portion of the Hedging Instrument will terminate upon the removal of the related Loans from the Trust Estate and (vi) have economic terms that are fixed and not subject to alteration after the date of assumption or execution.

(e) If agreed to by the Majority Noteholders, the Issuer may pledge its assets in order to secure its obligations in respect of Hedge Funding Requirements, provided that such right shall be limited solely to Hedging Instruments for which an Affiliate of the Initial Noteholder is a Hedging Counterparty.

(f) The aggregate notional amount of all Hedging Instruments shall not exceed the Note Principal Balance as of the date on which each Hedging Instrument is entered into by the Issuer and a Hedging Counterparty.

Section 7.02 Financial Covenants.

Each of the Loan Originator and the Servicer shall satisfy the Financial Covenants.

ARTICLE VIII

THE SERVICER

Section 8.01 Indemnification; Third Party Claims.

(a) The Servicer shall indemnify the Loan Originator, the Owner Trustee, the Trust, the Depositor, the Indenture Trustee and the Noteholders, their respective officers, directors, employees, agents and "control persons," as such term is used under the Act and under the Securities Exchange Act of 1934 as amended (each a "Servicer Indemnified Party") and hold harmless each of them against any and all claims, losses, damages, penalties, fines, forfeitures, reasonable legal fees and related costs, judgments, and other costs and expenses resulting from any claim, demand, defense or assertion based on or grounded upon, or resulting from, a breach of any of the Servicer's representations and warranties and covenants contained in this Agreement or in any way relating to the failure of the Servicer to perform its duties and service the Loans in compliance with the terms of this Agreement except to the extent such loss arises out of such Servicer Indemnified Party's gross negligence or willful misconduct; provided, however, that if the Servicer is not liable pursuant to the provisions of Section 8.01(b) hereof for its failure to perform its duties and service the Loans in compliance with the terms of this Agreement, then the provisions of this Section 8.01 shall have no force and effect with respect to such failure.

(b) None of the Loan Originator, the Depositor or the Servicer or any of their respective Affiliates, directors, officers, employees or agents shall be under any liability to the Owner Trustee, the Issuer, the Indenture Trustee or the Securityholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, directors, officers, employees, agents against the remedies provided herein for the breach of any warranties, representations or covenants made herein, or against any expense or liability specifically required to be borne by such party without right of reimbursement pursuant to the terms hereof, or against any expense or liability which would otherwise be imposed by reason of misfeasance, bad faith or negligence in the performance of the respective duties of the Servicer, the Depositor or the Loan Originator, as the case may be. The Loan Originator, the Depositor, the Servicer and any of their respective Affiliates, directors, officers, employees, agents may rely in good faith on any document of any kind which, prima facie, is properly executed and submitted by any Person respecting any matters arising hereunder.

(c) The Loan Originator agrees to indemnify and hold harmless the Depositor and the Noteholders, as the ultimate assignees from the Depositor (each an "Originator Indemnified Party," together with the Servicer Indemnified Parties, the "Indemnified Parties"), from and against any loss, liability, expense, damage, claim or injury arising out of or based on (i) any breach of any representation, warranty or covenant of the Loan Originator, the Servicer or

their Affiliates, in any Basic Document, including, without limitation, the origination or prior servicing of the Loans by reason of any acts, omissions, or alleged acts or omissions arising out of activities of the Loan Originator, the Servicer or their Affiliates, and (ii) any untrue statement by the Loan Originator, the Servicer or its Affiliates of any material fact or any such Person's failure to state a material fact necessary to make such statements not misleading with respect to any such Person's statements contained in any Basic Document, including, without limitation, any Officer's Certificate, statement, report or other document or information prepared by any such Person and furnished or to be furnished by it pursuant to or in connection with the transactions contemplated thereby and not corrected prior to completion of the relevant transaction including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the Loans or any such Person's business, operations or financial condition, including reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim; provided that the Loan Originator shall not indemnify an Originator Indemnified Party to the extent such loss, liability, expense, damage or injury is due to either an Originator Indemnified Party's willful misfeasance, bad faith or negligence or by reason of an Originator Indemnified Party's reckless disregard of its obligations hereunder; provided, further, that the Loan Originator shall not be so required to indemnify an Originator Indemnified Party or to otherwise be liable to an Originator Indemnified Party for any losses in respect of the performance of the Loans or Residual Securities, the creditworthiness of the Borrowers under the Loans, changes in the market value of the Loans or Residual Securities or other similar investment risks associated with the Loans or Residual Securities arising from a breach of any representation or warranty set forth in Exhibit E hereto or Section 3 of the Residual Securities Transfer Agreement, as applicable, a remedy for the breach of which is provided in Section 3.06 hereof. The provisions of this indemnity shall run directly to and be enforceable by an Originator Indemnified Party subject to the limitations hereof.

(d) With respect to a claim subject to indemnity hereunder made by any Person against an Indemnified Party (a "Third Party Claim"), such Indemnified Party shall notify the related indemnifying parties (each an "Indemnifying Party") in writing of the Third Party Claim within a reasonable time after receipt by such Indemnified Party of written notice of the Third

Party Claim unless the Indemnifying Parties shall have previously obtained actual knowledge thereof. Thereafter, the Indemnified Party shall deliver to the Indemnifying Parties, within a reasonable time after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim. No failure to give such notice or deliver such documents shall effect the rights to indemnity hereunder. Each Indemnifying Party shall promptly notify the Indenture Trustee and the Indemnified Party (if other than the Indenture Trustee) of any claim of which it has been notified and shall promptly notify the Indenture Trustee and the Indemnified Party (if applicable) of its intended course of action with respect to any claim.

(e) If a Third Party Claim is made against an Indemnified Party, while maintaining control over its own defense, the Indemnified Party shall cooperate and consult fully with the Indemnifying Party in preparing such defense, and the Indemnified Party may defend the same in such manner as it may deem appropriate, including settling such claim or litigation after giving notice to the Indemnifying Party of such terms and the Indemnifying Party will promptly reimburse the Indemnified Party upon written request; provided, however, that the

Indemnified Party may not settle any claim or litigation without the consent of the Indemnifying Party; provided, further, that the Indemnifying Party shall have the right to reject the selection of counsel by the Indemnified Party if the Indemnifying Party reasonably determines that such counsel is inappropriate in light of the nature of the claim or litigation and shall have the right to assume the defense of such claim or litigation if the Indemnifying Party determines that the manner of defense of such claim or litigation is unreasonable.

Section 8.02 Merger or Consolidation of the Servicer.

The Servicer shall keep in full effect its existence, rights and franchises as a corporation, and will obtain and preserve its qualification to do business as a foreign corporation and maintain such other licenses and permits in each jurisdiction necessary to protect the validity and enforceability of each Basic Document to which it is a party and each of the Loans and to perform its duties under each Basic Document to which it is a party; provided, however, that the Servicer may merge or consolidate with any other corporation upon the satisfaction of the conditions set forth in the following paragraph.

Any Person into which the Servicer may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Servicer shall be a party, or any Person succeeding to the business of the Servicer, shall be an Eligible Servicer and shall be the successor of the Servicer, as applicable hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. The Servicer shall send notice of any such merger, conversion, consolidation or succession to the Indenture Trustee and the issuer.

Section 8.03 Limitation on Liability of the Servicer and Others.

The Servicer and any director, officer, employee or agent of the Servicer may rely on any document of any kind which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper authorities respecting any matters arising hereunder. Subject to the terms of Section 8.01 hereof, the Servicer shall have no obligation to appear with respect to, prosecute or defend any legal action which is not incidental to the Servicer's duty to service the Loans in accordance with this Agreement.

Section 8.04 Servicer Not to Resign; Assignment.

The Servicer shall not resign from the obligations and duties hereby imposed on it except (a) with the consent of the Majority Noteholders or (b)

upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination pursuant to clause (b) of the preceding sentence permitting the resignation of the Servicer shall be evidenced by an Independent opinion of counsel to such effect delivered (at the expense of the Servicer) to the Indenture Trustee and the Majority Noteholders. No resignation of the Servicer shall become effective until a successor servicer, appointed pursuant to the provisions of Section 9.02 hereof shall have assumed the Servicer's responsibilities, duties, liabilities (other than those liabilities arising prior to the appointment of such successor) and obligations under this Agreement.

Except as expressly provided herein, the Servicer shall not assign or transfer any of its rights, benefits or privileges hereunder to any other Person, or delegate to or subcontract with, or

authorize or appoint any other Person to perform any of the duties, covenants or obligations to be performed by the Servicer hereunder and any agreement, instrument or act purporting to effect any such assignment, transfer, delegation or appointment shall be void.

The Servicer agrees to cooperate with any successor Servicer in effecting the transfer of the Servicer's servicing responsibilities and rights hereunder pursuant to the first paragraph of this Section 8.04, including, without limitation, the transfer to such successor of all relevant records and documents (including any Loan Files in the possession of the Servicer) and all amounts received with respect to the Loans and not otherwise permitted to be retained by the Servicer pursuant to this Agreement. In addition, the Servicer, at its sole cost and expense, shall prepare, execute and deliver any and all documents and instruments to the successor Servicer including all Loan Files in its possession and do or accomplish all other acts necessary or appropriate to effect such termination and transfer of servicing responsibilities.

Section 8.05 Relationship of Servicer to Issuer and the Indenture Trustee.

The relationship of the Servicer (and of any successor to the Servicer as servicer under this Agreement) to the Issuer, the Owner Trustee and the Indenture Trustee under this Agreement is intended by the parties hereto to be that of an independent contractor and not of a joint venturer, agent or partner of the issuer, the Owner Trustee or the Indenture Trustee.

Section 8.06 Servicer May Own Securities.

Each of the Servicer and any Affiliate of the Servicer may in its individual or any other capacity become the owner or pledgee of Securities with the same rights as it would have if it were not the Servicer or an Affiliate thereof except as otherwise specifically provided herein; provided, however, that at any time that Option One or any of its Affiliates is the Servicer, neither the Servicer nor any of its Affiliates (other than an Affiliate which is a corporation whose purpose is limited to holding securities and related activities and which cannot incur recourse debt) may be a Noteholder. Securities so owned by or pledged to the Servicer or such Affiliate shall have an equal and proportionate benefit under the provisions of this Agreement, without preference, priority, or distinction as among all of the Securities; provided, however, that any Securities owned by the Servicer or any Affiliate thereof, during the time such Securities are owned by them, shall be without voting rights for any purpose set forth in this Agreement unless the Servicer or such Affiliate owns all outstanding Securities of the related class. The Servicer shall notify the Indenture Trustee promptly after it or any of its Affiliates becomes the owner or pledgee of a Security.

Section 8.07 Indemnification of the Indenture Trustee and Initial Noteholder.

The Servicer agrees to indemnify the Indenture Trustee and its employees, officers, directors and agents, and reimburse its reasonable out-of-pocket

expenses in accordance with Section 6.07 of the Indenture as if it was a signatory thereto. The Servicer agrees to indemnify the Initial Noteholder in accordance with Section 9.01 of the Note Purchase Agreement as if it were signatory thereto.

ARTICLE IX

SERVICER EVENTS OF DEFAULT

Section 9.01 Servicer Events of Default.

(a) In case one or more of the following Servicer Events of Default shall occur and be continuing, that is to say:

(1) any failure by Servicer to deposit into the Collection Account or the Distribution Account or any failure by Servicer to make any of the required payments therefrom; or

(2) any failure on the part of the Servicer duly to observe or perform in any material respect any other of the material covenants or agreements on the part of the Servicer, contained in any Basic Document to which it is a party, which continues unremedied for a period of 30 days (or, in the case of payment of insurance premiums, for a period of 15 days) after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by Holders of 25% of the Percentage Interests of the Notes or the Trust Certificates; or

(3) any breach on the part of the Servicer of any representation or warranty contained in any Basic Document to which it is a party that materially and adversely affects the interests of any of the parties hereto or any Securityholder and which continues unremedied for a period of 30 days after the date on which notice of such breach, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by the Initial Noteholder or Holders of 25% of the Percentage Interests (as defined in the Indenture) of the Notes; or

(4) there shall have been commenced before a court or agency or supervisory authority having jurisdiction in the premises an involuntary proceeding against the Servicer under any present or future federal or state bankruptcy, insolvency or similar law for the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, which action shall not have been dismissed for a period of 60 days; or

(5) the Servicer shall consent to the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to it or of or relating to all or substantially all of its property; or

(6) the Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy, insolvency or reorganization statute, make an assignment for the benefit of its creditors, voluntarily suspend payment of its obligations, or take any corporate action in furtherance of the foregoing; or

(7) Reserved; or

(8) the Servicer or the Loan Originator fails to comply with

any of its financial covenants set forth in Section 7.02; or

(9) a Change of Control of the Servicer; or

(10) so long as the Servicer or the Loan Originator is an Affiliate of either of the Depositor or the Issuer and any "event of default' by any such party occurs under any of the Basic Documents.

(b) Then, and in each and every such case, so long as a Servicer Event of Default shall not have been remedied, the Indenture Trustee or the Majority Noteholders, by notice in writing to the Servicer may, in addition to whatever rights such Person may have at law or in equity to damages, including injunctive relief and specific performance, may terminate all the rights and obligations of the Servicer under this Agreement and in and to the Loans and the proceeds thereof, as servicer under this Agreement. Upon receipt by the Servicer of such written notice, all authority and power of the Servicer under this Agreement, whether with respect to the Loans or otherwise, shall, subject to Section 9.02 hereof, pass to and be vested in a successor servicer, and the successor servicer is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments and do or cause to be done all other acts or things necessary or appropriate to effect the purposes of such notice of termination, including, but not limited to, the transfer and endorsement or assignment of the Loans and related documents. The Servicer agrees to cooperate with the successor servicer in effecting the termination of the Servicer's responsibilities and rights hereunder, including, without limitation, the transfer to the successor servicer for administration by it of all amounts which shall at the time be credited by the Servicer to each Collection Account or thereafter received with respect to the Loans.

(c) Upon the occurrence of (i) an Event of Default or Default under any of the Basic Documents, (ii) a Servicer Event of Default under this Agreement, (iii) a Rapid Amortization Trigger or (iv) a determination, reasonably made by the Initial Noteholder, that an event has occurred that shall materially impair the ability of the Servicer to service and administer the Loans in accordance with the terms and provisions set forth in the Servicing Addendum (each, a "Term Event"), the Servicer's right to service the Loans pursuant to the terms of this Agreement shall be in effect for an initial period commencing on the date on which such Term Event occurred and shall automatically terminate at 5:00 p.m. (New York City time), on the last business day of the calendar month in which such Term Event occurred (the "Initial Term"). Thereafter, the Initial Term shall be extendible in the sole discretion of the Initial Noteholder by written notice (each, a "Servicer Extension Notice") of the Initial Noteholder for successive one-month terms (each such term ending at 5:00 p.m. (New York City time), on the last business day of the related month). Following a Term Event, the Servicer hereby agrees that the Servicer shall be bound for the duration of the Initial Term and the term covered by any such Servicer Extension Notice to act as the Servicer pursuant to this Agreement. Following a Term Event, the Servicer agrees that if, as of 3:00 p.m. (New York City time) on the last business day of any month, the Servicer shall not have received a Servicer Extension Notice from the Initial Noteholder, the Servicer shall give written notice of such non-receipt to the Initial Noteholder by

4:00 p.m. (New York City time). Following a Term Event, the failure of the Initial Noteholder to deliver a Servicer Extension Notice by 5:00 p.m. (New York City time) shall result in the automatic and immediate termination of the Servicer (the "Termination Date"). Notwithstanding these time frames, the Servicer and the Initial Noteholder shall comply with all applicable laws in connection with such transfer and the Servicer shall continue to service the Loans until completion of such transfer.

Section 9.02 Appointment of Successor.

On and after the date the Servicer receives a notice of termination pursuant to Section 9.01 hereof or is automatically terminated pursuant to

Section 9.01 (c) hereof, or the Owner Trustee receives the resignation of the Servicer evidenced by an Opinion of Counsel or accompanied by the consents required by Section 8.04 hereof, or the Servicer is removed as servicer pursuant to this Article IX or Section 4.01 of the Servicing Addendum, then, the Majority Noteholders shall appoint a successor servicer to be the successor in all respects to the Servicer in its capacity as Servicer under this Agreement and the transactions set forth or provided for herein and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof; provided, however, that the successor servicer shall not be liable for any actions of any servicer prior to it.

The successor servicer shall be obligated to make Servicing Advances hereunder. As compensation therefor, the successor servicer appointed pursuant to the following paragraph, shall be entitled to all funds relating to the Loans which the Servicer would have been entitled to receive from the Collection Account pursuant to Section 5.01 hereof as if the Servicer had continued to act as servicer hereunder, together with other Servicing Compensation in the form of assumption fees, late payment charges or otherwise as provided in Section 4.15 of the Servicing Addendum. The Servicer shall not be entitled to any termination fee if it is terminated pursuant to Section 9.01 hereof but shall be entitled to any accrued and unpaid Servicing Compensation to the date of termination.

Any collections received by the Servicer after removal or resignation shall be endorsed by it to the Indenture Trustee and remitted directly to the successor servicer. The compensation of any successor servicer appointed shall be the Servicing Fee, together with other Servicing Compensation provided for herein. The Indenture Trustee, the Issuer, any Custodian, the Servicer and any such successor servicer shall take such action, consistent with this Agreement, as shall be reasonably necessary to effect any such succession. Any costs or expenses incurred by the Indenture Trustee in connection with the termination of the Servicer and the succession of a successor servicer shall be an expense of the outgoing Servicer and, to the extent not paid thereby, an expense of such successor servicer. The Servicer agrees to cooperate with the Indenture Trustee and any successor servicer in effecting the termination of the Servicer's servicing responsibilities and rights hereunder and shall promptly provide the successor servicer all documents and records reasonably requested by it to enable it to assume the Servicer's functions hereunder and shall promptly also transfer to the successor servicer all amounts which then have been or should have been deposited in any Trust Account maintained by the Servicer or which are thereafter received with respect to the Loans. Upon the occurrence of an Event of Default, the Majority Noteholders shall have the right to order the Servicer's Loan Files and all other files of the Servicer relating to the Loans and all other records of the Servicer and all

documents relating to the Loans which are then or may thereafter come into the possession of the Servicer or any third parry acting for the Servicer to be delivered to such custodian or servicer as it selects and the Servicer shall deliver to such custodian or servicer such assignments as the Majority Noteholders shall request. No successor servicer shall be held liable by reason of any failure to make, or any delay in making, any distribution hereunder or any portion thereof caused by (i) the failure of the Servicer to deliver, or any delay in delivering, cash, documents or records to it or (ii) restrictions imposed by any regulatory authority having jurisdiction over the Servicer hereunder. No appointment of a successor to the Servicer hereunder shall be effective until written notice of such proposed appointment shall have been provided to the Initial Noteholder, the Indenture Trustee, the Issuer and the Depositor, the Majority Noteholders and the Issuer shall have consented in writing thereto.

In connection with such appointment and assumption, the Majority Noteholder may make such arrangements for the compensation of such successor servicer out of payments on the Loans as they and such successor servicer shall agree.

Section 9.03 Waiver of Defaults.

The Majority Noteholders may waive any events permitting removal of the Servicer as servicer pursuant to this Article IX. Upon any waiver of a past default, such default shall cease to exist and any Servicer Event of Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto except to the extent expressly so waived.

Section 9.04 Accounting Upon Termination of Servicer.

Upon termination of the Servicer under this Article IX, the Servicer shall, at its own expense:

(a) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee the funds in any Trust Account maintained by the Servicer;

(b) deliver to its successor or, if none shall yet have been appointed, to the Custodian all Loan Files and related documents and statements held by it hereunder and a Loan portfolio computer tape;

(c) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee and to the Issuer and the Securityholders a full accounting of all funds, including a statement showing the Monthly Payments collected by it and a statement of monies held in trust by it for payments or charges with respect to the Loans; and

(d) execute and deliver such instruments and perform all acts reasonably requested in order to effect the orderly and efficient transfer of servicing of the Loans to its successor and to more fully and definitively vest in such successor all rights, powers, duties, responsibilities, obligations and liabilities of the Servicer under this Agreement.

ARTICLE X

TERMINATION; PUT OPTION

Section 10.01 Termination.

(a) This Agreement shall terminate upon either: (A) the later of (i) the satisfaction and discharge of the Indenture and the provisions thereof and payment to the Noteholders of all amounts due and owing in accordance with the provisions hereof or (ii) the disposition of all funds with respect to the last Loan and Residual Security and the remittance of all funds due hereunder and the payment of all amounts due and payable, including, in both cases, without limitation, indemnification payments payable pursuant to any Basic Document to the Indenture Trustee, the Owner Trustee, the Issuer, the Servicer and the Custodian, written notice of the occurrence of either of which shall be provided to the Indenture Trustee by the Servicer; or (B) the mutual consent of the Servicer, the Depositor and all Securityholders in writing and delivered to the Indenture Trustee by the Servicer.

(b) The Securities shall be subject to an early redemption or termination at the option of the Servicer and the Majority Noteholders in the manner and subject to the provisions of Section 10.02 and 10.04 of this Agreement.

(c) Except as provided in this Article X, none of the Depositor, the Servicer nor any Certificateholder or Noteholder shall be entitled to revoke or terminate the Trust.

Section 10.02 Optional Termination.

(a) The Servicer may, at its option, effect an early termination of

the Trust on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans, the Residual Securities and the Advance Note at a purchase price, payable in cash, equal to or greater than the Termination Price. The expense of any Independent appraiser required in connection with the calculation and payment of the Termination Price under this Section 10.02 shall be a nonreimbursable expense of the Servicer.

Any such early termination by the Servicer shall be accomplished by depositing into the Collection Account on the third Business Day prior to the Payment Date on which the purchase is to occur the amount of the Termination Price to be paid. The Termination Price and any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c) (1) hereof) shall be deposited in the Distribution Account and distributed by the Indenture Trustee pursuant to Section 5.01(c)(3) of this Agreement and Section 9.1 of the Trust Agreement on the next succeeding Payment Date; and any amounts received with respect to the Loans, the Residual Securities and Foreclosure Properties subsequent to the final Payment Date shall belong to the purchaser thereof.

Section 10.03 Notice of Termination.

Notice of termination of this Agreement or of early redemption and termination of the Issuer pursuant to Section 10.01 shall be sent by the Indenture Trustee to the Noteholders in accordance with Section 10.02 of the Indenture.

Section 10.04 Put Option.

The Majority Noteholders may, at their option, effect a put of the entire outstanding Note Principal Balance, or any portion thereof, to the Trust on any date by exercise of the Put Option. The Majority Noteholders shall effect such put by providing notice thereof in accordance with Section 10.05 of the Indenture.

Unless otherwise agreed by the Majority Noteholders, on the third Business Day prior to the Put Date, the Issuer shall deposit the Note Redemption Amount into the Distribution Account and, if the Put Date occurs after the termination of the Revolving Period and constitutes a put of the entire outstanding Note Principal Balance, any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c)(1) hereof) shall be deposited in the Distribution Account and distributed by the Paying Agent pursuant to section 5.01 (c) (3) of this Agreement on the Put Date; and any amounts received with respect to the Loans, Residual Securities and Foreclosure Properties subsequent to the Put Date shall belong to the Issuer.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.01 Acts of Securityholders.

Except as otherwise specifically provided herein and except with respect to Section 11.02(b), whenever action, consent or approval of the Securityholders is required under this Agreement, such action, consent or approval shall be deemed to have been taken or given on behalf of, and shall be binding upon, all Securityholders if the Majority Noteholders agree to take such action or give such consent or approval.

Section 11.02 Amendment.

(a) This Agreement may be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement with notice thereof to the Securityholders, without the consent of any of the Securityholders, to cure any error or ambiguity, to

correct or supplement any provisions hereof which may be defective or inconsistent with any other provisions hereof or to add any other provisions with respect to matters or questions arising under this Agreement; provided, however, that such action will not adversely affect in any material respect the interests of the Securityholders, as evidenced by an Opinion of Counsel to such effect provided at the expense of the party requesting such Amendment.

(b) This Agreement may also be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement, with the prior written consent of the Majority Noteholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, or of modifying in any manner the rights of the Securityholders; provided, however, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, collections of payments on Loans or Residual Securities or distributions which are required to be made on any Security, without the consent of the holders of 100% of the Securities, (ii) adversely affect in any material respect the interests of any of the holders of the Securities in any manner other than as described in clause (i), without the consent of the holders of 100% of the Securities, or (iii) reduce the percentage of the Securities, the consent of which is required for any such amendment, without the consent of the holders of 100% of the Securities.

(c) It shall not be necessary for the consent of Securityholders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the execution of any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment which affects the Issuer's own rights, duties or immunities of the Issuer or the Indenture Trustee, as the case may be, under this Agreement.

Section 11.03 Recordation of Agreement.

To the extent permitted by applicable law, this Agreement, or a memorandum thereof if permitted under applicable law, is subject to recordation in all appropriate public offices for real property records in all of the counties or other comparable jurisdictions in which any or all of the Mortgaged Property is situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Servicer at the Securityholders' expense on direction of the Majority Noteholders but only when accompanied by an Opinion of Counsel to the effect that such recordation materially and beneficially affects the interests of the Securityholders or is necessary for the administration or servicing of the Loans.

Section 11.04 Duration of Agreement.

This Agreement shall continue in existence and effect until terminated as herein provided.

Section 11.05 Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

Section 11.06 Notices.

All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered personally, mailed by overnight mail, certified mail or registered mail, postage prepaid, or (ii) transmitted by telecopy, upon telephone confirmation of receipt thereof, as follows: (1) in the case of the Depositor, to Option One Loan Warehouse Corporation, 3 Ada, Irvine, California 92618, or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Depositor; (2) in the case of the Trust, to Option One Owner Trust 2001-1A, c/o Wilmington Trust Company, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, telecopy number: (302) 651-8882, telephone number: (302) 651-1000, or such other address or telecopy or telephone numbers as may hereafter be furnished to the Noteholders and the other parties hereto in writing by the Trust; (3) in the case of the Loan Originator, to Option One Mortgage Corporation, 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Loan Originator; (4) in the case of the Servicer, to Option One Mortgage Corporation, 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Servicer; and (5) in the case of the Indenture Trustee, at the Corporate Trust Office, as defined in the Indenture, any such notices shall be deemed to be effective with respect to any party hereto upon the receipt of such notice or telephone confirmation thereof by such party, except; provided, that notices to the Securityholders shall be effective upon mailing or personal delivery.

Section 11.07 Severability of Provisions.

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

Section 11.08 No Partnership.

Nothing herein contained shall be deemed or construed to create any partnership or joint venture between the parties hereto and the services of the Servicer shall be rendered as an independent contractor.

Section 11.09 Counterparts.

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

Section 11.10 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the Servicer, the Loan Originator, the Depositor, the Indenture Trustee, the Issuer and the Securityholders and their respective successors and permitted assigns.

Section 11.11 Headings.

The headings of the various Sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

Section 11.12 Actions of Securityholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Depositor, the Servicer or the Issuer. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and conclusive in favor of the Depositor, the Servicer and the Issuer if made in the manner provided in this Section 11.12.

(b) The fact and date of the execution by any Securityholder of any such instrument or writing may be proved in any reasonable manner which the Depositor, the Servicer or the Issuer may deem sufficient.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Securityholder shall bind every holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, or omitted to be done, by the Depositor, the Servicer or the Issuer in reliance thereon, whether or not notation of such action is made upon such Security.

(d) The Depositor, the Servicer or the Issuer may require additional proof of any matter referred to in this Section 11.12 as it shall deem necessary.

Section 11.13 Non-Petition Agreement.

Notwithstanding any prior termination of any Basic Document, the Loan Originator, the Servicer, the Depositor and the Indenture Trustee each severally and not jointly covenants that it shall not, prior to the date which is one year and one day after the payment in full of the all of the Notes, acquiesce, petition or otherwise, directly or indirectly, invoke or cause the Trust or the Depositor to invoke the process of any governmental authority for the purpose of commencing or sustaining a case against the Issuer or Depositor under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or Depositor or any substantial part of their respective property or ordering the winding up or liquidation of the affairs of the Issuer or the Depositor.

Section 11.14 Holders of the Securities.

(a) Any sums to be distributed or otherwise paid hereunder or under this Agreement to the holders of the Securities shall be paid to such holders pro rata based on their Percentage Interests;

(b) Where any act or event hereunder is expressed to be subject to the consent or approval of the holders of the Securities, such consent or approval shall be capable of being given by the holder or holders evidencing in the aggregate not less than 51% of the Percentage Interests.

Section 11.15 Due Diligence Fees, Due Diligence.

The Loan Originator acknowledges that the Initial Noteholder has the right to perform continuing due diligence reviews with respect to the Loans, for purposes of verifying compliance with the representations, warranties and specifications made hereunder, or otherwise, and the Loan Originator agrees that upon reasonable prior notice (with no notice being required upon the occurrence of an Event of Default) to the Loan Originator, the Initial Noteholder, the Indenture Trustee and Custodian or its authorized representatives will be permitted during normal business hours to examine, inspect, and make copies and extracts of, the Loan Files and any and all documents, records, agreements, instruments or information relating to such Loans in the possession or under the

control of the Servicer and the Indenture Trustee. The Loan Originator also shall make available to the Initial Noteholder a knowledgeable financial or accounting officer for the purpose of answering questions respecting the Loan Files and the Loans and the financial condition of the Loan Originator. Without limiting the generality of the foregoing, the Loan Originator acknowledges that the Initial Noteholder may purchase Notes based solely upon the information provided by the Loan Originator to the Initial Noteholder in the Loan Schedule and the representations, warranties and covenants contained herein, and that the Initial Noteholder, at its option, has the right at any time to conduct a partial or complete due diligence review on some or all of the Loans securing such purchase, including without limitation ordering new credit reports and new appraisals on the related Mortgaged Properties and otherwise re-generating the information used to originate such Loan. The Initial Noteholder may underwrite such Loans itself or engage a mutually agreed upon third party underwriter to perform such underwriting. The Loan Originator agrees to cooperate with the Initial Noteholder and any third party underwriter in connection with such underwriting, including, but not limited to, providing the Initial Noteholder and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such Loans in the possession, or under the control, of the Servicer. The Loan Originator further agrees that the Loan Originator shall reimburse the Initial Noteholder for any and all reasonable out-of-pocket costs and expenses incurred by the Initial Noteholder in connection with the Initial Noteholder's activities pursuant to this Section 11.15 hereof (the "Due Diligence Fees"). In addition to the obligations set forth in Section 11.17 of this Agreement, the Initial Noteholder agrees (on behalf of itself and its Affiliates, directors, officers, employees and representatives) to use reasonable precaution to keep confidential, in accordance with its customary procedures for handling confidential information and in accordance with safe and sound practices, and not to disclose to any third party, any non-public information supplied to it or otherwise obtained by it hereunder with respect to the Loan Originator or any of its Affiliates (including, but not limited to, the Loan

File); provided, however, that nothing herein shall prohibit the disclosure of any such information to the extent required by statute, rule, regulation or judicial process; provided, further that, unless specifically prohibited by applicable law or court order, the Initial Noteholder shall, prior to disclosure thereof, notify the Loan Originator of any request for disclosure of any such non-public information. The Initial Noteholder further agrees not to use any such non-public information for any purpose unrelated to this Agreement and that the Initial Noteholder shall not disclose such non-public information to any third party underwriter in connection with a potential Disposition without obtaining a written agreement from such third party underwriter to comply with the confidentiality provisions of this Section 11.15.

Section 11.16 No Reliance.

Each of the Loan Originator, the Depositor and the Issuer hereby acknowledges that it has not relied on the Initial Noteholder or any of its officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended, for any tax, accounting, legal or other professional advice in connection with the transactions contemplated by the Basic Documents, that each of the Loan Originator, the Depositor and the Issuer has retained and been advised by such tax, accounting, legal and other professionals as it has deemed necessary in connection with the transactions contemplated by the Basic Documents and that the Initial Noteholder makes no representation or warranty, and shall have no liability with respect to, the tax, accounting or legal treatment or implications relating to the transactions contemplated by the Basic Documents.

Section 11.17 Confidential Information.

In addition to the confidentiality requirements set forth in Section 11.15 of the Agreement, each Noteholder, as well as the Indenture Trustee and the Disposition Agent (each of said parties singularly referred to herein as a

"Receiving Party" and collectively referred to herein as the "Receiving Parties"), agrees to hold and treat all Confidential Information (as defined below) in confidence and in accordance with this Section. Such Confidential Information will not, without the prior written consent of the Servicer and the Loan Originator, be disclosed or used by such Receiving Parties or its subsidiaries, Affiliates, directors, officers, members, employees, agents or controlling persons (collectively, the "Information Recipients") other than for the purpose of making a decision to purchase or sell Notes or taking any other permitted action under this Agreement and or any other Basic Document. Each Receiving Party agrees to disclose Confidential Information only to its Information Recipients who need to know it for the purpose of making a decision to purchase or sell Notes or the taking of any other permitted action under this Agreement and or any other Basic Document (including in connection with the servicing of the Loans and in connection with any servicing transfers) and who are informed by such Receiving Party of its confidential nature and who agree to be bound by the terms of this Section 11.17. Disclosure that is not in violation of the Right to Financial Privacy Act, the Gramm-Leach-Bliley Act or other applicable law by such Receiving Party of any Confidential Information at the request of its outside auditors or governmental regulatory authorities in connection with an examination of a Receiving Party by any such authority shall not constitute a breach of its obligations under this Section 11.17 and shall not require the prior consent of the Servicer and the Loan Originator.

Each Receiving Party shall be responsible for any breach of this Section 11.17 by its Information Recipients. The Initial Noteholder may use Confidential Information for internal due diligence purposes in connection with its analysis of the transactions contemplated by the Basic Documents. The Disposition Agent may disclose Confidential Information to the Disposition Participants as required to effect Dispositions. This Section 11.17 shall terminate upon the occurrence of an Event of Default; provided, however, that such termination shall not relieve the Receiving Parties or their respective Information Recipients from the obligation to comply with the Gramm-Leach-Bliley Act or other applicable law with respect to their use or disclosure of Confidential Information following the occurrence of an Event of Default.

As used herein, "Confidential Information" means non-public personal information (as defined in the Gramm-Leach-Bliley Act and its enabling regulations issued by the Federal Trade Commission) regarding Borrowers. Confidential Information shall not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by a Receiving Party or any Information Recipients; (ii) was available to a Receiving Party on a non-confidential basis prior to its disclosure to Receiving Party by the Servicer or the Loan Originator; (iii) is required to be disclosed by a governmental authority or related governmental agencies or as otherwise required by law; (iv) becomes available to a Receiving Party on a non-confidential basis from a Person other than the Servicer or the Loan Originator who, to the best knowledge of such Receiving Party, is not otherwise bound by a confidentiality agreement with the Servicer or the Loan Originator and is not otherwise prohibited from transmitting the information to such Receiving Party.

Section 11.18 Conflicts.

Notwithstanding anything contained in the Basic Documents to the contrary, in the event of the conflict between the terms of this Agreement and any other Basic Document, the terms of this Agreement shall control.

Section 11.19 Limitation on Liability.

It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 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 Agreement or any other related documents.

Section 11.20 No Agency.

Nothing contained herein or in the Basic Documents shall be construed to create an agency or fiduciary relationship between the Initial Noteholder or the Majority Noteholders or any of their Affiliates and the Issuer, the Depositor, the Loan Originator or the Servicer. None of the Initial Noteholder, the Majority Noteholders or any of their Affiliates shall be liable for any acts or actions affected in connection with a disposition of Loans or Residual Securities, including without limitation, any Securitization pursuant to Section 3.06, any Loan Originator Put or Servicer Call pursuant to Section 3.07 hereof nor any Whole Loan Sale pursuant to Section 3.10 hereof.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the Issuer, the Depositor, the Servicer, the Indenture Trustee and the Loan Originator have caused their names to be signed by their respective officers thereunto duly authorized, as of the day and year first above written, to this Second Amended and Restated Sale and Servicing Agreement.

OPTION ONE OWNER TRUST 2001-1A,
By: Wilmington Trust Company
not in its individual capacity
but solely as Owner Trustee

By: /s/ Mary Kay Pupillo

Name: Mary Kay Pupillo
Title: Assistant Vice President

OPTION ONE LOAN WAREHOUSE
CORPORATION, as Depositor

By: /s/ David S. Wells

Name: David S. Wells
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION,
as Loan Originator and Servicer

By: /s/ David S. Wells

Name: David S. Wells
Title: Vice President

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

By: /s/ Darron C. Woodus

Name: Darron C. Woodus
Title: Assistant Vice President

EXHIBIT 10.49

==========

INDENTURE

between

OPTION ONE OWNER TRUST 2001-1A
as Issuer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
as Indenture Trustee

Dated as of April 1, 2001

OPTION ONE OWNER TRUST 2001-1A
MORTGAGE-BACKED NOTES

==========

TABLE OF CONTENTS

ARTICLE IV

SATISFACTION AND DISCHARGE

ARTICLE V

REMEDIES

ARTICLE VI

THE INDENTURE TRUSTEE

ARTICLE VII

NOTEHOLDERS' LISTS AND REPORTS

ARTICLE VIII

ACCOUNTS, DISBURSEMENTS AND RELEASES

INDENTURE

INDENTURE dated as of April 1, 2001 (the "Indenture"), between OPTION ONE OWNER TRUST 2001-1 A, a Delaware business trust, as Issuer (the "Issuer"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee (the "Indenture Trustee").

WITNESSETH THAT:

In consideration of the mutual covenants herein contained, the Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance of Notes, issuable as provided in this Indenture. All

covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders.

GRANTING CLAUSE

Subject to the terms of this Indenture, the Issuer hereby Grants on the Closing Date, to the Indenture Trustee, as Indenture Trustee for the benefit of the Noteholders, all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in and to: (i) such Loans as from time to time are subject to the Sale and Servicing Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments; (ix) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement and/or the Master Disposition Confirmation Agreement, and all proceeds of any of the foregoing, (x) all right, title and interest of the Issuer in and to the Sale and Servicing Agreement, including the Issuer's right to cause the Loan Originator to repurchase Loans from the Issuer under certain circumstances described therein), (xi) all other Property of the Trust from time to time and (xii) all present and future claims, demands, causes of action and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Collateral").

The foregoing Grant is made in trust to secure the payment of principal of and interest on, and any other amounts owing in respect of, the Notes, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture.

The Indenture Trustee, as Indenture Trustee on behalf of the Noteholders, acknowledges such Grant, accepts the trusts hereunder and agrees to perform its duties required in this Indenture to the best of its ability to the end that the interests of the Noteholders may adequately and effectively be protected.

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. (a) Except as otherwise specified herein, the following terms have the respective meanings set forth below for all purposes of this Indenture.

"Act" has the meaning specified in Section 11.03(a) hereof.

"Additional Note Principal Balance" As defined in the Sale and

Servicing Agreement.

"Administration Agreement" means the Administration Agreement dated as of April 1, 2001, between the Issuer and the Administrator.

"Administrator" means Option One Mortgage Corporation, or any successor Administrator under the Administration Agreement.

"Authorized Officer" means, with respect to the Issuer, any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Owner Trustee to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Authorized Officers delivered by the Administrator to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter).

"Basic Documents" As defined in the Sale and Servicing Agreement.

"Certificate of Trust" means the certificate of trust of the Issuer substantially in the form of Exhibit C to the Trust Agreement.

"Change of Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of outstanding shares of voting stock of the Loan Originator at any time if after giving effect to such acquisition (i) such Person or

Persons owns twenty percent (20%) or more of such outstanding voting stock or (ii) H&R Block, Inc. does not own more than fifty percent (50%) of such outstanding shares of voting stock.

"Clean-up Call Date" As defined in the Sale and Servicing Agreement.

"Closing Date" means April 18, 2001.

"Collateral" has the meaning specified in the Granting Clause of this Indenture.

"Commission" means the Securities and Exchange Commission.

"Corporate Trust Office" means the principal office of the Indenture Trustee at which at any particular time its corporate trust business shall be administered, which office at date of execution of this Indenture is located, for note transfer purposes, at Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: Option One Owner Trust 2001-1A, telecopy number: (612) 667-6282, telephone number: (800) 344-5128, and for all other purposes, at 11000 Broken Land Parkway, Columbia, Maryland 21044, Attention: Option One Owner Trust 2001-1A, telecopy number: (410) 884-2372, telephone number: (410) 884-2000, or at such other address as the Indenture Trustee may designate from time to time by notice to the Noteholders and the Issuer, or the principal corporate trust office of any successor Indenture Trustee at the address designated by such successor Indenture Trustee by notice to the Noteholders and the Issuer.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Depositor" shall mean Option One Loan Warehouse Corporation, a Delaware corporation; in its capacity as depositor under the Sale and Servicing

Agreement, or any successor in interest thereto.

"Depository Institution" means any depository institution or trust company, including the Indenture Trustee, that (a) is incorporated under the laws of the United States of America or any State thereof, (b) is subject to supervision and examination by federal or state banking authorities and (c) has outstanding unsecured commercial paper or other short-term unsecured debt obligations that are rated at a rating to which the Majority Noteholders consent in writing.

"Event of Default" has the meaning specified in Section 5.01 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Executive Officer" means, with respect to (i) the Depositor, the Servicer, the Loan Originator or any Affiliate of any of them, the President, any Vice President or the Treasurer of such corporation; and with respect to any partnership, any general partner thereof, (ii) the Note Registrar, any Responsible Officer of the Indenture Trustee, (iii) any other corporation, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Executive Vice President, any Vice President, the Secretary or the Treasurer of such entity and (iv) any partnership, any general partner thereof.

"Grant" means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, create and grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to this Indenture. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for principal and interest payments in respect of the Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to dc or receive thereunder or with respect thereto.

"Holder" means the Person in whose name a Note is registered on the Note Register.

"ICA Owner" means "beneficial owner" as such term is used in Section 3(c)(1) of the Investment Company Act of 1940. as amended (other than any persons who are excluded from such term or from the 100-beneficial owner test of Section 3(c)(1) by law or regulations adopted by the Securities and Exchange Commission.

"Indenture" means this Indenture and any amendments hereto.

"Indenture Trustee" means Wells Fargo Bank Minnesota, National Association, a national banking association, as Indenture Trustee under this Indenture, or any successor Indenture Trustee hereunder.

"Issuer" means Option One Owner Trust 2001-1A.

"Issuer Order" and "Issuer Request" mean a written order or request signed in the name of the Issuer by any one of its Authorized Officers and delivered to the Indenture Trustee.

"Loan Originator" means Option One Mortgage Corporation, a California corporation.

"Majority Certificateholders" As defined in the Sale and Servicing Agreement.

"Maturity Date" means, with respect to the Notes, 364 days after the commencement of the Revolving Period, provided that the Maturity Date shall automatically be extended for an additional 364 days unless the Initial Noteholder notifies the Depositor and the Issuer in writing at least 180 days prior to the expiration of the initial 364 day period that it elects not to extend the Maturity Date for such additional 364 day period.

"Maximum Note Principal Balance" As defined in the Note Purchase Agreement.

"Note" means any Note authorized by and authenticated and delivered under this Indenture.

"Note Interest Rate" means for each Accrual Period, a per annum interest rate equal to One-Month LIBOR for the related LIBOR Determination Date plus the LIBOR Margin and the Additional LIBOR Margin for such Accrual Period.

"Note Principal Balance" As defined in the Sale and Servicing Agreement.

"Note Purchase Agreement" means the Note Purchase Agreement dated as of April 18, 2001, among the Issuer, the Depositor and Greenwich Capital Financial Products, Inc.

"Note Redemption Amount" As defined in the Sale and Servicing Agreement.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 2.03 hereof.

"Noteholder" means the Person in whose name a Note is registered on the Note Register.

"Officer's Certificate" means a certificate signed by any Authorized Officer of the Issuer or the Administrator, under the circumstances described in, and otherwise complying with, the applicable requirements of Section 11.01 hereof, and delivered to the Indenture Trustee. Unless otherwise specified, any reference in this Indenture to an Officer's Certificate shall be to an Officer's Certificate of any Authorized Officer of the Issuer or the Administrator.

"Opinion of Counsel" means one or more written opinions of counsel who may, except as otherwise expressly provided in this Indenture, be an employee of or counsel to the Issuer, and which opinion or opinions shall be addressed to the Indenture Trustee, as Indenture Trustee, and shall comply with any applicable requirements of Section 11.01 hereof and shall be in form and substance satisfactory to the Initial Noteholder.

"Outstanding" means, with respect to any Note and as of the date of determination, any Note theretofore authenticated and delivered under this Indenture except:

(i) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(ii) Notes or portions thereof the payment for which money in the necessary amount has theretofore been deposited with the Indenture Trustee or any Paying Agent in trust for the Noteholders (provided, however, that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision for such notice satisfactory to the Indenture Trustee has been made); and

(iii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Notes are held by a bona fide purchaser; provided, however, that in determining

whether the Noteholders representing the requisite Percentage Interests of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent

or waiver hereunder or under any Basic Document, Notes owned by the Issuer, any other obligor upon the Notes, the Depositor or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Indenture Trustee actually knows to be owned in such manner shall be disregarded. Notes owned in such manner that have been pledged in good faith may be regarded as Outstanding if the pledgee certifies to the Indenture Trustee (y) that the pledgee has the right so to act with respect to such Notes and (z) that the pledgee is not the Issuer, any other obligor upon the Notes, the Depositor or any Affiliate of any of the foregoing Persons.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee under the Trust Agreement, or any successor Owner Trustee under the Trust Agreement.

"Paving Agent" means (unless the Paying Agent is the Servicer) a Person that meets the eligibility standards for the Indenture Trustee specified in Section 6.11 hereof and is authorized by the Issuer to make payments to and distributions from the Collection Account and the Distribution Account, including payment of principal of or interest on the Notes on behalf of the Issuer. The initial Paying Agent shall be the Servicer; provided that if the Servicer is terminated as Paying Agent for any reason, the Indenture Trustee shall be the Paying Agent until another Paying Agent is appointed by the Initial Noteholder pursuant to Section 8.04 herein. The Indenture Trustee shall be entitled to reasonable additional compensation for assuming the role of Paying Agent.

"Payment Date" As defined in the Sale and Servicing Agreement.

"Percentage Interest" means, with respect to any Note and as of any date of determination, the percentage equal to a fraction, the numerator of which is the principal balance of such Note as of such date of determination and the denominator of which is the Note Principal Balance.

"Person" As defined in the Sale and Servicing Agreement.

"Predecessor Note" means, with respect to any particular Note, every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purpose of this definition, any Note authenticated and delivered under Section 2.04 hereof in lieu of a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Record Date" As defined in the Sale and Servicing Agreement.

"Redemption Date" means in the case of a redemption of the Notes pursuant to Section 10.01 hereof, the Payment Date specified by the Servicer pursuant to such Section 10.01.

"Registered Holder" means the Person in the name of which a Note is registered on the Note Register on the applicable Record Date.

"Revolving Period" As defined in the Sale and Servicing Agreement.

"Sale Agent" has the meaning assigned to such term in Section 5.11 hereof.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement dated as of April 1, 2001, among the Issuer, the Depositor, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders.

"Servicer" shall mean Option One Mortgage Corporation, in its capacity as servicer under the Sale and Servicing Agreement, and any successor servicer thereunder.

"State" means any one of the States of the United States of America or the District of Columbia.

"Termination Price" As defined in the Sale and Servicing Agreement.

"Transfer Date" As defined in the Sale and Servicing Agreement.

"Trust Agreement" means the Trust Agreement dated as of April 1, 2001, between the Depositor and the Owner Trustee.

"Trust Certificate" has the meaning assigned to such term in Section 1.1 of the Trust Agreement.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force on the date hereof, unless otherwise specifically provided.

(b) Except as otherwise specified herein or as the context may otherwise require, capitalized terms used but not otherwise defined herein have the respective meanings set forth in the Sale and Servicing Agreement for all purposes of this Indenture.

Section 1.02. Rules of Construction. Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) "including" means including without limitation;

(v) words in the singular include the plural and words in the plural include the singular; and

(vi) any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented (as provided in such agreements) and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

ARTICLE II

GENERAL PROVISIONS WITH RESPECT TO THE NOTES

Section 2.01. Method of Issuance and Form of Notes.

(a) The Notes shall be designated generally as the "Option One Owner Trust 2001-1A Mortgage-Backed Notes" of the Issuer. Each Note shall bear upon its face the designation so selected for the Notes. All Notes shall be identical in all respects except for the denominations thereof. All Notes issued under this Indenture shall be in all respects equally and ratably entitled to the benefits thereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

The Notes may be typewritten, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Each Note shall be dated the date of its authentication.

The terms of the Notes shall be set forth in this Indenture.

The Notes shall be in definitive form and shall bear a legend substantially in the form of Exhibit C attached hereto.

Section 2.02. Execution, Authentication, Delivery and Dating. The Notes shall be executed on behalf of the Issuer by an Authorized Officer of the Owner Trustee or the Administrator. The signature of any such Authorized Officer on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signature of individuals who were at any time Authorized Officers of the Owner Trustee or the Administrator shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

Subject to the satisfaction of the conditions set forth in Section 2.08 hereof, the Indenture Trustee shall upon Issuer Order authenticate and deliver the Notes.

The Notes that are authenticated and delivered by the Indenture Trustee to or upon the order of the Issuer on the Closing Date shall be dated as of such Closing Date. All other Notes that are authenticated after the Closing Date for any other purpose under the Indenture shall be dated the date of their authentication. The Notes shall be issued in such denominations as may be agreed by the Issuer and the Initial Noteholder.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Indenture Trustee by the manual signature of one of its

authorized signatories, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.03. Registration; Registration of Transfer and Exchange. The Issuer shall cause to be kept a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Notes and the registration of transfers of Notes. The Indenture Trustee initially shall be the "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided. Upon any resignation of any Note Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of the Note Registrar.

If a Person other than the Indenture Trustee is appointed by the Issuer as Note Registrar, the Issuer will give the Indenture Trustee prompt

written notice of the appointment of such Note Registrar and of the location, and any change in the location, of the Note Register, and the Indenture Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof, and the Indenture Trustee shall have the right to rely upon a certificate executed on behalf of the Note Registrar by an Executive Officer thereof as to the names and addresses of the Noteholders and the principal amounts and number of the Notes.

Upon surrender for registration of transfer of any Note at the office or agency of the Issuer to be maintained as provided in Section 3.02 hereof, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Noteholder shall obtain from the Indenture Trustee, in the name of the designated transferee or transferees, one or more new Notes in any authorized denominations, of a like aggregate Note Principal Balance.

At the option of the Holder, Notes may be exchanged for other Notes in any authorized denominations, of a like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Noteholder shall obtain from the Indenture Trustee, the Notes which the Noteholder making the exchange is entitled to receive.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in the form attached to the form of Note attached as Exhibit A hereto duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Securities Transfer Agents' Medallion Program ("STAMP").

No service charge shall be made to a Noteholder for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 9.05 hereof not involving any transfer.

The preceding provisions of this Section 2.03 notwithstanding, the Issuer shall not be required to make, and the Note Registrar need not register, transfers or exchanges of Notes selected for redemption or of any Note for a period of 15 days preceding the due date for any payment with respect to such Note.

Section 2.04. Mutilated, Destroyed, Lost or Stolen Notes. If (i) any mutilated Note is surrendered to the Indenture Trustee, or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Issuer and Indenture Trustee such security or indemnity as may reasonably be required by it to hold the Issuer and the Indenture Trustee, as applicable, harmless, then, in the absence of notice to the Issuer, the Note Registrar or the Indenture Trustee that such Note has been acquired by a bona fide purchaser, an Authorized Officer of the Owner Trustee or the Administrator on behalf of the Issuer shall execute, and upon its written request the Indenture Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note; provided, however, that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become or within seven days shall be due and payable, or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may pay such destroyed, lost or stolen Note when so due or payable or upon the Redemption Date without surrender thereof. If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen

Note pursuant to the proviso to the preceding sentence, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Issuer shall be entitled to recover such replacement Note (or such payment) from the Person to which it was delivered or any Person taking such replacement Note from such Person to which such replacement Note was delivered or any assignee of such Person, except a bona fide purchaser, and the Issuer and the Indenture Trustee shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Indenture Trustee in connection therewith.

Upon the issuance of any replacement Note under this Section 2.04, the Issuer may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Indenture Trustee) connected therewith.

Every replacement Note issued pursuant to this Section 2.04 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.04 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.05. Persons Deemed Noteholders. Prior to due presentment for registration of transfer of any Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in the name of which any Note is registered (as of the day of determination) as the Noteholder for the purpose of receiving payments of principal of and

interest, if any, on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and none of the Issuer, the Indenture Trustee or any agent of the Issuer or the Indenture Trustee shall be affected by notice to the contrary.

Section 2.06. Payment of Principal and/or Interest; Defaulted Interest.

(a) The Notes shall accrue interest at the Note Interest Rate, and such interest shall be payable on each Payment Date, subject to Section 3.01 hereof. Any installment of interest or principal, if any, payable on any Note that is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in the name of which such Note (or one or more Predecessor Notes) is registered on the next preceding Record Date based on the Percentage Interest represented by its respective Note, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee, and otherwise by check mailed to the address of such Noteholder appearing in the Note Register no less than five days preceding the related Record Date. The final installment of principal payable with respect to such Note shall be payable as provided in Section 2.06(b) below. The funds represented by any such checks returned undelivered shall be held in accordance with Section 3.03 hereof.

(b) The principal of each Note shall be payable in installments on each Payment Date as provided in Sections 5.01 and 5.02 of the Sale and Servicing Agreement and Section 5.04(b) hereof. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable, if not previously paid, on the earlier of (i) the Maturity Date, (ii) the Redemption

Date, (iii) the Final Put Date and (iv) the date on which an Event of Default shall have occurred and be continuing, if the Indenture Trustee or the Majority Noteholders shall have declared the Notes to be immediately due and payable in the manner provided in Section 5.02 hereof.

All principal payments on the Notes shall be made pro rata to the Noteholders based on their respective Percentage Interests. The Paying Agent shall notify the Person in the name of which a Note is registered at the close of business on the Record Date preceding the Payment Date on which the Issuer expects that the final installment of principal of and interest on such Note will be paid. Such notice shall be mailed or transmitted by facsimile prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of such Note and shall specify the place where such Note may be presented and surrendered for payment of such installment. Notices in connection with redemptions of Notes shall be provided to Noteholders as set forth in Section 10.02 hereof.

Section 2.07. Cancellation. All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Indenture Trustee, be delivered to the Indenture Trustee and shall promptly be canceled by the Indenture Trustee. The Issuer may at any time deliver to the Indenture Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Notes so delivered shall promptly be canceled by the Indenture Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this

Section 2.07, except as expressly permitted by this Indenture. All canceled Notes may be held or disposed of by the Indenture Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer shall direct by an Issuer Order that they be destroyed or returned to it; provided, however, that such Issuer Order is timely and the Notes have not been previously disposed of by the Indenture Trustee.

Section 2.08. Conditions Precedent to the Authentication of the Notes. The Notes may be authenticated by the Indenture Trustee upon receipt by the Indenture Trustee of the following:

(a) An Issuer Order authorizing authentication of such Notes by the Indenture Trustee;

(b) All of the items of Collateral which are to be delivered pursuant to the Basic Documents to the Indenture Trustee or its designee by the related Closing Date shall have been delivered;

(c) An executed counterpart of each Basic Document;

(d) One or more Opinions of Counsel addressed to the Indenture Trustee to the effect that:

(i) all conditions precedent provided for in this Indenture relating to the authentication of the Notes have been complied with;

(ii) the Owner Trustee has power and authority to execute, deliver and perform its obligations under the Trust Agreement;

(iii) the Issuer has been duly formed, is validly existing as a business trust under the laws of the State of Delaware, 12 Del. C. Section 3801 et seq., and has power, authority and legal right to execute and deliver this Indenture, the Note Purchase Agreement, the Custodial Agreement, the Administration Agreement and the Sale and Servicing Agreement;

(iv) assuming due authorization, execution and delivery hereof by the Indenture Trustee, the Indenture is a valid, legal and binding

obligation of the Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent or preferential conveyance and other similar laws of general application affecting the rights of creditors generally and to general principles of equity (regardless of whether such enforcement is considered in a Proceeding in equity or at law);

(v) the Notes, when executed and authenticated as provided herein and delivered against payment therefor, will be the valid, legal and binding obligations of the Issuer pursuant to the terms of this Indenture, entitled to the benefits of this Indenture, and will be enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent or preferential conveyance and other similar laws of general application affecting the rights of creditors generally and to general principles of

equity (regardless of whether such enforcement is considered in a Proceeding in equity or at law);

(vi) Reserved;

(vii) this Indenture is not required to be qualified under the Trust Indenture Act;

(viii) no authorization, approval or consent of any governmental body having jurisdiction in the premises which has not been obtained by the Issuer is required to be obtained by the Issuer for the valid issuance and delivery of the Notes, except that no opinion need be expressed with respect to any such authorizations, approvals or consents as may be required under any state securities or "blue sky" laws; and

(ix) any other matters that the Indenture Trustee may reasonably request.

(e) An Officer's Certificate complying with the requirements of Section 11.01 hereof and stating that:

(i) the Issuer is not in Default under this Indenture and the issuance of the Notes applied for will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, the Trust Agreement, any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it may be bound or to which it may be subject, and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes applied for have been complied with;

(ii) the Issuer is the owner of all of the Loans, has not assigned any interest or participation in the Loans (or, if any such interest or participation has been assigned, it has been released) and has the right to Grant all of the Loans to the Indenture Trustee;

(iii) the Issuer has Granted to the Indenture Trustee all of its right, title and interest in and to the Collateral, and has delivered or caused the same to be delivered to the Indenture Trustee; and

(iv) all conditions precedent provided for in this Indenture relating to the authentication of the Notes have been complied with.

Section 2.09. Release of Collateral. (a) Except as otherwise provided by the terms of the Basic Documents, the Indenture Trustee shall release the Collateral from the lien of this Indenture only upon receipt of an Issuer Request accompanied by the written consent of the Majority Noteholders in accordance with the procedures set forth in the Custodial Agreement. To the

extent it deems necessary, the Indenture Trustee may seek direction from the Initial Noteholder with regard to the release of Collateral other than the Custodial Loan File.

(b) The Indenture Trustee shall, if requested by the Servicer, temporarily release or cause the Custodian temporarily to release to the Servicer the Custodial Loan File pursuant to the provisions of Section 5(b) of the Custodial Agreement upon compliance by the Servicer with the provisions thereof; provided, however, that the Custodian's records shall indicate the Issuer's pledge to the Indenture Trustee under the Indenture.

Section 2.10. Additional Note Principal Balance. In the event of payment of Additional Note Principal Balance by the Noteholders as provided in Section 2.01(c) of the Sale and Servicing Agreement, each Noteholder shall, and is hereby authorized to, record on the schedule attached to its Note the date and amount of any Additional Note Principal Balance advanced by it and each repayment thereof; provided that failure to make any such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Additional Note Principal Balance and its right to receive interest payments in respect of the Additional Note Principal Balance held by such Noteholder.

Absent manifest error, the Note Principal Balance of each Note as set forth in the notations made by the related Noteholder on such Note shall be binding upon the Indenture Trustee and the Issuer; provided that failure by a Noteholder to make such recordation on its Note or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive principal and interest payments in respect thereof.

Section 2.11. Tax Treatment. The Issuer has entered into this Indenture, and the Notes will be issued, with the intention that for all purposes, including federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness of the Issuer secured by the Collateral. The Issuer, by entering into this Indenture, and each Noteholder, by its acceptance of a Note, agree to treat the Notes for all purposes, including federal, state and local income, single business and franchise tax purposes, as indebtedness of the Issuer. The Indenture Trustee will have no responsibility for filing or preparing any tax returns.

Section 2.12. Limitations on Transfer of the Notes.

(a) The Notes have not been and will not be registered under the Securities Act and will not be listed on any exchange. No transfer of a Note shall be made unless such transfer is made pursuant to an effective registration statement under the Securities Act and all applicable state securities laws or is exempt from the registration requirements under the Securities Act and such state securities laws. In order to assure compliance with the Securities Act and state securities laws, any transfer of a Note shall be made (A) in reliance on Rule 144A under the Securities Act, in which case, the Indenture Trustee shall require that the transferor deliver a certification substantially in the form of Exhibit B-1 hereto and that the transferee deliver a certification substantially in the form of Exhibit B-3 hereto, or (B) to an institutional "accredited investor" within the meaning of Rule 501 (a)(1), (2), (3) or (7) of Regulation D under the Securities Act that is not a "qualified institutional buyer," in which case the Indenture Trustee shall require that the transferee deliver a certification substantially in the form of Exhibit B-2 hereto. The Indenture Trustee shall not make any transfer or re-registration of the Notes if after such transfer or re-registration, there would be more than five Noteholders. Each Noteholder shall, by its acceptance of a Note, be deemed to have represented and warranted that the number of ICA Owners with respect to all of its Notes shall not exceed four.

(b) The Note Registrar shall not register the transfer of any Note unless the Indenture Trustee has received a certificate from the transferee to the effect that either (i) the transferee is not an employee benefit plan or other retirement plan or arrangement subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended (each, a "Plan"), and is not acting on behalf of or investing the assets of a Plan or (ii) if the transferee is a Plan or is acting on behalf of or investing the assets of a Plan, the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied; Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts),PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts) and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

ARTICLE III

COVENANTS

Section 3.01. Payment of Principal and/or Interest. The Issuer will duly and punctually pay (or will cause to be paid duly and punctually) the principal of and interest on the Notes in accordance with the terms of the Notes, this Indenture and the Sale and Servicing Agreement. Amounts properly withheld under the Code by any Person from a payment to any Noteholder of interest and/or principal shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture. The Notes shall be non-recourse obligations of the Issuer and shall be limited in right of payment to amounts available from the Collateral, as provided in this Indenture. The Issuer shall not otherwise be liable for payments on the Notes. If any other provision of this Indenture shall be deemed to conflict with the provisions of this Section 3.01, the provisions of this Section 3.01 shall control.

Section 3.02. Maintenance of Office or Agency. The Indenture Trustee shall maintain at the Corporate Trust Office an office or agency where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Indenture Trustee shall give prompt written notice to the Issuer of the location, and of any change in the location, of any such office or agency.

Section 3.03. Money for Payments to Be Held in Trust. As provided in Section 8.02(a) and (b) hereof, all payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Distribution Account pursuant to Section 8.02(c) hereof shall be made on behalf of the Issuer by the Indenture Trustee or by the Paying Agent, and *** amounts so withdrawn from the Distribution Account for payments of Notes shall be paid over to the Issuer except as provided in this Section 3.03.

Any Paying Agent shall be appointed by the Initial Noteholder with written notice thereof to the Indenture Trustee. The Issuer shall not appoint any Paying Agent (other than the Indenture Trustee or Servicer) which is not, at the time of such appointment, a Depository Institution.

The Issuer will cause each Paying Agent other than the Indenture Trustee to execute and deliver to the Indenture Trustee an instrument in which such Paying Agent shall agree with the Indenture Trustee (and if the Indenture Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 3.03, that such Paying Agent will:

(i) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein

provided;

(ii) give the Indenture Trustee notice of any Default by the Issuer (or any other obligor upon the Notes) of which it has actual knowledge in the making of any payment required to be made with respect to the Notes;

(iii) at any time during the continuance of any such Default, upon the written request of the Majority Noteholders or the Indenture Trustee, forthwith pay to the Indenture Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to the Indenture Trustee all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards required to be met by a Paying Agent at the time of its appointment; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Notes of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith; provided, however, that with respect to withholding and reporting requirements applicable to original issue discount (if any) on the Notes, the Issuer shall have first provided the calculations pertaining thereto to the Indenture Trustee.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Indenture Trustee all sums held in trust by such Paying Agent, such sums to be held by the Indenture Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Indenture Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to applicable laws with respect to escheat of funds or abandoned property, any money held by the Indenture Trustee or any Paying Agent in trust for the payment of any amount due with respect to any Note and remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer on Issuer Request; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Indenture Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Indenture Trustee or such Paying Agent, before being required to make any such repayment shall at the expense and direction of the Issuer cause to be published, once in a newspaper of general circulation in the City of New York customarily published in the English

language on each Business Day, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Indenture Trustee shall also adopt and employ any other reasonable means of notification of such repayment (including, but not limited to, mailing notice of such repayment to Noteholders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in moneys due and payable but not claimed at the last address of record for each such Noteholder determinable from the records of the Indenture Trustee or of any Paying Agent. Any costs and expenses of the Indenture Trustee and the Paying Agent incurred in the holding of such funds shall be charged against such funds. Monies so held shall not bear interest.

Section 3.04. Existence. (a) Subject to subparagraph (b) of this Section 3.04, the Issuer will keep in full effect its existence, rights and franchises as a business trust under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other State or of the United States of America, in which case the Issuer will keep in full effect its existence, rights and franchises under the

laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes and the Collateral. The Issuer shall comply in all respects with the covenants contained in the Trust Agreement, including without limitation, the "special purpose entity" set forth in Section 4.1 thereof.

(b) Any successor to the Owner Trustee appointed pursuant to Section 10.2 of the Trust Agreement shall be the successor Owner Trustee under this Indenture without the execution or filing of any paper, instrument or further act to be done on the part of the parties hereto.

(c) Upon any consolidation or merger of or other succession to the Owner Trustee, the Person succeeding to the Owner Trustee under the Trust Agreement may exercise every right and power of the Owner Trustee under this Indenture with the same effect as if such Person had been named as the Owner Trustee herein.

Section 3.05. Protection of Collateral. The Issuer will from time to time execute and deliver all such reasonable supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(i) provide further assurance with respect to the Grant of all or any portion of the Collateral;

(ii) maintain or preserve the lien and security interest (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;

(iv) enforce any rights with respect to the Collateral; and

(v) preserve and defend title to the Collateral and the rights of the Indenture Trustee and the Noteholders in such Collateral against the claims of all Persons and parties.

The Issuer hereby designates the Administrator, its agent and attorney-in-fact to execute any financing statement, continuation statement or other instrument required to be executed pursuant to this Section 3.05.

Section 3.06. Negative Covenants. Without the written consent of the Majority Noteholders, so long as any Notes are Outstanding, the Issuer shall not:

(i) except as expressly permitted by the Basic Documents, sell, transfer, exchange or otherwise dispose of any of the properties or assets of the Issuer, including those included in any part of the Trust Estate, unless directed to do so by the Noteholders as permitted herein;

(ii) claim any credit on, or make any deduction from the principal or interest payable in respect of, the Notes (other than amounts properly withheld from such payments under the Code) or assert any claim against any present or former Noteholder by reason of the payment of the taxes levied or assessed upon any part of the Trust Estate;

(iii) engage in any business or activity other than as expressly permitted by this Indenture and the other Basic Documents, other than in connection with, or relating to, the issuance of Notes pursuant to this Indenture, or amend this Indenture as in effect on the Closing Date other than in accordance with Article IX hereof;

(iv) issue any debt obligations except under this Indenture;

(v) incur or assume any indebtedness or guaranty any indebtedness of any Person, except for such indebtedness as may be incurred by the Issuer in connection with the issuance of the Notes pursuant to this Indenture;

(vi) dissolve or liquidate in whole or in part or merge or consolidate with any other Person;

(vii) (A) permit the validity or effectiveness of this Indenture to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Notes except as may expressly be permitted hereby, (B) except as provided in the Basic Documents, permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance to be created on or extend to or otherwise arise upon or burden the Trust Estate or any part thereof or any interest therein or the proceeds thereof (other than tax liens, mechanics' liens and other liens that arise by operation of law, in each case, on any Mortgaged Property and arising solely as a result of an action or omission of the related Borrowers) or (C) except as provided in the Basic Documents, permit any Person other than itself, the Owner Trustee and the Noteholders to have any right title or interest in the Trust Estate;

(viii) remove the Administrator without the prior written consent of the Majority Noteholders; or

(ix) take any other action or fail to take any action which may cause the Trust to be taxable as (a) an association pursuant to Section 7701 of the Code and the corresponding regulations, or (b) as a taxable mortgage pool pursuant to Section 7701(i) of the Code.

Section 3.07. Performance of Obligations; Servicing of Loans. (a) The Issuer will not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's material covenants or obligations under any instrument or agreement included in the Collateral or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except as expressly provided in the Basic Documents or such other instrument or agreement.

(b) The Issuer may contract with or otherwise obtain the assistance of other Persons (including, without limitation, the Administrator under the Administration Agreement) to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Indenture Trustee in an Officer's Certificate of the Issuer shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Servicer and the Administrator to assist the Issuer in performing its duties under this Indenture.

(c) The Issuer will punctually perform and observe all of its obligations and agreements contained in this Indenture, in the Basic Documents and in the instruments and agreements included in the Collateral, including but not limited to (i) filing or causing to be filed all UCC financing statements and continuation statements required to be filed by the terms of this Indenture and the Sale and Servicing Agreement and (ii) recording or causing to be recorded all Mortgages, Assignments of Mortgage, all intervening Assignments of Mortgage and all assumption and modification agreements required to be recorded by the terms of the Sale and Servicing Agreement, in accordance with and within the time periods provided for in this Indenture and/or the Sale and Servicing Agreement, as applicable. Except as otherwise expressly provided therein, the Issuer shall not waive, amend, modify, supplement or terminate any Basic Document or any provision thereof without the consent of the Indenture Trustee and the Majority Noteholders.

(d) If the Issuer shall have knowledge of the occurrence of a Servicing Event of Default, the Issuer shall promptly notify the Indenture Trustee and the Initial Noteholder thereof, and shall specify in such notice the action, if any, the Issuer is taking with respect to such default. If a Servicing Event of Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Sale and Servicing Agreement with respect to the Loans, the Issuer shall take all reasonable steps available to it to remedy such failure.

(e) Reserved.

(f) Upon any termination of the Servicer's rights and powers pursuant to the Sale and Servicing Agreement, the Issuer shall promptly notify the Indenture Trustee. As soon as a successor servicer is appointed, the Issuer shall notify the Indenture Trustee of such appointment, specifying in such notice the name and address of such successor servicer.

(g) Without derogating from the absolute nature of the assignment granted to the Indenture Trustee under this Indenture or the rights of the Indenture Trustee hereunder, the Issuer agrees (i) that it will not, without the prior written consent of the Indenture Trustee, amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, supplement, termination, waiver or surrender of, the terms of any Collateral (except to the extent otherwise permitted by the Sale and Servicing Agreement) or the Basic Documents, or waive timely performance or observance by the Servicer or the Depositor under the Sale and Servicing Agreement; and (ii) that any such amendment shall not (A) increase or reduce in any manner the amount of, or accelerate or delay the timing of, distributions that are required to be made for the benefit of the Noteholders or (B) reduce the aforesaid percentage of the Notes that is required to consent to any such amendment, without the consent of Noteholders evidencing 100% Percentage Interests of the Outstanding Notes. If any such amendment, modification, supplement or waiver shall so be consented to by the Indenture Trustee, the Issuer agrees, promptly following a request by the Indenture Trustee to do so, to execute and deliver, in its own name and at its own expense, such agreements, instruments, consents and other documents as the Indenture Trustee may deem necessary or appropriate in the circumstances.

Section 3.08. Reserved.

Section 3.09. Annual Statement as to Compliance. So long as the Notes are Outstanding, the Issuer will deliver to the Indenture Trustee, within 120 days after the end of each fiscal year of the Issuer (commencing with the fiscal year beginning on May 1, 2001), an Officer's Certificate stating, as to the Authorized Officer signing such Officer's Certificate, that:

(i) a review of the activities of the Issuer during such year and of its performance under this Indenture has been made under such Authorized Officer's supervision; and

(ii) to the best of such Authorized Officer's knowledge, based on such review, the Issuer has materially complied with all conditions and covenants under this Indenture throughout such year, or, if there has been a default in its compliance with any such condition or covenant, specifying each such default known to such Authorized Officer and the nature and status thereof.

Section 3.10. Covenants of the Issuer. All covenants of the Issuer in this Indenture are covenants of the Issuer and are not covenants of the Owner Trustee. The Owner Trustee is, and any successor Owner Trustee under the Trust Agreement will be, entering into this Indenture solely as Owner Trustee under the Trust Agreement and not in its respective individual capacity, and in no case whatsoever shall the Owner Trustee or any such successor Owner Trustee be personally liable on, or for any loss in respect of, any of the statements, representations, warranties or obligations of the Issuer hereunder, as to all of which the parties hereto agree to look solely to the property of the Issuer.

Section 3.11. Servicer's Obligations. The Issuer shall cause the Servicer to comply with the Sale and Servicing Agreement.

Section 3.12. Restricted Payments. The Issuer shall not, directly or indirectly, (i) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to the Owner Trustee or any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest or security in or of the Issuer or to the Servicer, (ii) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (iii) set aside or otherwise segregate any amounts for any such purpose; provided, however, that the Issuer may make, or cause to be made, (x) distributions to the Servicer, the Indenture Trustee, the Owner Trustee and the Noteholders and the holders of the Trust Certificates as contemplated by, and to the extent funds are available for such purpose under, the Sale and Servicing Agreement or the Trust Agreement and (y) payments to the Indenture Trustee pursuant to Section l(a)(ii) of the Administration Agreement. The Issuer will not, directly or indirectly, make or cause to be made payments to or distributions from the Distribution Account except in accordance with this Indenture and the Basic Documents.

Section 3.13. Treatment of Notes as Debt for All Purposes. The Issuer shall, and shall cause the Administrator to, treat the Notes as indebtedness for all purposes.

Section 3.14. Notice of Events of Default. The Issuer shall give the Indenture Trustee and the Initial Noteholder prompt written notice of each Event of Default hereunder each default on the part of the Servicer or the Loan Originator of their respective obligations under any of the Basic Documents.

Section 3.15. Further Instruments and Acts. Upon request of the Indenture Trustee, the Issuer will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

ARTICLE IV

SATISFACTION AND DISCHARGE

Section 4.01. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to the Notes (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen Notes, (iii) rights of Noteholders to receive payments of principal thereof and interest thereon, (iv) Sections 3.03, 3.04 and 3.10 hereof, (v) the rights, obligations and immunities of the Indenture Trustee hereunder (including the rights of the Indenture Trustee under Section 6.07 hereof and the obligations of the Indenture Trustee under Section 4.02 hereof) and (vi) the rights of Noteholders as beneficiaries hereof with respect to the property so deposited with the Indenture Trustee payable to all or any of them), and the Indenture Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments satisfactory to it, and prepared and delivered to it by the Issuer, acknowledging satisfaction and discharge of this Indenture with respect to the Notes, when all of the following have occurred:

(A) either

(1) all Notes theretofore authenticated and delivered (other than (i) Notes that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.04 hereof and (ii) Notes for the payment of

which money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 3.03 hereof) shall have been delivered to the Indenture Trustee for cancellation; or

(2) all Notes not theretofore delivered to the Indenture Trustee for cancellation

a. shall have become due and payable, or

b. are to be called for redemption within one year under arrangements satisfactory to the Indenture Trustee for the giving of notice of redemption by the Indenture Trustee in the name, and at the expense, of the Issuer,

c. and the Issuer, in the case of clause a. or b. above, has irrevocably deposited or caused irrevocably to be deposited with the Indenture Trustee cash or direct obligations of or obligations guaranteed by the United States of America (which will mature prior to the date such amounts are payable), in trust for such purpose, in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Indenture Trustee for cancellation when due to the applicable Maturity Date or the Redemption Date (if Notes shall have been called for redemption pursuant to Section 10.01 hereof), as the case may be; and

(B) the latest of (a) the payment in full of all outstanding obligations under the Notes, (b) the payment in full of all unpaid Trust Fees and Expenses and (c) the date on which the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer; and

(C) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each meeting the applicable requirements of Section 11.01 hereof and, subject to Section 11.02 hereof, each stating that all conditions precedent herein provided for, relating to the satisfaction and discharge of this Indenture with respect to the Notes, have been complied with.

Section 4.02. Application of Trust Money. All moneys deposited with the Indenture Trustee pursuant to Sections 3.03 and 4.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or

through any Paying Agent, as the Indenture Trustee may determine, to the Noteholders for the payment or redemption of which such moneys have been deposited with the Indenture Trustee, of all sums due and to become due thereon for principal and/or interest; but such moneys need not be segregated from other funds except to the extent required herein or in the Sale and Servicing Agreement or required by law.

Section 4.03. Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all moneys then held by any Paying Agent other than the Indenture Trustee under the provisions of this Indenture with respect to such Notes shall, upon demand of the Issuer, be paid to the Indenture Trustee to be held and applied according to Section 3.03 hereof and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE V

REMEDIES

Section 5.01. Events of Default. "Event of Default," wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) notwithstanding any insufficiency of funds in the Distribution Account for payment thereof on the related Payment Date, default in the payment of any interest on any Note when the same becomes due and payable; or

(b) notwithstanding any insufficiency of funds in the Distribution Account for payment thereof on the related Payment Date, default in the payment of any installment of the Overcollateralization Shortfall of any Note (i) on any Payment Date or (ii) on the Maturity Date, or, to the extent that there are funds available in the Distribution Account therefor, default in the payment of any installment of the principal of any Note from such available funds, as a result of the occurrence of a Rapid Amortization Trigger; or

(c) the occurrence of a Servicer Event of Default; or

(d) default in the observance or performance of any covenant or agreement of the Issuer made in any Basic Document to which it is a party (other than a covenant or agreement, a default in the observance or performance of which is elsewhere in this Section 5.01 specifically dealt with), or any representation or warranty of the Issuer made in any Basic Document to which it is a party or in any certificate or other writing delivered pursuant thereto or in connection therewith proving to have been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured, or the circumstance or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of 30 days after there shall have been given, by registered or certified mail, to the Issuer by the Indenture Trustee, or to the Issuer, the Depositor and the Indenture Trustee by Noteholders evidencing at least 25% Percentage Interests of the Outstanding Notes, a written

notice specifying such default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a notice of Default hereunder; or

(e) default in the observance or performance of any covenant or agreement of the Depositor made in any Basic Document to which it is a party or any representation or warranty of the Depositor (except as otherwise expressly provided in the Basic Documents with respect to representations and warranties regarding the Loans) or Loan Originator made in any Basic Document to which they are a party, proving to have been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured, or the circumstance or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of 30 days (or five days in the case of the failure of the Loan Originator to make a payment in respect of the Transfer Obligation) after there shall have been given, by registered or certified mail, to the Issuer and the Depositor by the Indenture Trustee, or to the Issuer, the Depositor and the Indenture Trustee by Noteholders evidencing at least 25% Percentage Interests of the Outstanding Notes, a written notice specifying such Default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a notice of Default hereunder; or

(f) default in the observance or performance of any covenant or agreement of the Loan Originator made in any repurchase agreement, loan and security agreement or other similar credit facility agreement entered into by the Loan Originator and any third party for borrowed funds in excess of

$10,000,000, including any default which entitles any party to require acceleration or prepayment of any indebtedness thereunder; or

(g) the filing of a decree or order for relief by a court having jurisdiction over the Issuer, the Depositor or the Loan Originator or all or substantially all of the Collateral in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointing of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Depositor or the Loan Originator or for all or substantially all of the Collateral, or the ordering of the winding-up or liquidation of the affairs of the Issuer, the Depositor or the Loan Originator, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(h) the commencement by the Issuer, the Depositor or the Loan Originator of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer, the Depositor or the Loan Originator to the entry of an order for relief in an involuntary case under any such law, or the consent by the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Depositor or the Loan Originator or for any substantial part of the Collateral, or the making by the Issuer, the Depositor or the Loan Originator of any general assignment for the benefit of creditors, or the failure by the Issuer, the Depositor or the Loan Originator generally to pay its respective debts as such debts become due, or the taking of any action by the Issuer, the Depositor or the Loan Originator in furtherance of any of the foregoing; or

(i) a Change of Control of the Loan Originator; or

(j) the Notes shall be Outstanding on the day after the end of the Revolving Period.

The Issuer shall deliver to the Indenture Trustee, within five days after the occurrence thereof, written notice in the form of an Officer's Certificate of any event which with the giving of notice and the lapse of time would become an Event of Default under clauses (d) or (e) above, the status of such event and what action the Issuer or the Depositor, as applicable, is taking or proposes to take with respect thereto.

Section 5.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default should occur and be continuing, then and in every such case the Indenture Trustee, at the direction or upon the prior written consent of the Majority Noteholders, may declare all the Notes to be immediately due and payable, by a notice in writing to the Issuer (and to the Indenture Trustee if given by Noteholders), and upon any such declaration, the unpaid principal amount of such Notes, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the moneys due has been obtained by the Indenture Trustee as hereinafter in this Article V provided, the Majority Noteholders, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

1. all payments of principal of and/or interest on all Notes and all other amounts that would then be due hereunder or upon such Notes if the Event of Default giving rise to such acceleration had not occurred; and

2. all sums paid or advanced by the Indenture Trustee hereunder and the

reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel; and

(b) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 5.12 hereof. No such rescission shall affect any subsequent default or impair any right consequent thereto.

Section 5.03. Collection of Indebtedness and Suits for Enforcement by Indenture Trustee. (a) The Issuer covenants that if (i) default is made in the payment of any interest on any Note when the same becomes due and payable, and such default continues for a period of five days, or (ii) default is made in the payment of the principal of or any installment of the principal of any Note when the same becomes due and payable, the Issuer will, upon demand of the Indenture Trustee, pay to the Indenture Trustee, for the benefit of the Noteholders, the whole amount then due and payable on such Notes for principal and/or interest, with interest upon the overdue principal and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments

of interest at the rate borne by the Notes and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel.

(b) In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Indenture Trustee shall at the direction of the Majority Noteholders, subject to Section 5.06(c) institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or other obligor upon such Notes and collect in the manner provided by law out of the property of the Issuer or other obligor upon such Notes, wherever situated, the moneys adjudged or decreed to be payable.

(c) If an Event of Default occurs and is continuing, the Indenture Trustee shall at the direction of the Majority Noteholders, as more particularly provided in Section 5.04 hereof, subject to Section 5.06(c) hereof, proceed to protect and enforce its rights and the rights of the Noteholders by such appropriate Proceedings as the Indenture Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture or by law.

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Notes or any Person having or claiming an ownership interest in the Collateral, Proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to the Issuer or other obligor upon the Notes, or to the creditors or property of the Issuer or such other obligor, the Indenture Trustee, irrespective of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section 5.03, shall be entitled and empowered by intervention in such Proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and/or interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee, and its agents, attorneys and counsel, and for

reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of negligence or bad faith) and of the Noteholders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Noteholders in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders and the Indenture Trustee on their behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee or the Noteholders allowed in any judicial proceedings relative to the Issuer, its creditors and its property; and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Noteholders to make payments to the Indenture Trustee and, in the event that the Indenture Trustee shall consent to the making of payments directly to such Noteholders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred and all advances made by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith.

(e) Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Indenture Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceedings relative thereto, and any such action or Proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, shall be for the ratable benefit of the Noteholders.

(g) In any Proceedings brought by the Indenture Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the Noteholders, and it shall not be.necessary to make any Noteholder a party to any such Proceedings.

Section 5.04. Remedies; Priorities. (a) If an Event of Default shall have occurred and be continuing, the Indenture Trustee, at the direction of the Majority Noteholders shall, do one or more of the following (subject to Section 5.05 hereof):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Notes or under this Indenture with respect thereto, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Issuer and any other obligor upon such Notes moneys adjudged due;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(iii) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee or the Noteholders; and

(iv) sell the Collateral or any portion thereof or rights or interest therein in a commercially reasonable manner, at one or more public or private sales called and conducted in any manner permitted by law; provided, however, that the Indenture Trustee may not sell or otherwise liquidate the Collateral following an Event of Default, unless (A) the Holders of 100% Percentage Interests of the Outstanding Notes consent thereto, (B) the proceeds of such sale or liquidation distributable to the Noteholders are sufficient to discharge in full all amounts then due and unpaid upon such Notes for principal and/or interest or (C) the Indenture Trustee determines that the Collateral will not continue to provide sufficient funds for the payment of principal of and interest on the Notes as they would have become due if the Notes had not been declared due and payable, and the Indenture Trustee obtains the consent of Holders of not less than 66-2/3% Percentage Interests of the Outstanding Notes. In determining such sufficiency or insufficiency with respect to clause (B) and (C) of this subsection (a)(iv), the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

(b) If the Indenture Trustee collects any money or property pursuant to this Article V, it shall pay out the money or property in the following order:

FIRST: in the following order of priority: (a) to the Indenture Trustee, an amount equal to all unreimbursed Indenture Trustee Fees and indemnities and any other amounts payable to the Indenture Trustee pursuant to the Basic Documents and to the Indenture Trustee or Sale Agents, as applicable, all reasonable fees and expenses incurred by them and their agents and representatives in connection with the enforcement of the remedies provided for in this Article V, (b) to the Custodian, an amount equal to all unpaid Custodian Fees and indemnities and any other amounts payable to the Custodian pursuant to the Basic Documents, (c) to the Servicer, an amount equal to (i) all unreimbursed Servicing Compensation and (ii) all unreimbursed Nonrecoverable Servicing Advances, and (d) to the Servicer, in trust for the Owner Trustee, an amount equal to the Owner Trustee Fee and all unpaid Owner Trustee Fees;

SECOND: the Hedge Funding Requirement to the appropriate Hedging Counterparties;

THIRD: to the Noteholders pro rata, all amounts in respect of interest due and owing under the Notes;

FOURTH: to the Noteholders pro rata, all amounts in respect of unpaid principal of the Notes;

FIFTH: to the Purchaser or any other Indemnified Party (as each such term is defined in the Note Purchase Agreement), amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and to the Initial Noteholder, amounts in respect of Due Diligence Fees (as set forth in Section 11.15 of the Sale and Servicing Agreement) until such amounts are paid in full;

SIXTH: to the Owner Trustee, for any amounts to be distributed pro rata to the holders of the Trust Certificates pursuant to the Trust

Agreement.

The Indenture Trustee may fix a record date and payment date for any payment to be made to the Noteholders pursuant to this Section 5.04. At least 15 days before such record date, the Indenture Trustee shall mail to each Noteholder and the Issuer a notice that states the record date, the payment date and the amount to be paid.

Section 5.05. Optional Preservation of the Collateral. If the Notes have been declared to be due and payable under Section 5.02 hereof following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee may, but need not, elect to maintain possession of the Collateral. It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and the Indenture Trustee shall take such desire into account when determining whether or not to maintain possession of the Collateral. In determining whether to maintain possession of the Collateral, the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

Section 5.06. Limitation of Suits. No Noteholder shall have any right to institute any Proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Noteholder has previously given written notice to the Indenture Trustee of a continuing Event of Default;

(b) the Noteholders evidencing not less than 25% Percentage Interests of the Outstanding Notes have made written request to the Indenture Trustee to institute such Proceeding in respect of such Event of Default in its own name as Indenture Trustee hereunder;

(c) such Noteholder or Noteholders have offered to the Indenture Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request;

(d) the Indenture Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceeding; and

(e) no direction inconsistent with such written request has been given to the Indenture Trustee during such 30-day period by the Majority Noteholders.

It is understood and intended that no one or more Noteholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this indenture to affect, disturb or prejudice the rights of any other Noteholders or to obtain or to seek to obtain priority or preference over any other Noteholders or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Indenture Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Noteholders, neither of which evidences Percentage Interests of the Outstanding Notes greater than 50%, the Indenture Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture and shall have no obligation or liability to any such group of Noteholders for such action or inaction.

Section 5.07. Unconditional Rights of Noteholders to Receive Principal and/or Interest. Notwithstanding any other provisions in this Indenture, any Noteholder shall have the right, which is absolute and

unconditional, to receive payment of the principal of and interest, if any, on such Note on or after the applicable Maturity Date thereof expressed in such Note or in this Indenture (or, in the case of redemption, on or after the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Noteholder.

Section 5.08. Restoration of Rights and Remedies. If the Indenture Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Indenture Trustee or to such Noteholder, then and in every such case the Issuer, the Indenture Trustee and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 5.09. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.10. Delay or Omission Not a Waiver. No delay or omission of the Indenture Trustee or any Noteholder to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Indenture Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee or by the Noteholders, as the case may be.

Section 5.11. Control by Noteholders. The Majority Noteholders shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee with respect to the Notes or exercising any trust or power conferred on the Indenture Trustee; provided, however, that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture;

(b) subject to the express terms of Section 5.04(a)(iv) hereof, any direction to the Indenture Trustee to sell or liquidate the Collateral shall be by Holders of Notes representing Percentage Interests of the Outstanding Notes of not less than 100%;

(c) if the conditions set forth in Section 5.05 hereof have been satisfied and the Indenture Trustee elects to retain the Collateral pursuant to such Section, then any direction to the Indenture Trustee by Holders of Notes representing Percentage Interests of the Outstanding Notes of less than 100% to sell or liquidate the Collateral shall be of no force and effect; and

(d) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee that is not inconsistent with such direction.

In connection with any sale of the Collateral in accordance with paragraph (c) above, the Majority Noteholders may, in their sole discretion appoint agents to effect the sale of the Collateral (such agents, "Sale Agents"), which Sale Agents may be Affiliates of any Noteholder. The Sale Agents shall be entitled to reasonable compensation in connection with such activities from the proceeds of such sale.

Notwithstanding the rights of the Noteholders set forth in this Section 5.11. subject to Section 6.01 hereof, the Indenture Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Noteholders not consenting to such action.

Section 5.12. Waiver of Past Defaults. The Majority Noteholders may waive any past Default or Event of Default and its consequences, except a Default (a) in the payment of principal of or interest on any of the Notes or (b) in respect of a covenant or provision hereof that cannot be modified or amended without the consent of each Noteholder. In the case of any such waiver, the Issuer, the Indenture Trustee and Noteholders shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Section 5.13. Undertaking for Costs. All parties to this Indenture agree, and each Noteholder by such Noteholder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.13 shall not apply to (a) any suit instituted by the Indenture Trustee, (b) any suit instituted by any Noteholder, or group of Noteholders, in each case holding in the aggregate Percentage Interests of the Outstanding Notes of more than 10% or (c) any suit instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note on or after the respective due dates expressed in such Note and in this Indenture (or, in the case of redemption, on or after the Redemption Date).

Section 5.14. Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.15. Action on Notes. The Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Indenture Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer. Any money or property collected by the Indenture Trustee shall be applied in accordance with Section 5.04(b) hereof.

Section 5.16. Performance and Enforcement of Certain Obligations.

(a) Promptly following a request from the Indenture Trustee to do so

and at the Administrator's expense, the Issuer shall take all such lawful action as the Indenture Trustee may request to compel or secure the performance and observance by the Loan Originator and the Servicer, as applicable, of each of their obligations to the Issuer under or in connection with the Sale and Servicing Agreement or the Loan Purchase Agreement, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale and Servicing Agreement to the extent and in the manner directed by the Indenture Trustee, including the transmission of notices of default on the part of the Loan Originator or the Servicer thereunder

and the institution of legal or administrative actions or proceedings to compel or secure performance by the Loan Originator or the Servicer of each of their obligations under the Sale and Servicing Agreement and the Loan Purchase Agreement.

(b) If an Event of Default has occurred and is continuing, the Indenture Trustee may, and at the direction (which direction shall be in writing or by telephone, confirmed in writing promptly thereafter) of the Majority Noteholders shall, subject to Section 5.06(c) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Loan Originator or the Servicer under or in connection with the Sale and Servicing Agreement or the Loan Purchase Agreement, including the right or power to take any action to compel or secure performance or observance by the Loan Originator or the Servicer, as the case may be, of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension, or waiver under the Sale and Servicing Agreement, and any right of the Issuer to take such action shall be suspended.

ARTICLE VI

THE INDENTURE TRUSTEE

Section 6.01. Duties of Indenture Trustee. (a) If an Event of Default has occurred and is continuing, the Indenture Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Indenture Trustee shall undertake to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture; provided, however, that the Indenture Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture to the extent specifically set forth herein.

(c) The Indenture Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 6.01;

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) the Indenture Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.11 hereof; and

(iv) Reserved.

(d) Reserved.

(e) The Indenture Trustee shall not be liable for interest on any money received by it and held in a Trust Account except as may be provided in the Sale and Servicing Agreement or as the Indenture Trustee may agree in writing with the Issuer.

(f) Money held in trust by the Indenture Trustee shall be segregated from other funds except to the extent permitted by law or the terms of this Indenture or the Sale and Servicing Agreement.

(g) No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; provided, however, that the Indenture Trustee shall not refuse or fail to perform any of its duties hereunder solely as a result of nonpayment of its normal fees and expenses and provided, further, that nothing in this Section 6.01(g) shall be construed to limit the exercise by the Indenture Trustee of any right or remedy permitted under this Indenture or otherwise in the event of the Issuer's failure to pay the Indenture Trustee's fees and expenses pursuant to Section 6.07 hereof.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of this Section 6.01.

(i) The Indenture Trustee shall not be required to take notice or be deemed to have notice or knowledge of any Event of Default (other than an Event of Default pursuant to Section 5.01(a) or (b) hereof) unless a Responsible Officer of the Indenture Trustee shall have received written notice thereof or otherwise shall have actual knowledge thereof. In the absence of receipt of notice or such knowledge, the Indenture Trustee may conclusively assume that there is no Event of Default.

Section 6.02. Rights of Indenture Trustee. (a) The Indenture Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Indenture Trustee need not investigate any fact or matter stated in the document.

(b) Before the Indenture Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officer's Certificate or Opinion of Counsel.

(c) The Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee.

(d) The Indenture Trustee shall not be liable for (i) any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that such action or omission by the Indenture Trustee does not constitute willful misconduct, negligence or bad faith; or (ii) any action or inaction on the part of the Custodian.

(e) The Indenture Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

Section 6.03. Individual Rights of Indenture Trustee. The Indenture Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Indenture Trustee. Any Paying Agent, Note Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Indenture Trustee must comply with Section 6.11 hereof.

Section 6.04. Indenture Trustee's Disclaimer. The Indenture Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, shall not be accountable for the Issuer's use of the proceeds from the Notes, or responsible for any statement of the Issuer in the Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Indenture Trustee's certificate of authentication.

Section 6.05. Notices of Default. If a Default occurs and is continuing and if it is actually known to a Responsible Officer of the Indenture Trustee, the Indenture Trustee shall mail to each Noteholder and each party to the Master Disposition Confirmation Agreement notice of the Default within two Business Days after it receives actual notice of such occurrence.

Section 6.06. Reports by Indenture Trustee to Holders. The Indenture Trustee shall deliver to each Noteholder such information specifically requested by each Noteholder and in the Indenture Trustee's possession and as may be reasonably required to enable such Noteholder to prepare its federal and state income tax returns.

Section 6.07. Compensation and Indemnity. As compensation for its services hereunder, the Indenture Trustee shall be entitled to receive, on each Payment Date, the Indenture Trustee's Fee pursuant to Section 8.02(c) hereof (which compensation shall not be limited by any law on compensation of a trustee of an express trust) and shall be entitled to reimbursement by the Servicer for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Indenture Trustee's agents, counsel, accountants and experts. The Issuer agrees to cause the Servicer to indemnify the Indenture Trustee, the Paying Agent and their officers, directors, employees and agents against any and all loss, liability or expense (including reasonable attorneys' fees) incurred by it or them in

connection with the administration of this trust and the performance of its or their duties under the Basic Documents. The Indenture Trustee shall notify the Issuer and the Servicer promptly of any claim for which it may seek indemnity. Failure by the Indenture Trustee so to notify the Issuer and the Servicer shall not relieve the Issuer or the Servicer of its or their obligations hereunder. The Issuer shall, or shall cause the Servicer to, defend any such claim; provided, however, that if the defendants with respect to any such claim include the Issuer and/or the Servicer and the Indenture Trustee, and the Indenture Trustee shall have reasonably concluded that there may be legal defenses available to it which are different from or in addition to those defenses available to the Issuer or the Servicer, as the case may be, the Indenture Trustee shall have the right, at the expense of the Servicer, to select separate counsel to assert such legal defenses and to otherwise defend itself against such claim. Neither the Issuer nor the Servicer need reimburse any expense or indemnify against any loss, liability or expense incurred by the Indenture Trustee through the Indenture Trustee's own willful misconduct, negligence or bad faith.

The Issuer's payment obligations to the Indenture Trustee pursuant to this Section 6.07 shall survive the discharge of this Indenture and the termination or resignation of the Indenture Trustee. When the Indenture Trustee incurs expenses after the occurrence of a Default specified in Section 5.01(f) or (g) hereof with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or similar law.

Notwithstanding anything in this Section 6.07 to the contrary, all amounts due the Indenture Trustee hereunder shall be payable in the first instance by the Servicer and. if not paid by the Servicer within 60 days after payment is requested from the Servicer by the Indenture Trustee, in accordance with the priorities set forth in Section 5.01 of the Sale and Servicing Agreement.

Section 6.08. Replacement of Indenture Trustee. No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee shall become effective until the acceptance of appointment by the successor Indenture Trustee pursuant to this Section 6.08. The Indenture Trustee may resign at any time by so notifying the Issuer. The Majority Noteholders may remove the Indenture Trustee (with the consent of the Majority Certificateholders, not to be unreasonably withheld) by so notifying the Indenture Trustee and may appoint a successor Indenture Trustee; provided, that all of the reasonable costs and expenses incurred by the Indenture Trustee in connection with such removal shall be reimbursed to it prior to the effectiveness of such removal. The Issuer shall remove the Indenture Trustee if:

(a) the Indenture Trustee fails to comply with Section 6.11 hereof;

(b) the Indenture Trustee is adjudged a bankrupt or insolvent;

(c) a receiver or other public officer takes charge of the Indenture Trustee or its property; or

(d) the Indenture Trustee otherwise becomes incapable of acting.

If the Indenture Trustee resigns or is removed or if a vacancy exists in the office of Indenture Trustee for any reason (the Indenture Trustee in such event being referred to herein as the retiring Indenture Trustee), the Issuer shall promptly appoint a successor Indenture Trustee.

A successor Indenture Trustee shall deliver a written acceptance of its appointment to the retiring Indenture Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Indenture Trustee shall become effective, and the successor Indenture Trustee shall have all the rights, powers and duties of the Indenture Trustee under this Indenture. The successor Indenture Trustee shall mail a notice of its succession to Noteholders. The retiring Indenture Trustee shall promptly transfer all property held by it as Indenture Trustee to the successor Indenture Trustee.

If a successor Indenture Trustee does not take office within 60 days after the retiring Indenture Trustee resigns or is removed, the retiring Indenture Trustee, the Issuer or the Majority Noteholders may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

If the Indenture Trustee fails to comply with Section 6.11 hereof, any Noteholder may petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

Notwithstanding the replacement of the Indenture Trustee pursuant to this Section 6.08. the Issuer's and the Administrator's obligations under Section 6.07 hereof shall continue for the benefit of the retiring Indenture Trustee.

Section 6.09. Successor Indenture Trustee by Merger. If the Indenture Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Indenture Trustee; provided, however, that such corporation or banking association shall otherwise be qualified and eligible under Section 6.11 hereof. The Indenture Trustee shall provide the Majority Noteholders prior written notice of any such transaction.

In case at the time such successor or successors by merger, conversion or consolidation to the Indenture Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Indenture Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Indenture Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Indenture Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Indenture Trustee shall have.

Section 6.10. Appointment of Co-Indenture Trustee or Separate Indenture Trustee.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Collateral may

at the time be located, the Indenture Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust, and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders, such title to the Collateral, or any part hereof, and, subject to the other provisions of this Section 6.10, such powers, duties, obligations, rights and trusts as the Indenture Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 hereof and no notice to Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08 hereof.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Indenture Trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Indenture Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the indenture Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Indenture Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Indenture Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Indenture

Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, jointly with the Indenture Trustee, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Indenture Trustee. Every such instrument shall be filed with the Indenture Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Indenture Trustee its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Indenture Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 6.11. Eligibility. The Indenture Trustee shall (i) have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition or (ii) otherwise be acceptable in writing to the Majority Noteholders.

ARTICLE VII

NOTEHOLDERS' LISTS AND REPORTS

Section 7.01. Issuer to Furnish Indenture Trustee Names and Addresses of Noteholders. The Issuer will furnish or cause to be furnished to the Indenture Trustee (a) not more than five days after the earlier of (i) each Record Date and (ii) three months after the last Record Date, a list, in such form as the Indenture Trustee may reasonably require, of the names and addresses of the Noteholders as of such Record Date, (b) at such other times as the Indenture Trustee may request in writing, within 30 days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than 10 days prior to the time such list is furnished; provided, however, that so long as the Indenture Trustee is the Note Registrar, no such list shall be required to be furnished.

Section 7.02. Preservation of Information. The Indenture Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Noteholders contained in the most recent list furnished to the Indenture Trustee as provided in Section.7.01 hereof and the names and addresses of Noteholders received by the Indenture Trustee in its capacity as Note Registrar. The Indenture Trustee may destroy any list furnished to it as provided in such Section 7.01 upon receipt of a new list so furnished.

Section 7.03. 144A Information. The Indenture Trustee, to the extent it has any such information in its possession, shall provide to any Noteholder and any prospective transferee designated by any such Noteholder information regarding the Notes and the Loans and such other information as shall be necessary to satisfy the condition to eligibility set forth in Rule 144A(d)(4) under the Securities Act for transfer of any such Note without registration thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A under the Securities Act.

ARTICLE VIII

ACCOUNTS, DISBURSEMENTS AND RELEASES

Section 8.01. Collection of Money. General. Except as otherwise expressly provided herein, the Indenture Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or

assistance of any intermediary, all money and other property payable to or receivable by the Indenture Trustee pursuant to this Indenture. The Indenture Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Collateral, the Indenture Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice

to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V hereof.

Section 8.02. Trust Accounts; Distributions. (a) On or prior to the Closing Date, the Issuer shall cause the Servicer to establish and maintain, in the name of the Indenture Trustee for the benefit of the Noteholders, or on behalf of the Owner Trustee for the benefit of the Securityholders, the Trust Accounts as provided in the Sale and Servicing Agreement. The Servicer shall deposit amounts into each of the Trust Accounts in accordance with the terms hereof, the Sale and Servicing Agreement and the Payment Statements.

(b) Collection Account. With respect to the Collection Account, the Paying Agent shall make such withdrawals and distributions as specified in Section 5.01(c)(1) of the Sale and Servicing Agreement in accordance with the terms thereof.

(c) Distribution Account. With respect to the Distribution Account, the Paying Agent shall make (i) such deposits as specified in Sections 5.01(c)(2)(A), 5.01(c)(2)(B), 5.05(e), 5.05(f), 5.05(g), and 5.05(h) of the Sale and Servicing Agreement and (ii) such withdrawals and distributions as specified in Section 5.01(c)(3) of the Sale and Servicing Agreement in accordance with the terms thereof.

(d) Transfer Obligation Account. With respect to the Transfer Obligation Account, the Paying Agent shall make (i) such deposits as specified in Section 5.01(c)(3)(vii) of the Sale and Servicing Agreement and (ii) such withdrawals and distributions as specified in Sections 5.05(d), 5.05(e), 5.05(f), 5.05(g), 5.05(h), and 5.05 (i) of the Sale and Servicing Agreement in accordance with the terms thereof.

(e) Reserved.

(f) Advance Account. With respect to the Advance Account, the Issuer shall cause the Servicer to make such withdrawals specified in Section 2.06 of the Sale and Servicing Agreement.

Section 8.03. General Provisions Regarding Trust Accounts. (a) All or a portion of the funds in the Collection Account and the Transfer Obligation Account shall be invested in Permitted Investments in accordance with the provisions of Section 5.03(b) of the Sale and Servicing Agreement. The Indenture Trustee will not make any investment of any funds or sell any investment held in the Collection Account or the Transfer Obligation Account (other than in Permitted Investments in accordance with Section 5.03(b) of the Sale and Servicing Agreement) unless the security interest Granted and perfected in such account will continue to be perfected in such investment or the proceeds of such sale, in either case without any further action by any Person, as evidenced by an Opinion of Counsel delivered to the Indenture Trustee by the Initial Noteholder or the Servicer, as the case may be.

(b) Subject to Section 6.01 (c) hereof, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in the Collection Account or the Transfer Obligation Account resulting from any loss on any Eligible Investment included therein.

(c) If (i) the Initial Noteholder or the Servicer, as the case may be, shall have failed to give investment directions for any funds on deposit in the Collection Account or the Transfer Obligation Account to the Indenture Trustee by 2:00 p.m. New York City time (or such other time as may be agreed by the Issuer and Indenture Trustee) on any Business Day or (ii) a Default or Event of Default shall have occurred and be continuing with respect to the Notes but the Notes shall not have been declared due and payable pursuant to Section 5.02 hereof or (iii) if such Notes shall have been declared due and payable following an Event of Default, amounts collected or receivable from the Collateral are being applied in accordance with Section 5.05 hereof as if there had not been such a declaration, then the Indenture Trustee shall, to the fullest extent practicable, invest and reinvest funds in the Collection Account and the Transfer Obligation Account in one or more Permitted Investments specified in item (3) in the definition thereof.

Section 8.04. The Paying Agent. The initial Paying Agent shall be the Servicer. The Paying Agent may be removed by the Initial Noteholder in its sole discretion at any time. Upon removal of the Paying Agent, the Initial Noteholder will appoint a successor Paying Agent within 30 days; provided that the Indenture Trustee will be the Paying Agent until such successor is appointed. Upon receiving written notice from the Initial Noteholder that the Paying Agent has been terminated, the Indenture Trustee will immediately terminate the Paying Agent's access to any and all Trust Accounts.

Section 8.05. Release of Collateral. (a) Subject to the payment of its reasonable fees and expenses pursuant to Section 6.07 hereof, the Indenture Trustee may, and when required by the provisions of this Indenture shall, execute instruments acceptable to it and prepared and delivered to it by the Issuer to release property from the lien of this Indenture, or convey the Indenture Trustee's interest in the same, without recourse, representation or warranty in a manner as provided in the Custodial Agreement and under circumstances that are not inconsistent with the provisions of this Indenture and the other Basic Documents. No party relying upon an instrument executed by the Indenture Trustee as provided in this Article VIII shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(b) The Indenture Trustee shall, at such time as there are no Notes Outstanding and all sums due to the Noteholders (and their Affiliates), the Initial Noteholder, the Sales Agents, the Indenture Trustee, the Owner Trustee and the Custodian under the Basic Documents have been paid, release any remaining portion of the Collateral that secured the Notes from the lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds then on deposit in the Trust Accounts. The Indenture Trustee shall release property from the lien of this Indenture pursuant to this subsection (b) only upon receipt of an Issuer Request accompanied by an Officer's Certificate and an Opinion of Counsel meeting the applicable requirements of Section 11.01 hereof.

Section 8.06. Opinion of Counsel. Except to the extent specifically permitted by the terms of the Basic Documents, the Indenture Trustee shall receive at least seven Business Days' prior notice when requested by the Issuer to take any action pursuant to Section 8.05(a) hereof, accompanied by copies of any instruments involved, and the Indenture Trustee may also require, as a condition to such action, an Opinion of Counsel, in form and substance satisfactory to the Indenture Trustee, from the Issuer concluding that all conditions precedent to the taking of such action have

been complied with and such action will not materially and adversely impair the security for the Notes or the rights of the Noteholders in contravention of the provisions of this Indenture; provided, however, that such Opinion of Counsel shall not be required to express an opinion as to the fair value of the Collateral. Counsel rendering any such opinion may rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to the Indenture Trustee in connection with any such

action.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures Without the Consent of the Noteholders. Without the consent of any Noteholder but with prior notice to the Majority Noteholders, the Issuer and the Indenture Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another Person to the Issuer, and the assumption by any such successor of the covenants of the Issuer herein and in the Notes contained;

(iii) to add to the covenants of the Issuer, for the benefit of the Noteholders, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein or in any supplemental indenture that may be inconsistent with any other provision herein or in any supplemental indenture or to make any other provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture; provided, however, that such action shall not adversely affect the interests of the Noteholders; or

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor trustee with respect to the Notes and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Article VI hereof.

The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

Section 9.02. Supplemental Indentures with Consent of Noteholders. The Issuer and the Indenture Trustee, when authorized by an Issuer Order, also may, with the consent of the Majority Noteholders, by Act of such Noteholders delivered to the Issuer and the Indenture Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of any Noteholder under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of each Noteholder affected thereby:

(a) change the date of payment of any installment of principal of or interest on any Note, or reduce the principal balance thereof, the interest rate thereon or the Termination Price with respect thereto, change the provisions of this Indenture relating to the application of collections on, or the proceeds of the sale of, the Collateral to payment of principal of or interest on the Notes, or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of the provisions of this Indenture requiring the application of

funds available therefor, as provided in Article V hereof, to the payment of any such amount due on the Notes on or after the respective due dates thereof (or, in the case of redemption, on or after the Redemption Date);

(b) reduce the Percentage Interest, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture;

(c) modify or alter the provisions of the definition of the term "Outstanding" or "percentage Interest";

(d) reduce the Percentage Interest of the Outstanding Notes, the consent of the Holders of which is required to direct the Indenture Trustee to direct the Issuer to sell or liquidate the Collateral pursuant to Section 5.04 hereof;

(e) modify any provision of this Section 9.02 except to increase any percentage specified herein or to provide that certain additional provisions of this Indenture or the Basic Documents cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby;

(f) modify any of the provisions of this Indenture in such manner as to affect the calculation of the amount of any payment of interest or principal due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation) or to adversely affect the rights of the Noteholders to the benefit of any provisions for the mandatory redemption of the Notes contained herein; or

(g) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Collateral or, except as otherwise permitted or contemplated herein, terminate the lien of this Indenture on any property at any time subject hereto or deprive any Noteholder of the security provided by the lien of this Indenture.

The Indenture Trustee may in its discretion determine whether or not any Notes would be affected by any supplemental indenture and any such determination shall be conclusive upon each Noteholder, whether theretofore or thereafter authenticated and delivered hereunder. The Indenture Trustee shall not be liable for any such determination made in good faith.

In connection with requesting the consent of the Noteholders pursuant to this Section 9.02, the Indenture Trustee shall mail to the Holders of the Notes to which such amendment or supplemental indenture relates a notice prepared by the Issuer setting forth in general terms the substance of such supplemental indenture. It shall not be necessary for any Act of Noteholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.03. Execution of Supplemental Indentures. In executing, or permitting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modification thereby of the trusts created by this Indenture, the Indenture Trustee shall be entitled to receive, and subject to Sections 6.01 and 6.02 hereof, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Indenture Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

Section 9.04. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and shall be deemed to be modified and amended in accordance therewith

with respect to the Notes affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Indenture Trustee, the Issuer and the Holders of the Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.05. Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and if required by the Indenture Trustee shall, bear a notation in form approved by the Indenture Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Indenture Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Indenture Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Indenture Trustee in exchange for Outstanding Notes.

ARTICLE X

REDEMPTION OF NOTES; PUT OPTION

Section 10.01. Redemption. The Servicer may, at its option, effect an early redemption of the Notes on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination in the manner specified in and subject to the provisions of Section 10.02 of the Sale and Servicing Agreement.

The Servicer shall furnish the Indenture Trustee with notice of any such redemption in order to facilitate the Indenture Trustee's compliance with its obligation to notify the Noteholders of such redemption in accordance with Section 10.02 hereof.

Section 10.02. Form of Redemption Notice. Notice of redemption under Section 10.01 hereof shall be by first-class mail, postage prepaid, or by facsimile mailed or transmitted not later than 10 days prior to the applicable Redemption Date to each Noteholder, as of the close of business on the Record Date preceding the applicable Redemption Date, at such Noteholder's address or facsimile number appearing in the Note Register.

All notices of redemption shall state:

(i) the Redemption Date;

(ii) that on the Redemption Date Noteholders shall receive the Note Redemption Amount; and

(iii) the place where such Notes are to be surrendered for payment of the Termination Price (which shall be the office or agency of the Issuer to be maintained as provided in Section 3.02 hereof).

Notice of redemption of the Notes shall be given by the Indenture Trustee in the name of the Issuer and at the expense of the Servicer. Failure to give to any Noteholder notice of redemption, or any defect therein, shall not impair or affect the validity of the redemption of any other Note.

Section 10.03. Notes Payable on Redemption Date. The Notes to be redeemed shall following notice of redemption as required by Section 10.02 hereof (in the case of redemption pursuant to Section 10.01) hereof, on the Redemption Date become due and payable at the Note Redemption Amount and (unless the Issuer shall default in the payment of the Note Redemption Amount) no interest shall accrue thereon for any period after the date to which accrued interest is calculated for purposes of calculating the Note Redemption Amount. The Issuer may not redeem the Notes unless all outstanding obligations under the Notes have been paid in full.

Section 10.04. Put Option. The Majority Noteholders may, at their option, put all or any portion of the Note Principal Balance of the Notes to the Issuer on any date upon giving notice in the manner set forth in Section 10.05. On each Put Date, the Issuer shall purchase the Note Principal Balance in the manner specified in and subject to the provisions of Section 10.04 of the Sale and Servicing Agreement.

Section 10.05. Form of Put Option Notice. Notice of exercise of a Put Option under Section 10.04 hereof shall be given by the Majority Noteholders (including to the Indenture Trustee) by first-class mail, postage prepaid, or by facsimile mailed or transmitted not later than 5 days prior to the date on which the Notes shall be repurchased by the Issuer.

Section 10.06. Notes Payable on Put Date. The Note Principal Balance to be put to the Issuer shall, following notice of the exercise of the Put Option as required by Section 10.05 hereof, on the Put Date become due and payable at the Note Redemption Amount and (unless the Issuer shall default in the payment of the Note Redemption Amount) no interest shall accrue thereon for any period after the date to which accrued interest is calculated for purposes of calculating the Note Redemption Amount.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Compliance Certificates and Opinions, etc. Upon any application or request by the Issuer to the Indenture Trustee to take any action under any provision of this Indenture (except with respect to the Servicer's servicing activity in the ordinary course of its business), the Issuer shall furnish to the Indenture Trustee (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and (ii) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

Section 11.02. Form of Documents Delivered to Indenture Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such

Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such officer's certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Servicer, the Loan Originator, the Issuer or the Administrator, stating that the information with respect to such factual matters is in the possession of the Servicer, the Loan Originator, the Issuer or the Administrator, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Indenture Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Indenture Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI hereof.

Section 11.03. Acts of Noteholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01 hereof) conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Section 11.03.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Indenture Trustee deems sufficient.

(c) The ownership of Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Noteholder shall bind the Holder of every Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done

by the Indenture Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 11.04. Notices, etc., to Indenture Trustee and Issuer. Any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by this Indenture shall be in writing and if such request, demand, authorization, direction, notice, consent, waiver or act of Noteholders is to be made upon, given or furnished to or filed with:

(i) the Indenture Trustee by any Noteholder or by the Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing (including by facsimile) to or with the Indenture Trustee at its Corporate Trust Office, or

(ii) the Issuer by the Indenture Trustee or by any Noteholder shall be sufficient for every purpose hereunder if in writing and made, given, furnished, filed or transmitted via facsimile to the Issuer at: Option One Owner Trust 2001-1A, c/o Wilmington Trust Company as Owner Trustee, One Rodney Square North. 1100 North Market Street, Wilmington. Delaware 19890, Attention: Corporate Trust Department, telecopy number: (302) 651-8882, telephone number: (302) 651-1000, or at any other address or facsimile number previously furnished in writing to the Indenture Trustee by the Issuer or the Administrator. The Issuer shall promptly transmit any notice received by it from the Noteholders to the Indenture Trustee.

Section 11.05. Notices to Noteholders; Waiver. Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid to each Noteholder affected by such event, at his address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have duly been given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Section 11.06. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 11.07. Successors and Assigns. All covenants and agreements in this Indenture and the Notes by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Indenture Trustee in this Indenture shall bind its successors, co-trustees and agents.

Section 11.08. Separability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.09. Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder. and the Noteholders, and any other party secured hereunder, and any other Person with an ownership interest in any part of the Collateral, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 11.10. Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

Section 11.11. GOVERNING LAW. THIS INDENTURE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS. RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 11.12. Counterparts. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.13. Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Issuer and at its expense accompanied by an Opinion of Counsel (which may be counsel to the Indenture Trustee or any other counsel reasonably acceptable to the Indenture Trustee; provided, however, that the expense of such Opinion of Counsel shall in no event be an expense of the Indenture Trustee) to the effect that such recording is necessary either for the protection of the Noteholders or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Indenture Trustee under this Indenture.

Section 11.14. Trust Obligation. No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer, the Owner Trustee or the Indenture Trustee on the Notes

or, except as expressly provided for in Article VI hereof, under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee, agent or "control person" within the meaning of the Securities Act and the Exchange Act, of the Indenture Trustee or the Owner Trustee in its individual capacity, any holder of a beneficial interest in the Issuer, the Owner Trustee or the Indenture Trustee or of any successor or assign of the Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may expressly have agreed (it being understood that the Indenture Trustee and the Owner Trustee have no such obligations in their individual capacity) and except that any such partner, owner or beneficiary of the Issuer shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity. For all purposes of this Indenture, in the performance of any duties or obligations of the Issuer hereunder, the Owner Trustee shall be subject to, and entitled to the benefits of, the terms and provisions of Articles VI, VII and VIII of the Trust Agreement.

Section 11.15. No Petition. The Indenture Trustee, by entering into this Indenture, and each Noteholder, by accepting a Note, hereby covenant and agree that they will not at any time institute against the Depositor or the Issuer, or join in any institution against the Depositor or the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings,

or other proceedings under any United States federal or state bankruptcy or similar law, in connection with any obligations relating to the Notes, this Indenture or any of the Basic Documents.

Section 11.16. Inspection. The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Indenture Trustee, during the Issuer's normal business hours, to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited by Independent certified public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees, and Independent certified public accountants, all at such reasonable times and as often as may reasonably be requested and at the expense of the Servicer. The Indenture Trustee shall and shall cause its representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Indenture Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder.

Section 11.17. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Indenture is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 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 Indenture or any other related documents.

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Indenture to be duly executed by their respective officers, thereunto duly authorized and duly attested, all as of the day and year first above written.

OPTION ONE OWNER TRUST 2001-1A

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

By: /s/ Mary Kay Pupillo

Name: Mary Kay Pupillo
Title: Senior Financial Services Officer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Amy Doyle

Name: Amy Doyle
Title: Assistant Vice President

STATE OF DELAWARE)

)SS.:

COUNTY OF NEW CASTLE

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Mary Kay Pupillo, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee on behalf of OPTION ONE OWNER TRUST 2001-1 A. a Delaware business trust, and that such person executed the same as the act of said business trust for the purpose and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 17th day of April, 2001.

/s/ Susanne M. Gula

Notary Public

SUSANNE M.GULA
NOTARY PUBLIC
My Commission expires November 21, 2001

(Seal)

My commission expires:

_____

STATE OF Maryland)

)SS.:

COUNTY OF _____)

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Amy Doyle, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, and that such person executed the same as the act of said corporation for the purpose and consideration therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 18 day of April. 2001

/s/ Joan M. Clark

Notary Public

(Seal)

Joan M. Clark
NOTARY PUBLIC
BALTIMORE CITY, MARYLAND
Comm. Exp. August 10, 2004

My commission expires:
_____

EXHIBIT A

FORM OF NOTES

THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE MAXIMUM NOTE PRINCIPAL BALANCE SHOWN ON THE FACE HEREOF. ANY PURCHASER OF THIS NOTE MAY ASCERTAIN THE OUTSTANDING PRINCIPAL AMOUNT HEREOF BY INQUIRY OF THE INDENTURE TRUSTEE.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY

INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (B) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE 1933 ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A)(l), (2), (3) OR (7) OF RULE 501 UNDER THE 1933 ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE 1933 ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

THIS NOTE MAY NOT BE TRANSFERRED UNLESS THE INDENTURE TRUSTEE HAS RECEIVED A CERTIFICATE FROM THE TRANSFEREE TO THE EFFECT THAT EITHER (I) THE TRANSFEREE IS NOT AN EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN OR (II) IF THE TRANSFEREE IS A PLAN OR IS ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN, THE CONDITIONS FOR EXEMPTIVE RELIEF UNDER AT LEAST ONE OF THE FOLLOWING PROHIBITED TRANSACTION CLASS EXEMPTIONS HAVE BEEN SATISFIED: PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (RELATING TO TRANSACTIONS EFFECTED BY AN "IN-HOUSE ASSET

MANAGER"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) AND PTCE 84-14 (RELATING TO TRANSACTIONS EFFECTED BY A "QUALIFIED PROFESSIONAL ASSET MANAGER").

Maximum Note Principal Balance: ($)_____
Initial Percentage Interest: _____%
No._

OPTION ONE OWNER TRUST 2001-1A

MORTGAGE-BACKED NOTES

OPTION ONE OWNER TRUST 2001-1A, a Delaware business trust (the "Issuer"). for value received, hereby promises to pay to_____, or registered assigns (the "Noteholder"), the principal sum of_____ _____($_____) or so much thereof as may be advanced and outstanding hereunder and to pay interest on such principal sum or such part thereof as shall remain unpaid from time to time, at the rate and at the times provided in the Sale and Servicing Agreement and the Indenture. Principal of this Note is payable on each Payment Date in an amount equal to the result obtained by multiplying (i) the Percentage Interest of this Note by (ii) the principal amount distributed in respect of such Payment Date.

The Outstanding Note Principal Balance of this Note bears interest at the Note Interest Rate. On each Payment Date amounts in respect of interest on this Note will be paid in an amount equal to the result obtained by multiplying (i) the Percentage Interest of this Note by (ii) the aggregate

amount paid in respect of interest on the Notes with respect to such Payment Date.

Capitalized terms used but not defined herein have the meanings set forth in the Indenture (the "Indenture"), dated as of April 1, 2001 between the Issuer and Wells Fargo Bank Minnesota. National Association, as Indenture Trustee (the "Indenture Trustee") or, if not defined therein, the Sale and Servicing Agreement (the "Sale and Servicing Agreement"), dated as of April 1, 2001 among the Issuer, the Depositor, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders.

By its acceptance of this Note, each Noteholder covenants and agrees, until the earlier of (a) the termination of the Revolving Period and (b) the Maturity Date, on each Transfer Date to advance amounts in respect of Additional Note Principal Balance hereunder to the Issuer, subject to and in accordance with the terms of the Indenture, the Sale and Servicing Agreement and the Note Purchase Agreement.

In the event of an advance of Additional Note Principal Balance by the Noteholders as provided in Section 2.01(c) of the Sale and Servicing Agreement, each Noteholder shall, and is hereby authorized to, record on the schedule attached to its Note the date and amount of any Additional Note Principal Balance advanced by it, and each repayment thereof; provided that failure to make any such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Additional Note Principal Balance and its right to receive interest payments in respect of the Additional Note Principal Balance held by such Noteholder.

Absent manifest error, the Note Principal Balance of each Note as set forth in the notations made by the related Noteholder on such Note shall be binding upon the Indenture Trustee and the Issuer; provided that failure by a Noteholder to make such recordation on its Note or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive principal and interest payments in respect thereof.

The Servicer may, at its option, effect an early redemption of the Notes for an amount equal to the Note Redemption Amount on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans at a purchase price, payable in cash, equal to the Termination Price.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

The statements in the legend set forth above are an integral part of the terms of this Note and by acceptance hereof each Holder of this Note agrees to be subject to and bound by the terms and provisions set forth in such legend.

Unless the Certificate of authentication hereon shall have been executed by an authorized officer of the Indenture Trustee, by manual signature, this Note shall not entitle the Noteholder hereof to any benefit under the Indenture or the Sale and Servicing Agreement and/or be valid for any purpose.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK AND WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PROVISIONS THEREOF.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be

signed, manually or in facsimile, by its Authorized Officer, as of the date set forth below.

Date: April_____, 2001

OPTION ONE OWNER TRUST 2001-1A

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

By: _____
Authorized Signatory

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes designated above and referred to in the within-mentioned Indenture.

Date: April_____, 2001

WELLS FARGO BANK MINNESOTA. NATIONAL ASSOCIATION, not in its individual capacity but solely as Indenture Trustee

By: _____
Authorized Signatory

[Reverse of Note]

This Note is one of the duly authorized Notes of the Issuer, designated as its Mortgage-Backed Notes (herein called the "Notes"), all issued under the Indenture. Reference is hereby made to the Indenture and all indentures supplemental thereto, and the Sale and Servicing Agreement for a statement of the respective rights and obligations thereunder of the Issuer, the Indenture Trustee and the Holders of the Notes. To the extent that any provision of this Note contradicts or is inconsistent with the provisions of the Indenture or the Sale and Servicing Agreement, the provisions of the Indenture or the Sale and Servicing Agreement, as applicable, shall control and supersede such contradictory or inconsistent provision herein. The Notes are subject to all terms of the Indenture and the Sale and Servicing Agreement.

The principal of and interest on this Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Note shall be applied in accordance with the Indenture and the Sale and Servicing Agreement.

The entire unpaid principal amount of this Note shall be due and payable on the earlier of the Maturity Date, the Redemption Date and the Final Put Date, if any, pursuant to Articles X of the Sale and Servicing Agreement and the Indenture. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable on the date on which an Event of Default shall have occurred and be continuing and the Indenture Trustee, at the direction or upon the prior written consent of the Majority Noteholders, has declared the Notes to be immediately due and payable in the manner provided in Section 5.02 of the Indenture. All principal payments on the Notes shall be made pro rata to the Holders of the Notes entitled thereto.

The Collateral secures this Note and all other Notes equally and ratably without prejudice, priority or distinction between any Note and any other Note. The Notes are non-recourse obligations of the Issuer and are limited in right of payment to amounts available from the Collateral, provided in the Indenture. The Issuer shall not otherwise be liable for payments on the Notes, and none of the owners, agents, officers, directors, employees, or successors or

assigns of the Issuer shall be personally liable for any amounts payable, or performance due, under the Notes or the Indenture.

Any installment of interest or principal on this Note shall be paid on the applicable Payment Date to the Person in whose name this Note (or one or more Predecessor Notes) is registered in the Note Register as of the close of business on the related Record Date by wire transfer in immediately available funds to the account specified in writing by the related Noteholder to the extent provided by the Indenture and otherwise by check mailed to the Noteholder.

Any reduction in the principal amount of this Note (or any one or more Predecessor Notes) effected by any payments made on any Payment Date shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon. Any increase in the principal amount of this Note (or any one or more Predecessor Notes) effected by payments to the Issuer of Additional Note Principal Balances shall be binding upon the Issuer and shall inure to the benefit of all future Holders of this

Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register upon surrender of this Note for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by a written instrument of transfer in the form attached hereto duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Securities Transfer Agent's Medallion Program ("STAMP"), and thereupon one or more new Notes of authorized denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Note, but the issuer may require the Noteholder to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange.

Each Noteholder, by acceptance of a Note or a beneficial interest in a Note, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer, the Owner Trustee or the Indenture Trustee on the Notes or under the Indenture or any certificate or other writing delivered in connection therewith, against (i) the Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director employee or "control person" within the meaning of the 1933 Act and the Exchange Act of the Indenture Trustee or the Owner Trustee in its individual capacity, any holder of a beneficial interest in the Issuer, the Owner Trustee or the Indenture Trustee or of any successor or assign of the Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may have expressly agreed and except that any such partner, owner or beneficiary shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity.

Each Noteholder, by acceptance of a Note or a beneficial interest in a Note, covenants and agrees by accepting the benefits of the Indenture that such Noteholder will not at any time institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Notes or the Basic Documents.

The Issuer has entered into the Indenture and this Note is issued

with the intention that, for federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness of the Issuer secured by the Collateral. Each Noteholder, by acceptance of a Note, agrees to treat the Notes for federal, state and local income, single business and franchise tax purposes as indebtedness of the Issuer. Each Noteholder, by its acceptance of a Note, represents and warrants that the number of ICA Owners with respect to all of its Notes shall not exceed four.

Prior to the due presentment for registration of transfer of this Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in whose

name this Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Note be overdue, and none of the Issuer, the Indenture Trustee or any such agent shall be affected by notice to the contrary.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Notes under the Indenture at any time by the Issuer with the consent of the Majority Noteholders. The Indenture also contains provisions permitting the Holders of Notes representing specified Percentage Interests of the Outstanding Notes, on behalf of all of the Noteholders, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note (or any one or more Predecessor Notes) shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Note. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of any Noteholder.

The term "Issuer" as used in this Note includes any successor to the Issuer under the Indenture.

The Notes are issuable only in registered form in denominations as provided in the Indenture, subject to certain limitations therein set forth.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency herein prescribed.

Anything herein to the contrary notwithstanding, except as expressly provided in the Basic Documents, none of the Issuer in its individual capacity, the Owner Trustee in its individual capacity, any owner of a beneficial interest in the Issuer, or any of their respective partners, beneficiaries, agents, officers, directors, employees or successors or assigns shall be personally liable for, nor shall recourse be had to any of them for, the payment of principal of or interest on this Note or performance of, or omission to perform, any of the covenants, obligations or indemnifications contained in the Indenture. The Holder of this Note by its acceptance hereof agrees that, except as expressly provided in the Basic Documents, in the case of an Event of Default under the Indenture, the Holder shall have no claim against any of the foregoing for any deficiency, loss or claim therefrom; provided, however, that nothing contained herein shall be taken to prevent recourse to, and enforcement against, the assets of the Issuer for any and all liabilities, obligations and undertakings contained in the Indenture or in this Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee:

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

_____
(name and address of assignee)

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints, attorney, to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated:_____

*/

_____

Signature Guaranteed:

*/

_____

---

*/NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular, without alteration, enlargement or any change whatever. Such signature must be guaranteed by an "eligible guarantor institution" meeting the requirements of STAMP.

Schedule to Note
dated as of April_____, 2001
of OPTION ONE OWNER TRUST 2001-1A

Date of advance of Additional Note Principal Balance	Amount of advance of Additional Note Principal Balance	Percentage Interest	Aggregate Note Principal Balance	Note Principal Balance of Note
		100%		

EXHIBIT B-1

FORM OF RULE 144A TRANSFEROR CERTIFICATE

Wells Fargo Bank Minnesota, National Association
11000 Broken Land Parkway
Columbia, Maryland 21044

Re: Option One Owner Trust 2001-1A

Reference is hereby made to the Indenture dated as of April 1, 2001 (the "INDENTURE") between Option One Owner Trust 2001-1A (the "TRUST") and Wells Fargo Bank Minnesota, National Association (the "INDENTURE TRUSTEE"). Capitalized terms used but not defined herein shall have the meanings given to them in the Sale and Servicing Agreement dated as of April 1, 2001 among the Trust, Option One Loan Warehouse Corporation (the "DEPOSITOR"). Option One Mortgage Corporation (the "SERVICER" and the "LOAN ORIGINATOR") and the Indenture Trustee.

The undersigned (the "TRANSFEROR") has requested a transfer of $_____ current principal balance Notes to [insert name of transferee].

In connection with such request, and in respect of such Notes, the Transferor hereby certifies that such Notes are being transferred in accordance with (i) the transfer restrictions set forth in the Indenture and the Notes and (ii) Rule 144A under the Securities Act of 1933, as amended to a purchaser that the Transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A purchasing for its own account or for the account of a "qualified institutional buyer," which purchaser is aware that the sale to it is being made in reliance upon Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction.

This certificate and the statements contained herein are made for your benefit and the benefit of the Depositor.

_____
[Name of Transferor]

By: _____
Name:
Title:

Dated: _____, _____

EXHIBIT B-2

FORM OF TRANSFEREE CERTIFICATE FOR
INSTITUTIONAL ACCREDITED INVESTOR

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services - Option One Owner Trust 2001-1A

Re: Option One Owner Trust 2001-1A

In connection with our proposed purchase of $_____ Note Principal Balance Mortgage-Backed Notes (the "OFFERED NOTES") issued by Option One Owner Trust 2001-1A, we confirm that:

(1) We understand that the Offered Notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "1933 ACT") or any state securities laws, and may not be sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell any Offered Notes we will do so only (A) pursuant to a registration statement which has been declared effective under the 1933 Act, (B) for so long as the Offered Notes are eligible for resale pursuant to Rule 144A under the 1933 Act, to a Person we reasonably believe is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (C) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the 1933 Act (an "INSTITUTIONAL ACCREDITED INVESTOR") that is acquiring the Offered Notes for its own account, or for the account of such an Institutional Accredited Investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act, in each case in compliance with the requirements of the Indenture dated as of April 1, 2001 between Option One Owner Trust 2001-1A and Wells Fargo Bank Minnesota. National Association, as Indenture Trustee, and applicable state securities laws: and we further agree, in the capacities stated above, to provide to any person purchasing any of the Offered Notes from us a notice advising such purchaser that resales of the Offered Notes are restricted as stated herein.

(2) We understand that, in connection with any proposed resale of any Offered Notes to an Institutional Accredited Investor, we will be required to furnish to the Indenture Trustee and the Depositor a certification from such transferee as provided in Section 2.12 of the Indenture to confirm that the proposed sale is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and applicable state securities laws. We further understand that the Offered Notes purchased by us will bear a legend to the foregoing effect.

(3) We are acquiring the Offered Notes for investment purposes and not with a view to or for offer or sale in connection with any distribution in violation of the 1933 Act. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Offered Notes, and we and any account for which we are acting are each able to bear the economic risk of such investment.

(4) We are an Institutional Accredited Investor and we are acquiring the Offered Notes purchased by us for our own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which we exercise sole investment discretion.

(5) We have received such information as we deem necessary in order to make our investment decision.

(6) We either (i) are not, and are not acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA or Section 4975 of the Code, or (b) are, or are acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title 1 of ERISA of Section 4975 of the Code and the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited

Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts). PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts), and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

Terms used in this letter which are not otherwise defined herein have the respective meanings assigned thereto in the Indenture.

You and the Depositor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

_____
[Name of Transferor]

By: _____
Name:
Title:

Dated:_____, _____

EXHIBIT B-3

FORM OF RULE 144A TRANSFEREE CERTIFICATE

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services - Option One Owner Trust 2001-1A

Re: Option One Owner Trust 2001-1A

1. The undersigned is the _____ of _____ (the "INVESTOR"), a [corporation duly organized] and existing under the laws of _____ on behalf of which he makes this affidavit.

2. The Investor either (i) is not, and is not acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA or Section 4975 of the Code, or (b) is, or is acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA of Section 4975 of the Code and the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager"). PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts), and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

3. The Investor understands that the Offered Notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "1933 ACT") or any state securities laws, and may not be sold except as permitted in the following sentence. The Investor agrees, on its own behalf and on behalf of any accounts for which it is acting as hereinafter stated, that if it should sell any Offered Notes it will do so only (A) pursuant to a registration statement which has been declared effective under the 1933 Act, (B) for so long as the Offered Notes are eligible for resale pursuant to Rule 144A under the 1933 Act, to a Person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a

qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (C) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the 1933 Act (an "INSTITUTIONAL ACCREDITED INVESTOR") that is acquiring the Offered Notes for its own account, or for the account of such an Institutional Accredited Investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act, in each case in compliance with the requirements of the Indenture dated as of April 1, 2001 between Option One Owner Trust 2001-1A and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, and applicable state securities laws; and the Investor further agrees, in the capacities stated above, to provide to any person purchasing

any of the Offered Notes from it a notice advising such purchaser that resales of the Offered Notes are restricted as stated herein.

[FOR TRANSFERS IN RELIANCE UPON RULE 144A]

4. The Investor is a "qualified institutional buyer" (as such term is defined under Rule 144A under the Securities Act of 1933, as amended (the "1933 ACT"), and is acquiring the Offered Notes for its own account or as a fiduciary or agent for others (which others also are "qualified institutional buyers"). The Investor is familiar with Rule 144A under the 1933 Act, and is aware that the transferor of the Offered Notes and other parties intend to rely on the statements made herein and the exemption from the registration requirements of the 1933 Act provided by Rule 144A.

_____
[Name of Transferor]

By: _____
Name:
Title:

Dated: _____, _____

EXHIBIT C

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (B) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE 1933 ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE 1933 ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR." FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE 1933 ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

THIS NOTE MAY NOT BE TRANSFERRED UNLESS THE INDENTURE TRUSTEE HAS RECEIVED A CERTIFICATE FROM THE TRANSFEREE TO THE EFFECT THAT EITHER (I) THE TRANSFEREE IS

NOT AN EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN OR (II) IF THE TRANSFEREE IS A PLAN, OR IS ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN, THE CONDITIONS FOR EXEMPTIVE RELIEF UNDER AT LEAST ONE OF THE FOLLOWING PROHIBITED TRANSACTION CLASS EXEMPTIONS HAVE BEEN SATISFIED: PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (RELATING TO TRANSACTIONS EFFECTED BY AN "IN-HOUSE ASSET MANAGER"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) AND PTCE 84-14 (RELATING TO TRANSACTIONS EFFECTED BY A "QUALIFIED PROFESSIONAL ASSET MANAGER").

EXHIBIT 10.50

AMENDMENT NUMBER FOUR
to the
INDENTURE,
dated as of April 1, 2001, and as amended and restated
through and including November 25, 2003
between
OPTION ONE OWNER TRUST 2001-1A
and
WELLS FARGO BANK, N.A.

This AMENDMENT NUMBER FOUR (this "Amendment") is made and is effective as of this 16th day of April, 2004, between Option One Owner Trust 2001-1A (the "Issuer") and Wells Fargo Bank, N.A. (formerly known as Wells Fargo Bank Minnesota, National Association), as Indenture Trustee (the "Indenture Trustee"), to the Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003 (the "Indenture"), between the Issuer and the Indenture Trustee.

RECITALS

WHEREAS, the parties hereto desire to amend the Indenture subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Indenture.

SECTION 2. Amendment.

(a) The Granting Clause of the Indenture is hereby amended by deleting it in its entirety and replacing it with the following:

"GRANTING CLAUSE

Subject to the terms of this Indenture, the Issuer hereby Grants on the Closing Date, to the Indenture Trustee, as Indenture Trustee for the benefit of the Noteholders, all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in and to: (i) such Loans as from time to time are subject to the Sale and Servicing Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan and Residual Security received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property,

(v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments; (ix) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement, the Master Disposition

Confirmation Agreement and the Residual Securities Transfer Agreement, and all proceeds of any of the foregoing, (x) all right, title and interest of the Issuer in and to the Sale and Servicing Agreement, including the Issuer's right to cause the Loan Originator to repurchase Loans and Residual Securities from the Issuer under certain circumstances described therein), (xi) all right, title and interest (but none of the obligations) of the Trust in, to and under the Advance Note and all Additional Note Balances thereunder, (xii) all right, title and interest (but none of the obligations) of the Trust in, to and under the Advance Documents, (xiii) such Residual Securities as from time to time are subject to this Agreement as listed in the Residual Securities Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Residual Securities and Unqualified Residual Securities and by the addition of Qualified Substitute Residual Securities, together with the Loan Documents relating thereto and all proceeds thereof, (xiv) all other Property of the Trust from time to time and (xv) all present and future claims, demands, causes of action and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Collateral").

The foregoing Grant is made in trust to secure the payment of principal of and interest on, and any other amounts owing in respect of, the Notes, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture.

The Indenture Trustee, as Indenture Trustee on behalf of the Noteholders, acknowledges such Grant, accepts the trusts hereunder and agrees to perform its duties required in this Indenture to the best of its ability to the end that the interests of the Noteholders may adequately and effectively be protected."

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

"Residual Security" Any security sold to the Trust hereunder and pledged to the Indenture Trustee, which security must be (i) a mortgage-backed security issued by Option One Mortgage Acceptance Corp. and evidencing an interest in a securitization trust backed by residential mortgage loans, which mortgage loans are serviced by Option One Mortgage Corporation (in such

capacity, "Option One") (including, without limitation, securities designated as class C certificates and class P certificates that meet the foregoing criteria) or (ii) a net interest margin security issued by a trust sponsored by Option One and backed by class C certificates and/or Class P certificates, which certificates are in turn backed by residential mortgage loans serviced by Option One."

(c) Section 1.01 of the Indenture is hereby amended by deleting the definition of "Maturity Date" in its entirety and replacing it with the following definition:

"Maturity Date: means, with respect to the Notes, April 30, 2004."

(d) Section 2.08(e)(ii) of the Indenture is hereby amended by deleting such subsection it in its entirety and replacing it with the following:

"(ii) the Issuer is the owner of all of the Loans and the Residual Securities, has not assigned any interest or participation in the Loans or the Residual Securities (or, if any such interest or participation has been

assigned, it has been released) and has the right to Grant all of the Loans and the Residual Securities to the Indenture Trustee;"

(e) Section 3.08 of the Indenture is hereby amended by deleting such section in its entirety and replacing it with the following:

"Section 3.08. Assignment of Rights. The Issuer grants and assigns to the Initial Noteholder for the benefit of the Secured Parties all rights of the Issuer to enforce the covenants and conditions set forth in the Advance Note, the Advance Documents, the Residual Securities and the Loan Documents relating to the Residual Securities and all voting rights and rights of the Issuer to give any waivers or consents required or allowed under the Advance Note, the Advance Documents and the Loan Documents relating to the Residual Securities, and such waivers and consents shall be binding upon the Issuer as if the Issuer had given the same. The Issuer hereby constitutes and irrevocably appoints the Initial Noteholder, with full power of substitution and revocation, as the Issuer's true and lawful agent and attorney-in-fact, with the power to the full extent permitted by law, to affix to any certificates and documents representing the Advance Note or any Residual Security the endorsements delivered with respect thereto, and to transfer or cause the transfer of the Advance Note and each Residual Security, or any part thereof, on the books of the Advance Trust or the issuer of such Residual Security, as applicable, to the name of the Indenture Trustee on behalf of the Secured Parties or any nominee of hereof, and thereafter to exercise with respect to such Advance Note or Residual Security, all the rights, powers and remedies of an owner. The power of attorney granted pursuant to this Indenture and all authority hereby conferred are granted and conferred solely to protect the Secured Parties respective interest in the Collateral and shall not impose any duty upon the Initial Noteholder to exercise any power. The Issuer shall execute any documentation including, without limitation, any powers of attorney and/or irrevocable proxies, requested by the Initial Noteholder to effectuate such assignment. The Issuer shall, or shall cause the Receivables Seller and the Loan Originator (as applicable) to, provide the Initial Noteholder with copies of all reports, notices, statements and certificates delivered under the Advance Documents or the Loan Documents relating to the Residual Securities, and any other information that the Initial Noteholder shall reasonably request. Delivery of such reports, notices, information and documents to the Initial Noteholder under this section is for informational purposes only and the Initial Noteholders's receipt

of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants. The foregoing grant and assignment are powers coupled with an interest and are irrevocable."

(f) Section 7.03 of the Indenture is hereby amended by deleting such section in its entirety and replacing it with the following:

"Section 7.03. 144A Information. The Indenture Trustee, to the extent it has any such information in its possession, shall provide to any Noteholder and any prospective transferee designated by any such Noteholder information regarding the Notes, the Loans, the Residual Securities and such other information as shall be necessary to satisfy the condition to eligibility set forth in Rule 144A(d)(4) under the Securities Act for transfer of any such Note without registration thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A under the Securities Act."

(g) The seventh paragraph of Exhibit A to the Indenture is hereby amended by deleting such paragraph in its entirety and replacing it with the following:

"The Servicer may, at its option, effect an early redemption of the Notes for an amount equal to the Note Redemption Amount on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans and the Residual Securities at a

purchase price, payable in cash, equal to the Termination Price."

SECTION 3. Representations. In order to induce the parties hereto to execute and deliver this Amendment, the Issuer hereby represents to the Indenture Trustee 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 Indenture 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 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 herewith, 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. Fees and Expenses. The Issuer covenants 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 and (ii) all reasonable fees and expenses of the Indenture Trustee and its counsel.

SECTION 6. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

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

[signature page follows]

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 2001-1A

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

By: /s/ Rachel L. Simpson

Name: Rachel L. Simpson
Title: Financial Services Officer

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

By: /s/ REID DENNY

Name: REID DENNY
Title: VICE PRESIDENT

EXHIBIT 10.51

AMENDMENT NUMBER FIVE
to the
INDENTURE,
dated as of April 1, 2001, and as amended and restated
through and including November 25, 2003
between
OPTION ONE OWNER TRUST 2001-1A
and
WELLS FARGO BANK, N.A.

This AMENDMENT NUMBER FIVE (this "Amendment") is made and is effective as of this 30th day of April, 2004, between Option One Owner Trust 2001-1A (the "Issuer") and Wells Fargo Bank, N.A. (formerly known as Wells Fargo Bank Minnesota, National Association), as Indenture Trustee (the "Indenture Trustee"), to the Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003 (the "Indenture"), between the Issuer and the Indenture Trustee.

RECITALS

WHEREAS, the parties hereto desire to amend the Indenture subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Indenture.

SECTION 2. Amendment.

(a) Section 1.01 of the Indenture is hereby amended by deleting the definition of "Maturity Date" in its entirely and replacing it with the following definition:

"Maturity Date: means, with respect to the Notes, April 29, 2005.

SECTION 3. Representations. In order to induce the parties hereto to execute and deliver this Amendment, the Issuer hereby represents to the Indenture Trustee 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 Indenture 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 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 herewith, 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. Fees and Expenses. The Issuer covenants 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 and (ii) all reasonable fees and expenses of the Indenture Trustee and its counsel.

SECTION 6. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

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

[signature page follows]

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 2001-1A

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

By: /s/ Mary Kay Pupillo

Name: Mary Kay Pupillo
Title: Senior Financial Services Officer

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

By: /s/ Amy Doyle

Name: Amy Doyle
Title: Assistant Vice President

Exhibit 10.52

AMENDMENT NUMBER SIX
to the
AMENDED AND RESTATED INDENTURE,
dated as of November 25, 2003,
between
OPTION ONE OWNER TRUST 2001-1A and
WELLS FARGO BANK, N.A.

This AMENDMENT NUMBER SIX (this "Amendment") is made and is effective as of this 29th day of April, 2005, between Option One Owner Trust 2001-1A (the "Issuer") and Wells Fargo Bank, N.A., as Indenture Trustee (the "Indenture Trustee"), to the Amended and Restated Indenture, dated as of November 25, 2003 (the "Indenture"), between the Issuer and the Indenture Trustee.

RECITALS

WHEREAS, the parties hereto desire to amend the Indenture subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Indenture.

SECTION 2. Amendment. Effective as of April 29, 2005, Section 1.01 of the Indenture is hereby amended by deleting in its entirety the definition of "Maturity Date" and replacing it with the following:

"Maturity Date" means, with respect to the Notes, April 28, 2006.

SECTION 3. Representations. In order to induce the parties hereto to execute and deliver this Amendment, the Issuer hereby represents to the Indenture Trustee 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 Indenture 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 Indenture and the other Basic Documents.

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 herewith, 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. Fees and Expenses. The Issuer covenants 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 and (ii) all reasonable fees and expenses of the Indenture Trustee and its counsel.

SECTION 6. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

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

[signature page follows]

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 2001-1A

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

By: /s/ Mary K Pupillo

Name: Mary K. Pupillo
Title: Assistant Vice President

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

By: Darron C. Woodus
Name: Darron C. Woodus
Title: Assistant Vice President

EXHIBIT 10.53

==========

AMENDED AND RESTATED NOTE PURCHASE AGREEMENT

among

OPTION ONE OWNER TRUST 2001-1A
as Issuer

and

OPTION ONE LOAN WAREHOUSE CORPORATION
as Depositor

and

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.
as Purchaser

Dated as of April 16, 2004

OPTION ONE OWNER TRUST 2001-1A
MORTGAGE-BACKED NOTES

==========

TABLE OF CONTENTS

Page

NOTE PURCHASE AGREEMENT

AMENDED AND RESTATED NOTE PURCHASE AGREEMENT, dated and effective as of April 16, 2004 (the "Note Purchase Agreement"), among OPTION ONE OWNER TRUST 2001-1A (the "Issuer"), OPTION ONE LOAN WAREHOUSE CORPORATION (the "Depositor"), and GREENWICH CAPITAL FINANCIAL PRODUCTS, INC. ("Greenwich," and in its capacity as Purchaser hereunder, the "Purchaser").

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Certain Defined Terms. Capitalized terms used herein without definition shall have the meanings set forth in the Indenture and the Sale and Servicing Agreement (as defined below). Additionally, the following terms shall have the following meanings:

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

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

"Commitment" means the commitment of the Purchaser to purchase Additional Note Principal Balances pursuant to Section 2.01.

"Confidential Information" means all marketing information, financial information, terms sheets and other information concerning the transactions contemplated thereby, prepared by the Purchaser and its Affiliates.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Governmental Actions" means any and all consents, approvals, permits, orders, authorizations, waivers, exceptions, variances, exemptions or licenses of, or registrations, declarations or filings with, any Governmental Authority required under any Governmental Rules.

"Governmental Authority" means the United States of America, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and having jurisdiction over the applicable Person.

"Governmental Rules" means any and all laws, statutes, codes, rules,

regulations, ordinances, orders, writs, decrees and injunctions, of any Governmental Authority and any and all legally binding conditions, standards, prohibitions, requirements and judgments of any Governmental Authority.

"Indemnified Party" means the Purchaser and any of its officers, directors, employees, agents, representatives, assignees and Affiliates and any Person who controls the

Purchaser or its Affiliates within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act.

"Indenture" means the Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003, between the Issuer as Issuer and Wells Fargo Bank Minnesota, National Association as Indenture Trustee, as the same may be further amended or supplemented from time to time.

"Investment Company Act" shall have the meaning provided in Section 5.01(i).

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

"Loan Originator" means Option One Mortgage Corporation, a California corporation.

"Maximum Note Principal Balance" means an amount equal to (i) on any date through and including December 30, 2003 and on or after January 1, 2004, $2,000,000,000 or (ii) on December 31, 2003, $1,500,000,000, in each case less (i) any reductions pursuant to Section 2.06 of the Sale and Servicing Agreement, less (ii) the aggregate outstanding principal balance of the Option One Owner Trust 2001-IB Mortgage-Backed Note issued by the Option One Owner Trust 2001-IB and less (iii) 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.

"Purchaser" means the Purchaser and its permitted successors and assigns.

"Purchased Note" means the Option One Owner Trust 2001-1A Mortgage-Backed Note issued by the Issuer pursuant to the Indenture.

"Residual Security" Any security sold to the Trust hereunder and pledged to the Indenture Trustee, which security must be (i) a mortgage-backed security issued by Option One Mortgage Acceptance Corp. and evidencing an interest in a securitization trust backed by residential mortgage loans, which mortgage loans are serviced by Option One Mortgage Corporation (in such capacity, "Option One") (including, without limitation, securities designated as class C certificates and class P certificates that meet the foregoing criteria) or (ii) a net interest margin security issued by a trust sponsored by Option One and backed by class C certificates and/or Class P certificates, which certificates are in turn backed by residential mortgage loans serviced by Option One.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement, dated as of April 1, 2001, and as amended and restated through and including April 16, 2004, among the Issuer, the Depositor, the Loan Originator, the Servicer and Wells Fargo Bank Minnesota, National Association as the Indenture Trustee, as the same may be further amended or supplemented from time to time.

"Secured Loan Facility" means the secured loan facility entered into by Option One Mortgage Corporation and Greenwich, as evidence by the Master Loan and Security Agreement, dated May 2, 2002, between Option One Mortgage Corporation and Greenwich, as amended or restated from time to time, and the promissory note of Option One Mortgage Corporation in favor of Greenwich entered into in connection therewith.

"Servicer" means Option One Mortgage Corporation or its permitted successors and assigns.

SECTION 1.02. Other Definitional Provisions.

(a) All terms defined in this Note Purchase Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) As used herein and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in Section 1.01, and accounting terms partially defined in Section 1.01 to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms herein are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained herein shall control.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Note Purchase Agreement shall refer to this Note Purchase Agreement as a whole and not to any particular provision of this Note Purchase Agreement; and Section, subsection, Schedule and Exhibit references contained in this Note Purchase Agreement are references to Sections, subsections, and Exhibits in or to this Note Purchase Agreement unless otherwise specified.

ARTICLE II

COMMITMENT; CLOSING AND PURCHASES OF ADDITIONAL NOTE PRINCIPAL BALANCES

SECTION 2.01. Commitment; Collateral Value Increase Dates.

(a) At any time during the Revolving Period at least two Business Days prior to a proposed Transfer Date or 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 Principal Balance, and subject to the terms and conditions hereof and in accordance with the other Basic Documents, the Issuer may request that the Purchaser purchase Additional Note Principal Balances (each such request, a "Purchase Request"). Each Purchase Request shall identify (i) with respect to each Transfer Date, the proposed Transfer Date and an estimate of the number of Loans or Residual Securities and aggregate Principal Balance of such Loans and aggregate Principal Balance of such Residual Securities to be purchased by the Issuer on such Transfer Date and (ii) with respect to each Funding Date, the proposed Funding Date and the aggregate Receivables Balance of the Receivables to be purchased by the Advance Trust on such Funding Date. On the

identified Transfer Date or Funding Date, the Purchaser agrees to purchase the Additional Note Principal Balances requested in the Purchase Request, subject to the terms and conditions and in reliance upon the covenants, representations and warranties set forth herein and in the other Basic Documents.

(b) On any Collateral Value Increase Date during the Revolving Period, to the extent that the Note Principal Balance (after giving effect to the proposed increase in the Note Principal Balance) is less than the Maximum Note Principal Balance, and subject to the terms and conditions hereof and in accordance with the other Basic Documents, the Issuer may request that the Purchaser purchase Additional Note Principal Balances equal to the related

increase in the Collateral Value of the related Mortgage Loans. The Purchaser may in its sole discretion agree to purchase such Additional Note Principal Balances.

SECTION 2.02. Closing. The closing (the "Closing") of the execution of the Basic Documents and Purchased Note shall take place at 10:00 a.m. at the offices of Thacher Proffitt & Wood, 2 World Trade Center, New York, New York 10048 on April 18, 2001, or if the conditions to closing set forth in Article IV of this Note Purchase Agreement shall not have been satisfied or waived by such date, as soon as practicable after such conditions shall have been satisfied or waived, or at such other time, date and place as the parties shall agree upon (the date of the Closing being referred to herein as the "Closing").

ARTICLE III

TRANSFER DATES AND FUNDING DATES

SECTION 3.01. Transfer Dates.

(a) Subject to the conditions and terms set forth herein and in Section 2.06 of the Sale and Servicing Agreement with respect to each Transfer Date, the Issuer may request, and the Purchaser agrees to purchase Additional Note Principal Balances from the Issuer from time to time in accordance with, and upon the satisfaction, as of the applicable Transfer Date, of each of the following additional conditions:

(i) With respect to each Transfer Date, each condition set forth in Section 2.06 of the Sale and Servicing Agreement shall have been satisfied;

(ii) Each of the representations and warranties of the Issuer, the Servicer, the Loan Originator and the Depositor made in the Basic Documents shall be true and correct as of such date (except to the extent they expressly relate to an earlier or later time);

(iii) The Issuer, the Servicer, the Loan Originator and the Depositor shall be in compliance with all of their respective covenants contained in the Basic Documents and the Purchased Note;

(iv) No Event of Default and no Default shall have occurred or shall be occurring; and

(v) With respect to each Transfer Date, the Purchaser shall have received evidence reasonably satisfactory to it of the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignments required to be effected on such Transfer Date in accordance with the Sale and Servicing Agreement and the Residual Securities Transfer Agreement, including, without limitation, the assignment of the Loans and the Residual Securities and the proceeds thereof required to be assigned pursuant to the related LPA Assignment, RSTA Assignment, S&SA Assignment and the Indenture.

(b) The Purchaser shall determine in its reasonable discretion whether each of the above conditions have been met in accordance with the Sale and Servicing Agreement and its determination shall be binding on the parties hereto.

(c) The price paid by the Purchaser on each Transfer Date for the Additional Note Principal Balance purchased on such Transfer Date shall be equal to the amount of such Additional Note Principal Balance and shall be remitted not later than 4:00 p.m. New York City time on the Transfer Date by wire transfer of immediately available funds to the Advance Account.

(d) The Purchaser shall record on the schedule attached to the Purchased Note, the date and amount of any Additional Note Principal Balance

purchased by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect the Purchaser's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance actually held. Absent manifest error, the Note Principal Balance of the Purchased Note as set forth in the Purchaser's records shall be binding upon the parties hereto, notwithstanding any notation or record made or kept by any other party hereto.

SECTION 3.02. Funding Dates.

(a) Subject to the conditions and terms set forth herein and in Section 2.06 of the Sale and Servicing Agreement with respect to each Funding Date, the Issuer may request, and the Purchaser agrees to purchase Additional Note Principal Balances from the Issuer from time to time in accordance with, and upon the satisfaction, as of the applicable Funding Date, of each of the following additional conditions:

(i) With respect to each Funding Date, each condition set forth in Section 2.06 of the Sale and Servicing Agreement shall have been satisfied;

(ii) Each of the representations and warranties of the Issuer, the Servicer, the Loan Originator and the Depositor made in the Basic Documents shall be true and correct as of such date (except to the extent they expressly relate to an earlier or later time);

(iii) The Issuer, the Servicer, the Loan Originator and the Depositor shall be in compliance with all of their respective covenants contained in the Basic Documents and the Purchased Note;

(iv) No Event of Default and no Default shall have occurred or shall be occurring; and

(v) With respect to each Funding Date, the Purchaser shall have received evidence reasonably satisfactory to it of the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the Indenture Trustee's security interest in the Advance Note and the proceeds thereof.

(b) The Purchaser shall determine in its reasonable discretion whether each of the above conditions have been met in accordance with the Sale and Servicing Agreement and its determination shall be binding on the parties hereto.

(c) The price paid by the Purchaser on each Funding Date for the Additional Note Principal Balance purchased on such Funding Date shall be equal to the amount of such Additional Note Principal Balance and shall be remitted not later than 4:00 p.m. New York City time on the Funding Date by wire transfer of immediately available funds to the Funding Account.

(d) The Purchaser shall record on the schedule attached to the Purchased Note, the date and amount of any Additional Note Principal Balance purchased by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect the Purchaser's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance actually held. Absent manifest error, the Note Principal Balance of the Purchased Note as set forth in the Purchaser's records shall be binding upon the parties hereto, notwithstanding any notation or record made or kept by any other party hereto.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS OF COMMITMENT

SECTION 4.01. Closing Subject to Conditions Precedent. The effectiveness of the Commitment hereunder is subject to the satisfaction at the time of the Closing of the following conditions (any or all of which may be waived by the Purchaser in its sole discretion):

(a) Performance by the Issuer, the Depositor, the Servicer and the Loan Originator. All the terms, covenants, agreements and conditions of the Basic Documents to be complied with and performed by the Issuer, the Depositor, the Servicer and the Loan Originator on or before the Closing Date shall have been complied with and performed in all material respects.

(b) Representations and Warranties. Each of the representations and warranties of the Issuer, the Depositor, the Servicer and the Loan Originator made in the Basic Documents shall be true and correct in all material respects as of the Closing Date (except to the extent they expressly relate to an earlier or later time).

(c) Officer's Certificate. The Purchaser shall have received in form and substance reasonably satisfactory to the Purchaser an Officer's Certificate from the Loan Originator, the Depositor and the Servicer and a certificate of an Authorized Officer of the Issuer, dated the Closing Date, certifying to the satisfaction of the conditions set forth in the preceding paragraphs (a) and (b)

(d) Opinions of Counsel to the Issuer, the Loan Originator, the Servicer and the Depositor. Counsel to the Issuer, the Loan Originator, the Servicer and the Depositor shall have delivered to the Purchaser favorable opinions, dated as of the Closing Date and satisfactory in form and substance to the Purchaser and its counsel. In addition to the foregoing, the Loan Originator shall have caused its counsel to deliver to the Purchaser a favorable opinion to the effect that the Issuer will not be treated as an association (or publicly traded partnership) taxable as a corporation or as a taxable mortgage pool, for federal income tax purposes.

(e) Opinions of Counsel to the Indenture Trustee. Counsel to the Indenture Trustee shall have delivered to the Purchaser a favorable opinion, dated as of the Closing Date and reasonably satisfactory in form and substance to the Purchaser and its counsel.

(f) Opinions of Counsel to the Owner Trustee. Delaware counsel to the Owner Trustee of the Issuer and the Depositor shall have delivered to the Purchaser favorable opinions regarding the formation, existence and standing of the Issuer and the Depositor and of the Issuer's and the Depositor's execution, authorization and delivery of each of the Basic Documents to which it is a party and such other matters as the Purchaser may reasonably request, dated as of the Closing Date and reasonably satisfactory in form and substance to the Purchaser and its counsel.

(g) Filings and Recordations. The Purchaser shall have received evidence reasonably satisfactory to it of (i) the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignment by the Loan Originator to the Depositor of the Loan Originator's ownership interest in the Trust Estate including, without limitation, the Loans conveyed pursuant to the Loan Purchase Agreement and the proceeds thereof and the Residual Securities conveyed pursuant to the Residual Securities Transfer Agreement and the proceeds thereof, (ii) the completion of all recordings, registrations and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignment by the Depositor to the Issuer of the Depositor's ownership interest in the Trust Estate including, without limitation, the Loans and Residual Securities and the proceeds thereof and (iii) the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the grant of a first priority perfected security interest in the Issuer's ownership interest in the Trust Estate including, without limitation, the Loans and the Residual Securities, in favor of the Indenture Trustee, subject to no

Liens prior to the Lien of the Indenture.

(h) Documents. The Purchaser shall have received a duly executed counterpart of each of the Basic Documents, in form acceptable to the Purchaser, the Purchased Note and each and every document or certification delivered by any party in connection with any of the Basic Documents or the Purchased Note, and each such document shall be in full force and effect.

(i) Actions or Proceedings. No action, suit, proceeding or investigation by or before any Governmental Authority shall have been instituted to restrain or prohibit the consummation of, or to invalidate, any of the transactions contemplated by the Basic Documents, the Purchased Note and the documents related thereto in any material respect.

(j) Approvals and Consents. All Governmental Actions of all Governmental Authorities required with respect to the transactions contemplated by the Basic Documents, the Purchased Note and the documents related thereto shall have been obtained or made.

(k) Accounts. The Purchaser shall have received evidence reasonably satisfactory to it that each Trust Account has each been established in accordance with the terms of the Sale and Servicing Agreement.

(l) Fees and Expenses. The fees and expenses payable by the Issuer and the Depositor pursuant to Section 8.02(b) shall have been paid.

(m) Other Documents. The Issuer, the Loan Originator, the Depositor and the Servicer shall have furnished to the Purchaser such other opinions, information, certificates and documents as the Purchaser may reasonably request.

(n) Proceedings in Contemplation of Sale of Purchased Note. All actions and proceedings undertaken by the Issuer, the Loan Originator, the Depositor and the Servicer in connection with the issuance and sale of the Purchased Note as herein contemplated shall be satisfactory in all respects to the Purchaser and its counsel.

(o) Financial Covenants. The Loan Originator and the Servicer shall be in compliance with the financial covenants set forth in Section 7.02 of the Sale and Servicing Agreement.

(p) Trust Accounts Control Agreements. The Purchaser shall have received control agreements relating to the Trust Accounts satisfactory to the Purchaser.

(q) Wet Funding Agreement. The Issuer, the Depositor, the Loan Originator and such other appropriate parties shall have entered into an agreement concerning the terms, conditions and procedures applicable to the sale of Wet Funded Loans to the Issuer and the pledge of such Loans to the Indenture Trustee satisfactory to the Purchaser.

If any condition specified in this Section 4.01 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Purchaser by notice to the Loan Originator at any time at or prior to the Closing Date, and the Purchaser shall incur no liability as a result of such termination.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE ISSUER AND THE DEPOSITOR

The Issuer and the Depositor hereby jointly and severally make the following representations and warranties to the Purchaser, as of the Closing Date, and as of each Transfer Date and each Funding Date and the Purchaser shall be deemed to have relied on such representations and warranties in making (or

committing to make) purchases of Additional Note Principal Balances on each Transfer Date and each Funding Date:

SECTION 5.01. Issuer.

(a) The Issuer has been duly organized and is validly existing and in good standing as a statutory trust under the laws of the State of Delaware, with requisite trust power and authority to own its properties and to transact the business in which it is now engaged, and is duly qualified to do business and is in good standing (or is exempt from such requirements) in each State of the United States where the nature of its business requires it to be so qualified and the failure to be so qualified and in good standing would have a material adverse effect on the Issuer or any adverse effect on the interests of the Purchaser.

(b) The issuance, sale, assignment and conveyance of the Purchased Note and the Additional Note Principal Balances, the performance of the Issuer's obligations under each Basic Document to which it is a party and the consummation of the transactions therein contemplated will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than any Lien created by the Basic Documents), charge or encumbrance upon any of the property or assets of the Issuer or any of its Affiliates pursuant to the terms of, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it or any of its Affiliates is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of its organizational documents or any Governmental Rule applicable to the Issuer, in each case which could be expected to have a material adverse effect on the transactions contemplated therein.

(c) No Governmental Action which has not been obtained is required by or with respect to the Issuer in connection with the execution and delivery to the Purchaser of the Purchased Note. No Governmental Action which has not been obtained is required by or with respect to the Issuer in connection with the execution and delivery of any of the Basic Documents to which the Issuer is a party or the consummation by the Issuer of the transactions contemplated thereby except for any requirements under state securities or "blue sky" laws in connection with any transfer of the Purchased Note.

(d) The Issuer possesses all material licenses, certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by it, and has not received any notice of proceedings relating to the revocation or modification of any such license, certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect its condition, financial or otherwise, or its earnings, business affairs or business prospects.

(e) Each of the Basic Documents to which the Issuer is a party has been duly authorized, executed and delivered by the Issuer and is a valid and legally binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to enforcement of bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

(f) The execution, delivery and performance by the Issuer of each of its obligations under each of the Basic Documents to which it is a party will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any agreement or

instrument to which the Issuer is a party or by which the Issuer is bound or to which any of its properties are subject or of any statute, order or regulation

applicable to the Issuer of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Issuer or any of its properties, in each case which could be expected to have a material adverse effect on any of the transactions contemplated therein.

(g) The Issuer is not in violation of its organizational documents or in default under any agreement, indenture or instrument the effect of which violation or default would be material to the Issuer or the transactions contemplated by the Basic Documents. The Issuer is not a party to, bound by or in breach or violation of any indenture or other agreement or instrument, or subject to or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Issuer that materially and adversely affects, or may in the future materially and adversely affect (i) the ability of the Issuer to perform its obligations under any of the Basic Documents to which it is a party or (ii) the business, operations, financial condition, properties, assets or prospects of the Issuer.

(h) There are no actions or proceedings against, or investigations of, the Issuer pending, or, to the knowledge of the Issuer threatened, before any Governmental Authority, court, arbitrator, administrative agency or other tribunal (i) asserting the invalidity of any of the Basic Documents, or (ii) seeking to prevent the issuance of the Purchased Note or the consummation of any of the transactions contemplated by the Basic Documents or the Purchased Note, or (iii) that, if adversely determined, could materially and adversely affect the business, operations, financial condition, properties, assets or prospects of the Issuer or the validity or enforceability of, or the performance by the Issuer of its respective obligations under, any of the Basic Documents to which it is a party or (iv) seeking to affect adversely the income tax attributes of the Purchased Note.

(i) The Issuer is not, and neither the issuance and sale of the Purchased Note to the Purchaser nor the activities of the Issuer pursuant to the Basic Documents, shall render the Issuer an "investment company" or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

(j) It is not necessary to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

(k) The Issuer is solvent and has adequate capital for its business and undertakings.

(l) The chief executive offices of the Issuer are located at Option One Owner Trust 2001-1A, c/o Wilmington Trust Company, as Owner Trustee, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, or, with the consent of the Purchaser, such other address as shall be designated by the Issuer in a written notice to the other parties hereto.

(m) There are no contracts, agreements or understandings between the Issuer and any Person granting such Person the right to require the filing at any time of a registration statement under the Act with respect to the Purchased Note.

SECTION 5.02. Securities Act. Assuming the accuracy of the representations and warranties of and compliance with the covenants of the Purchaser, contained herein, the sale of the Purchased Note and the sale of Additional Note Principal Balances pursuant to this Agreement are each exempt from the registration and prospectus delivery requirements of the Act. In the case of the offer or sale of the Purchased Note, no form of general solicitation or general advertising was used by the Issuer, any Affiliates of the Issuer or any person acting on its or their behalf, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general

solicitation or general advertising. Neither the Issuer, any Affiliates of the Issuer nor any Person acting on its or their behalf has offered or sold, nor will the Issuer or any Person acting on its behalf offer or sell directly or indirectly, the Purchased Note or any other security in any manner that, assuming the accuracy of the representations and warranties and the performance of the covenants given by the Purchaser and compliance with the applicable provisions of the Indenture with respect to each transfer of the Purchased Note, would render the issuance and sale of the Purchased Note as contemplated hereby a violation of Section 5 of the Securities Act or the registration or qualification requirements of any state securities laws, nor has any such Person authorized, nor will it authorize, any Person to act in such manner.

SECTION 5.03. No Fee. Neither the Issuer, nor the Depositor, nor any of their Affiliates has paid or agreed to pay to any Person any compensation for soliciting another to purchase the Purchased Note.

SECTION 5.04. Information. The information provided pursuant to Section 7.01 (a) hereof will, at the date thereof, be true and correct in all material respects.

SECTION 5.05. The Purchased Note. The Purchased Note has been duly and validly authorized, and, when executed and authenticated in accordance with the terms of the Indenture, and delivered to and paid for in accordance with this Note Purchase Agreement, will be duly and validly issued and outstanding and will be entitled to the benefits of the Indenture.

SECTION 5.06. Use of Proceeds. No proceeds of a purchase hereunder will be used (i) for a purpose that violates or would be inconsistent with Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction in violation of Section 13 or 14 of the Exchange Act.

SECTION 5.07. The Depositor. The Depositor hereby makes to the Purchaser each of the representations, warranties and covenants set forth in Section 3.01 of the Sale and Servicing Agreement as of the Closing Date and as of each Transfer Date (except to the extent that any such representation, warranty or covenant is expressly made as of another date).

SECTION 5.08. Taxes, etc. Any taxes, fees and other charges of Governmental Authorities applicable to the Issuer and the Depositor, except for franchise or income taxes, in connection with the execution, delivery and performance by the Issuer and the Depositor of each Basic Document to which they are parties, the issuance of the Purchased Note or otherwise applicable to the Issuer or the Depositor in connection with the Trust Estate have been paid or will

be paid by the Issuer or the Depositor, as applicable, at or prior to the Closing Date or Transfer Date, to the extent then due.

SECTION 5.09. Financial Condition. On the date hereof and on each Transfer Date and each Funding Date, neither the Issuer nor the Depositor is or will be insolvent or the subject of any voluntary or involuntary bankruptcy proceeding.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE PURCHASER

The Purchaser hereby makes the following representations and warranties, as to itself, to the Issuer and the Depositor on which the same are relying in entering into this Note Purchase Agreement.

SECTION 6.01. Organization. The Purchaser has been duly organized and is validly existing and in good standing under the laws of the jurisdiction

of its organization with power and authority to own its properties and to transact the business in which it is now engaged.

SECTION 6.02. Authority, etc. The Purchaser has all requisite power and authority to enter into and perform its obligations under this Note Purchase Agreement and to consummate the transactions herein contemplated. The execution and delivery by the Purchaser of this Note Purchase Agreement and the consummation by the Purchaser of the transactions contemplated hereby have been duly and validly authorized by all necessary organizational action on the part of the Purchaser. This Note Purchase Agreement has been duly and validly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject as to enforcement to bankruptcy, reorganization, insolvency, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity. Neither the execution and delivery by the Purchaser of this Note Purchase Agreement nor the consummation by the Purchaser of any of the transactions contemplated hereby, nor the fulfillment by the Purchaser of the terms hereof, will conflict with, or violate, result in a breach of or constitute a default under any term or provision of the Purchaser's organizational documents or any Governmental Rule applicable to the Purchaser.

SECTION 6.03. Securities Act. The Purchaser will acquire the Purchased Note pursuant to this Note Purchase Agreement without a view to any public distribution thereof, and will not offer to sell or otherwise dispose of the Purchased Note (or any interest therein) in violation of any of the registration requirements of the Act or any applicable state or other securities laws, or by means of any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) and will comply with the requirements of the Indenture. The Purchaser acknowledges that it has no right to require the Issuer or any other Person to register the Purchased Note under the Securities Act or any other securities law.

SECTION 6.04. Conflicts With Law. The execution, delivery and performance by the Purchaser of its obligations under this Note Purchase Agreement will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Purchaser is a party or by which the Purchaser is bound or of any statute, order or regulation applicable to the Purchaser of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Purchaser, in each case which could be expected to have a material adverse effect on the transactions contemplated therein.

SECTION 6.05. Conflicts With Agreements, etc. The Purchaser is not in violation of its organizational documents or in default under any agreement, indenture or instrument the effect of which violation or default would be materially adverse to the Purchaser in the performance of its obligations or duties under any of the Basic Documents to which it is a party. The Purchaser is not a party to, bound by or in breach or violation of any indenture or other agreement or instrument, or subject to or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Purchaser that materially and adversely affects, or which could be expected in the future to materially and adversely affect the ability of the Purchaser to perform its obligations under this Note Purchase Agreement.

ARTICLE VII

COVENANTS OF THE ISSUER AND THE DEPOSITOR

SECTION 7.01. Information from the Issuer. So long as the Purchased Note remains outstanding, the Issuer and the Depositor shall each furnish to the Purchaser:

(a) such information (including financial information), documents,

records or reports with respect to the Trust Estate, the Loans, the Residual Securities, the Advance Note, the Issuer, the Loan Originator, the Servicer or the Depositor as the Purchaser may from time to time reasonably request;

(b) as soon as possible and in any event within five (5) Business Days after the occurrence thereof, notice of each Event of Default under the Sale and Servicing Agreement or the Indenture, and each Default; and

(c) promptly and in any event within 30 days after the occurrence thereof, written notice of a change in address of the chief executive office of the Issuer, the Loan Originator or the Depositor.

SECTION 7.02. Access to Information. So long as the Purchased Note remains outstanding, each of the Issuer and the Depositor shall, at any time and from time to time during regular business hours, or at such other reasonable times upon reasonable notice to the Issuer or the Depositor, as applicable, permit the Purchaser, or their agents or representatives to:

(a) examine all books, records and documents (including computer tapes and disks) in the possession or under the control of the Issuer or the Depositor relating to the Loans, the Residual Securities or the Basic Documents as may be requested, and

(b) visit the offices and property of the Issuer and the Depositor for the purpose of examining such materials described in clause (a) above.

Except as provided in Section 10.05, information obtained by the Purchaser pursuant to this Section 7.02 and Section 7.01 herein shall be held in confidence in accordance with and to the extent provided in Sections 11.15 and 11.17 of the Sale and Servicing Agreement.

SECTION 7.03. Ownership and Security Interests; Further Assurances. The Depositor will take all action necessary to maintain the Issuer's ownership interest in the Loans, the Residual Securities and the other items sold pursuant to Article II of the Sale and Servicing Agreement. The Issuer will take all action necessary to maintain the Indenture Trustee's security interest in the Loans, the Residual Securities and the other items pledged to the Indenture Trustee pursuant to the Indenture.

The Issuer and the Depositor agree to take any and all acts and to execute any and all further instruments reasonably necessary or requested by the Purchaser to more fully effect the purposes of this Note Purchase Agreement.

SECTION 7.04. Covenants. The Issuer and the Depositor shall each duly observe and perform each of their respective covenants set forth in each of the Basic Documents to which they are parties.

SECTION 7.05. Amendments. Neither the Issuer nor the Depositor shall make, or permit any Person to make, any amendment, modification or change to, or provide any waiver under any Basic Document to which the Issuer or the Depositor, as applicable, is a party without the prior written consent of the Purchaser.

SECTION 7.06. With Respect to the Exempt Status of the Purchased Note.

(a) Neither the Issuer nor the Depositor, nor any of their respective Affiliates, nor any Person acting on their behalf will, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Purchased Note under the Securities Act.

(b) Neither the Issuer nor the Depositor, nor any of their Affiliates, nor any Person acting on their behalf will engage in any form of general solicitation or general advertising (within the meaning of Regulation D

promulgated under the Securities Act) in connection with any offer or sale of the Purchased Note.

(c) On or prior to any Transfer Date or Funding Date, the Issuer and the Depositor will furnish or cause to be furnished to the Purchaser and any subsequent purchaser therefrom of Additional Note Principal Balance, if the Purchaser or such subsequent purchaser so requests, a letter from each Person furnishing a certificate or opinion on the Closing Date as described in Section 4.01 hereof or on or before any such Transfer Date or Funding Date in which such Person shall state that such subsequent purchaser may rely upon such original certificate or opinion as though delivered and addressed to such subsequent purchaser and made on and as of the

Closing Date or such Transfer Date or Funding Date, as the case may be, except for such exceptions set forth in such letter as are attributable to events occurring after the Closing Date or such Transfer Date or Funding Date.

ARTICLE VIII

ADDITIONAL COVENANTS

SECTION 8.01. Legal Conditions to Closing. The parties hereto will take all reasonable action necessary to obtain (and will cooperate with one another in obtaining) any consent, authorization, permit, license, franchise, order or approval of, or any exemption by, any Governmental Authority or any other Person, required to be obtained or made by it in connection with any of the transactions contemplated by this Note Purchase Agreement.

SECTION 8.02. Expenses.

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

(b) The Issuer and the Depositor jointly and severally covenant to pay as and when billed by the Purchaser all of the reasonable out-of-pocket costs and expenses incurred in connection with the consummation and administration of the transactions contemplated hereby and in the other Basic Documents including, without limitation, (i) all reasonable fees, disbursements and expenses of counsel to the Purchaser, (ii) all reasonable fees and expenses of the Indenture Trustee and the Owner Trustee and their counsel and (iii) all reasonable fees and expenses of the Custodian and its counsel.

SECTION 8.03. Mutual Obligations. On and after the Closing, each party hereto will do, execute and perform all such other acts, deeds and documents as the other party may from time to time reasonably require in order to carry out the intent of this Note Purchase Agreement.

SECTION 8.04. Restrictions on Transfer. The Purchaser agrees that it will comply with the restrictions on transfer of the Purchased Note set forth in the Indenture and resell the Purchased Note only in compliance with such restrictions.

SECTION 8.05. Confidentiality. Each of the Purchaser, the Issuer and the Depositor shall hold in confidence all Confidential Information and shall not, at any time hereafter, use, disclose or divulge any such information, knowledge or data to any Person except:

(a) Information which at the time of disclosure is a part of the public knowledge or literature and readily accessible;

(b) Information as required to be disclosed by a Governmental Authority;

(c) Disclosure to a Person that has entered into a confidentiality agreement, acceptable to the Purchaser, the Issuer and the Depositor; or

(d) Information that is deemed by the Purchaser reasonably necessary to disclose in connection with its exercise of any rights or remedies under the Basic Documents.

SECTION 8.06. Information Provided by the Purchaser. The Purchaser hereby covenants to determine One-Month LIBOR in accordance with the definition thereof in the Basic Documents and shall give notice to the Indenture Trustee, the Issuer and the Depositor of the Interest Payment Amount on each Determination Date. The Purchaser shall cause the Market Value Agent to give notice to the Indenture Trustee, the Issuer and the Depositor of any Hedge Funding Requirement on or before the Determination Date related to any Payment Date. In addition, on each Determination Date, the Purchaser hereby covenants to give notice to the Indenture Trustee, the Issuer and the Depositor of (i) the Issuer/Depositor Indemnities (as defined in the Trust Agreement), (ii) Due Diligence Fees and (iii) the Collateral Value for each Loan and each Residual Security for the related Payment Date.

ARTICLE IX

INDEMNIFICATION

SECTION 9.01. Indemnification of Purchaser. Each of the Issuer and the Depositor hereby agree to, jointly and severally, indemnify and hold harmless each Indemnified Party against any and all losses, claims, damages, liabilities, expenses or judgments (including accounting fees and reasonable legal fees and other expenses incurred in connection with this Note Purchase Agreement or any other Basic Document and any action, suit or proceeding or any claim asserted) (collectively, "Losses"), as incurred (payable promptly upon written request), for or on account of or arising from or in connection with any information prepared by and furnished or to be furnished by any of the Issuer, the Loan Originator, the Depositor, the Advance Trust, the Advance Depositor or the Receivables Seller pursuant to or in connection with the transactions contemplated hereby including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the business, operations, financial condition of the Issuer, the Loan Originator, the Depositor, the Advance Trust, the Advance Depositor or the Receivables Seller or with respect to the Loans, the Residual Securities or the Advance Note, to the extent such information contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained therein in the light of the circumstances under which such statements were made not misleading, except with respect to any such information used by such Indemnified Party in violation of the Basic Documents which results in such Losses. The indemnities contained in this Section 9.01 will be in addition to any liability which the Issuer or the Depositor may otherwise have pursuant to this Note Purchase Agreement and any other Basic Document.

SECTION 9.02. Procedure and Defense. In case any action or proceeding (including any governmental or regulatory investigation or proceeding) shall be instituted involving any Indemnified Party in respect of which indemnity may be sought pursuant to Section 9.01, such Indemnified Party shall promptly notify the Issuer and the Depositor in writing and, upon request

of the Indemnified Party, the Issuer and the Depositor shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party to represent such Indemnified Party and any others the indemnifying party may designate and shall pay the reasonable fees and

disbursements of such counsel related to such proceeding; provided that failure to give such notice or deliver such documents shall not affect the rights to indemnity hereunder unless such failure materially prejudices the rights of the Indemnified Party. The Indemnified Party will have the right to employ its own counsel in any such action in addition to the counsel of the Issuer and/or the Depositor, but the reasonable fees and expenses of such counsel will be at the expense of such Indemnified Party, unless (i) the employment of counsel by the Indemnified Party at its expense has been reasonably authorized in writing by the Depositor or the Issuer, (ii) the Depositor or the Issuer has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action or (iii) the named parties to any such action or proceeding (including any impleaded parties) include the Depositor or the Issuer and one or more Indemnified Parties, and the Indemnified Parties shall have been advised by counsel that there may be one or more legal defenses available to them which are different from or additional to those available to the Depositor or the Issuer. Reasonable expenses of counsel to any Indemnified Party shall be reimbursed by the Issuer and the Depositor as they are incurred. The Issuer and the Depositor shall not be liable for any settlement of any proceeding affected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Neither the Issuer nor the Depositor will, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Amendments. No amendment or waiver of any provision of this Note Purchase Agreement shall in any event be effective unless the same shall be in writing and signed by all of the parties hereto, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 10.02. Notices. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including telecopies) and mailed, telecopied (with a copy delivered by overnight courier) or delivered, as to each party hereto, at its address as set forth in Schedule I hereto or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be deemed effective upon receipt thereof, and in the case of telecopies, when receipt is confirmed by telephone.

SECTION 10.03. No Waiver; Remedies. No failure on the part of any party hereto to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise

thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10.04. Binding Effect; Assignability.

(a) This Note Purchase Agreement shall be binding upon and inure to the benefit of the Issuer, the Depositor and the Purchaser and their respective permitted successors and assigns (including any subsequent holders of the Purchased Note); provided, however, neither the Issuer nor the Depositor shall have any right to assign their respective rights hereunder or interest herein (by operation of law or otherwise) without the prior written consent of the Purchaser.

(b) The Purchaser may, in the ordinary course of its business and in accordance with the Basic Documents and applicable law, including applicable securities laws, at any time sell to one or more Persons (each, a "Participant"), participating interests in all or a portion of its rights and obligations under this Note Purchase Agreement. Notwithstanding any such sale by the Purchaser of participating interests to a Participant, the Purchaser's rights and obligations under this Note Purchase Agreement shall remain unchanged, the Purchaser shall remain solely responsible for the performance thereof, and the Issuer and the Depositor shall continue to deal solely and directly with the Purchaser and shall have no obligations to deal with any Participant in connection with the Purchaser's rights and obligations under this Note Purchase Agreement.

(c) This Note Purchase Agreement shall create and constitute the continuing obligation of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time as all amounts payable with respect to the Purchased Note shall have been paid in full.

SECTION 10.05. Provision of Documents and Information. Each of the Issuer and the Depositor acknowledges and agrees that the Purchaser is permitted to provide to any subsequent Purchaser, permitted assignees and Participants, opinions, certificates, documents and other information relating to the Issuer, the Depositor, the Loans and the Residual Securities delivered to the Purchaser pursuant to this Note Purchase Agreement provided that with respect to Confidential Information, such subsequent Purchaser, permitted assignees and Participants agree to be bound by Section 8.05 hereof.

SECTION 10.06. GOVERNING LAW; JURISDICTION. THIS NOTE PURCHASE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS. EACH OF THE PARTIES TO THIS NOTE PURCHASE AGREEMENT HEREBY AGREES TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENTS THEREOF. EACH OF THE PARTIES HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION 10.07. No Proceedings. Until the date that is one year and one day after the last day on which any amount is outstanding under this Note Purchase Agreement, the Depositor and the Purchaser hereby covenant and agree that they will not institute against the Issuer or the Depositor, or join in any institution against the Issuer or the Depositor of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law.

SECTION 10.08. Execution in Counterparts. This Note Purchase Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

SECTION 10.09. No Recourse -- Purchaser and Depositor.

(a) The obligations of the Purchaser under this Note Purchase Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by the Purchaser or any officer thereof are solely the partnership or corporate obligations of the Purchaser, as the case may be. No recourse shall be had for payment of any fee or other obligation or claim arising out of or relating to this Note Purchase Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Purchaser or any officer thereof in connection therewith, against any stockholder, limited partner, employee, officer, director or incorporator of the Purchaser.

(b) The obligations of the Depositor under this Note Purchase Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by the Depositor or any officer thereof are solely the partnership or corporate obligations of the Depositor, as the case may be. No recourse shall be had for payment of any fee or other obligation or claim arising out of or relating to this Note Purchase Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Purchaser or any officer thereof in connection therewith, against any stockholder, limited partner, employee, officer, director or incorporator of the Depositor.

(c) The Purchaser, by accepting the Purchased Note, acknowledges that such Purchased Note represents an obligation of the Issuer and does not represent an interest in or an obligation of the Loan Originator, the Servicer, the Depositor, the Administrator, the Owner Trustee, the Indenture Trustee or any Affiliate thereof and no recourse may be had against such parties or their assets, except as may be expressly set forth or contemplated in this Agreement, the Purchased Note or the Basic Documents.

SECTION 10.10. Survival. All representations, warranties, covenants, guaranties and indemnifications contained in this Note Purchase Agreement and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the sale, transfer or repayment of the Purchased Note.

SECTION 10.11. Tax Characterization. Each party to this Note Purchase Agreement (a) acknowledges and agrees that it is the intent of the parties to this Note Purchase Agreement that for all purposes, including federal, state and local income, single business and franchise tax purposes, the Purchased Note will be treated as evidence of indebtedness secured by the Loans and the Residual Securities and proceeds thereof and the trust created under the Indenture will not be characterized as an association (or publicly traded partnership) taxable as a corporation, (b) agrees to treat the Purchased Note for federal, state and local income and franchise tax purposes as indebtedness and (c) agrees that the provisions of all Basic Documents shall be construed to further these intentions of the parties.

SECTION 10.12. Conflicts. Notwithstanding anything contained herein to the contrary, in the event of the conflict between the terms of the Sale and Servicing Agreement and this Note Purchase Agreement, the terms of the Sale and Servicing Agreement shall control.

SECTION 10.13. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Note Purchase Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-1 A, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Note Purchase Agreement or any other related documents.

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Note Purchase Agreement to be executed by their respective officers hereunto duly authorized, as of the date first above written.

OPTION ONE OWNER TRUST 2001-1A

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

By: /s/ Rachel L. Simpson

NAME: Rachel L. Simpson
Title: Financial Services Officer

OPTION ONE LOAN WAREHOUSE CORPORATION

By: /s/ C.R. Fulton

Name: Charles R. Fulton
Title:

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.

By: /s/ Anthony Palmisano

Name: Anthony Palmisano
Title: Vice President

SCHEDULE I
INFORMATION FOR NOTICES

1. if to the Issuer:

Option One Owner Trust 2001-1A
c/o Wilmington Trust Company
as Owner Trustee
One Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration
Telecopy: (302) 636-4144
Telephone: (302)651-1000

with a copy to:

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

2. if to the Depositor:

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

3. if to the Purchaser:

Greenwich Capital Financial Products, Inc.
600 Steamboat Road

Greenwich, Connecticut 06830
Attention: Anthony Palmisano
Telecopy: (203)618-2135
Telephone: (203)618-2341

with a copy to:

Greenwich Capital Financial Products, Inc.
600 Steamboat Road
Greenwich, Connecticut 06830
Attn: Legal Department
Telecopy: (203)618-2132
Telephone: (203)618-2700

Exhibit 10.54

AMENDMENT NO. 1 TO
AMENDED AND RESTATED NOTE PURCHASE AGREEMENT

This Amendment No. 1 (this "Amendment"), dated as of April 29, 2005 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 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:

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.

2. Amendment to Section 1.1 of the Agreement. The following defined term in Section 1.1 of the Agreement are hereby deleted in their entirety and substituted therefor the following:

"Maximum Note Principal Balance" means an amount equal to (i) the Maximum Note Principal Balance as defined in the Pricing Side Letter (including only such portion thereof that is included at the sole discretion of the Initial Noteholder as is actually advanced and then outstanding), less (i) any reductions pursuant to Section 2.06 of the Sale and Servicing Agreement, less (ii) the aggregate outstanding principal balance of the Option One Owner Trust 2001-1B Mortgage-Backed Note issued by the Option One Owner Trust 2001-1B and less (iii) 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.

3. Amendment to Section 4.01(o) of the Agreement. Subsection (o) of Section 4.01 of the Agreement is hereby deleted in its entirety and substituted therefor with the following:

(o) Financial Covenants. The Loan Originator and the Servicer shall

be in compliance with the Financial Covenants.

For the avoidance of doubt, this Amendment shall not affect the obligation of the Loan Originator to pay at least $1,250,000 in release fees earned during the period from July 8, 2002 to July 7, 2003.

4. Amendment to Section 5.01(g) of the Agreement. Subsection (g) of Section 5.01 of the Agreement is hereby deleted in its entirety and substituted therefor with the following:

(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 materially adverse to the Issuer or the transactions contemplated by the Basic Documents. The Issuer is not a party to, bound by or in breach or violation of any indenture or other agreement or instrument, or subject to or in violation of any statute, order or regulation of

any court, regulatory body, administrative agency or governmental body having jurisdiction over the Issuer that materially and adversely affects, or may in the future materially and adversely affect (i) the ability of the Issuer to perform its obligations under any of the Basic Documents to which it is a party or (ii) the business, operations, financial condition, properties, assets or prospects of the Issuer.

5. Amendment to Section 5.01(h) of the Agreement. Subsection (h) of Section 5.01 of the Agreement is hereby deleted in its entirety and substituted therefor with the following:

(h) There are no actions or proceedings against, or investigations of, the Issuer pending, or, to the knowledge of the Issuer threatened, before any Governmental Authority, court, arbitrator, administrative agency or other tribunal (i) asserting the invalidity of any of the Basic Documents, or (ii) seeking to prevent the issuance of the Purchased Note or the consummation of any of the transactions contemplated by the Basic Documents or the Purchased Note, or (iii) that, if adversely determined, could materially and adversely affect the validity or enforceability of, or the performance by the Issuer of its respective obligations under, any of the Basic Documents to which it is a party or (iv) seeking to affect adversely the income tax attributes of the Purchased Note.

5. Amendment to Section 8.05 of the Agreement. Section 8.05 of the Agreement is hereby deleted in its entirety and substituted therefor with the following:

SECTION 8.05. Confidentiality. Each of the Purchaser, the Issuer and the Depositor shall hold in confidence all Confidential Information and shall not, at any time hereafter, use, disclose or divulge any such information, knowledge or data to any Person except:

(a) Information which at the time of disclosure is a part of the public knowledge or literature and readily accessible;

(b) Information as required to be disclosed by a Governmental Authority;

(c) Disclosure to a Person that has entered into a confidentiality agreement, acceptable to the Purchaser, the Issuer and the Depositor; or

(d) Information that is deemed by the Purchaser reasonably necessary to disclose in connection with its exercise of any rights or remedies under the Basic Documents.

Nothing herein shall, however, prevent the ultimate corporate parent of the Depositor, for so long as it shall be a company whose securities are registered under the Securities Act, from disclosing the terms of, and filing with the Securities and Exchange Commission copies of, and disseminating to other Persons following such filing, the Basic Documents. All such disclosures are expressly approved by all parties hereto.

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

7. 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.

8. 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.

9. 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.

10. 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.

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: /s/ Mary Kay Pupillo

Name: Mary Kay Pupillo
Title: Assistant Vice President

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.,
as the Purchaser

By: /s/ Anthony Palmisano

Name: Anthony Palmisano
Title: Managing Director

OPTION ONE LOAN WAREHOUSE CORPORATION
as the Depositor

By: /s/ David S. Wells

Name: David S. Wells
Title: Assistant Secretary

Exhibit 10.55

==========

SECOND AMENDED AND RESTATED SALE AND SERVICING AGREEMENT

among

OPTION ONE OWNER TRUST 2001-1B

as Issuer

and

OPTION ONE LOAN WAREHOUSE CORPORATION

as Depositor

and

OPTION ONE MORTGAGE CORPORATION
as Loan Originator and Servicer

and

WELLS FARGO BANK, N.A.
as Indenture Trustee

Dated as of April 29, 2005

OPTION ONE OWNER TRUST 2001-1B
MORTGAGE-BACKED NOTES

==========

TABLE OF CONTENTS

This Second Amended and Restated Sale and Servicing Agreement is entered into effective as of April 29, 2005, among OPTION ONE OWNER TRUST 2001-1B, a Delaware business trust (the "Issuer" or the "Trust"), OPTION ONE LOAN WAREHOUSE CORPORATION, a Delaware corporation, as Depositor (in such capacity, the "Depositor"), OPTION ONE MORTGAGE CORPORATION, a California corporation ("Option One"), as Loan Originator (in such capacity, the "Loan Originator") and as Servicer (in such capacity, the "Servicer"), and WELLS FARGO BANK, N.A. (formerly known as Wells Fargo Bank Minnesota, National Association), a national banking association, as Indenture Trustee on behalf of the Noteholders (in such capacity, the "Indenture Trustee").

W I T N E S S E T H:

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

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

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

2001-1A Sale and Servicing Agreement: The Sale and Servicing Agreement, dated as of April 1, 2001, and as amended and restated through and including April 16, 2004, among Option One Owner Trust 2001 -1A, the Depositor, Option One and the Indenture Trustee.

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

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

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

Additional Advance Rate: As defined in the Pricing Side Letter.

Additional LIBOR Margin: As defined in the Pricing Side Letter.

Additional Note Balance: As defined in the Advance Indenture.

Additional Note Principal Balance: With respect to each (i) Transfer Date, the aggregate Sales Prices of all Loans and Residual Securities conveyed on such date and (ii) Funding Date, the amount of Additional Note Balance purchased by the Issuer from the Advance Trust on such date.

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

in accordance with the terms of the related Promissory Note.

Administration Agreement: The Administration Agreement, dated as of April 1, 2001, among the Issuer and the Administrator.

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

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

Advance Depositor: Option One Advance Corporation.

Advance Documents: The "Transaction Documents" as defined in the Advance Indenture.

Advance Indenture: The Indenture, dated as of November 1, 2003, between Option One Advance Trust 2003-ADV1, as issuer and Wells Fargo Bank Minnesota, National Association, not in its individual capacity, but solely as indenture trustee.

Advance Note: Any of the Advance Trust's Advance Receivables Backed Notes, Series 2003-ADV1, executed, authenticated and delivered under the Advance Indenture.

Advance Note Event of Default: An "Event of Default" as defined in the Advance Indenture.

Advance Note Purchase Agreement: The Note Purchase Agreement, dated as of November 1, 2003, among the Advance Trust, Option One Owner Trust 2001-1A, Option One Owner Trust 2001-1B, Option One Owner Trust 2001-2 and Greenwich Capital Financial Products, Inc. as agent.

Advance Trust: Option One Advance Trust 2003-ADV1.

Affiliate: With respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct

the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

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

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

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

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

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

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

Assignment: With respect to the Loans, an LPA Assignment or S&SA Assignment. With respect to the Residual Securities, an RSTA Assignment or S&SA Assignment.

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

Balloon Loan: Any Loan for which the related monthly payments, other than the monthly payment due on the maturity date stated in the Promissory Note, are computed on the basis of a period to full amortization ending on a date that is later than such maturity date.

Basic Documents: This Agreement, the Administration Agreement, the Custodial Agreement, the Indenture, the Loan Purchase and Contribution Agreement, the Master Disposition Confirmation Agreement, the Note Purchase Agreement, the Guaranty, the Advance

Note Purchase Agreement, the Trust Agreement, the Residual Securities Transfer Agreement, each Hedging Instrument and, as and when required to be executed and delivered, the Assignments.

Bill of Sale: With respect to any Funding Date, a bill of sale, substantially in the form attached as Exhibit C to the Receivables Purchase Agreement, delivered by Option One and the Depositor to the Issuer, the Agent and the Indenture Trustee pursuant to the Receivables Purchase Agreement.

Block: Block Financial Corporation, A Delaware corporation, and any successor thereto.

Borrower: The obligor or obligors on a Promissory Note.

Business Day: Any day other than (i) a Saturday or Sunday, or (ii) a day on which the New York Stock Exchange, the Federal Reserve Bank of New York or banking institutions in New York City, California, Maryland, Minnesota, Pennsylvania, Delaware or in the city in which the corporate trust office of the Indenture Trustee is located or the city in which the Servicer's servicing operations are located are authorized or obligated by law or executive order to be closed, or (iii) a day on which trading in securities on the New York Stock Exchange or any other major securities exchange in the United States is not conducted.

Certificateholder: A holder of a Trust Certificate.

Change of Control: As defined in the Indenture.

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

Closing Date: April 18, 2001.

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

Collateral Percentage: As defined in the Pricing Side Letter.

Collateral Value: As defined in the Pricing Side Letter.

Collateral Value Increase Date: any date following the related Transfer Date that the Collateral Value of specified Mortgage Loans shall be 102% pursuant to clause (III)(a)(2)(A) of the definition of Collateral Value.

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

Combined LTV or CLTV: With respect to any Second Lien Loan, the ratio of the outstanding Principal Balance on the related date of origination of (a) (i) such Loan plus (ii) the loan constituting the first lien to the lesser of (b) (x) the Appraised Value of the Mortgaged

Property at origination or (y) if the Mortgaged Property was purchased within 12 months of the origination of the Loan, the purchase price of the Mortgaged Property, expressed as a percentage.

Commission: The Securities and Exchange Commission.

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

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

Custodial Agreement: The custodial agreement dated as of April 1, 2001, among the Issuer, the Servicer, the Indenture Trustee and the Custodian, providing for the retention of the Custodial Loan Files by the Custodian on behalf of the Indenture Trustee.

Custodial Loan File: As defined in the Custodial Agreement.

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

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

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

Daily Interest Accrual Amount: With respect to each day and the related

Accrual Period, the sum of (i) interest accrued at the Note Interest Rate with respect to such Accrual Period on the Note Principal Balance as of the preceding Business Day minus the principal balance of the Advance Note and the portion of the Note Principal Balance related to the Residual Securities as of the preceding Business Day after giving effect to all changes to the Note Principal Balance, the principal amount of the Advance Note and the portion of the Note Principal Balance related to the Residual Securities on or prior to such preceding Business Day and (ii) interest accrued at the Additional Advance Rate plus the Additional LIBOR Margin on the portion of the Note Principal Balance equal to the outstanding principal balance of the Advance Note and the portion of the Note Principal Balance related to the Residual Securities as of the preceding Business Day after giving effect to all changes to the principal amount of the Advance Note and the portion of the Note Principal Balance related to the Residual Securities on or prior to such Business Day.

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

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

Defaulted Loan: With respect to any Determination Date, any Loan, including, without limitation, any Liquidated Loan with respect to which any of the following has occurred as of the end of the related Remittance Period: (a) foreclosure or similar proceedings have been commenced; or (b) the Servicer or any Subservicer has determined in good faith and in accordance with the servicing standard set forth in Section 4.01 of the Servicing Addendum that such Loan is in default or imminent default.

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

Deleted Residual Security: A Residual Security replaced or to be replaced by one or more Qualified Substitute Residual Securities.

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

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

(a) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "instruments" within the meaning of Section 9-105(1)(i) of the UCC and are susceptible of physical delivery (except with respect to Trust Account Property consisting of certificated securities (as defined in Section 8-102(a)(4) of the UCC)), physical delivery to the Indenture Trustee or its custodian (or the related Securities Intermediary) endorsed to the Indenture Trustee or its custodian (or the related Securities Intermediary) or endorsed in blank (and if delivered and endorsed to the Securities Intermediary, by continuous credit thereof by book-entry to the related Trust Account);

(b) with respect to a certificated security (i) delivery of such certificated security endorsed to, or registered in the name of, the Indenture

Trustee or endorsed in blank to its custodian or the related Securities Intermediary and the making by such Securities Intermediary of appropriate entries in its records identifying such certificated securities as credited to the related Trust Account, or (ii) by delivery thereof to a "clearing corporation" (as defined in Section 8-102(5) of the UCC) and the making by such clearing corporation of

appropriate entries in its records crediting the securities account of the related Securities Intermediary by the amount of such certificated security and the making by such Securities Intermediary of appropriate entries in its records identifying such certificated securities as credited to the related Trust Account (all of the Trust Account Property described in Subsections (a) and (b), "Physical Property");

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

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

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

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

depository institution for the Eligible Account; provided, however, that any such institution or association shall have combined capital, surplus and undivided profits of at least $50,000,000.

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

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

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

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

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

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

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

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

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

Eligible Account: At any time, an account which is: (i) maintained with a Designated Depository Institution; (ii) fully insured by either the Bank Insurance Fund or the Savings Association Insurance Fund of the FDIC; (iii) a trust account (which shall be a "segregated trust account") maintained with the corporate trust department of a federal or state chartered depository institution or trust company with trust powers and acting in its fiduciary capacity for the benefit of the Indenture Trustee and the Issuer, which depository institution or trust company

shall have capital and surplus of not less than $50,000,000; or (iv) with the prior written consent of the Majority Noteholders, any other account.

Eligible Servicer: (x) Option One or (y) any other Person that (a) (i) has been designated as an approved seller-servicer by Fannie Mae or Freddie Mac for

first and second mortgage loans and (ii) has equity of not less than $15,000,000, as determined in accordance with GAAP or (b) any other Person to which the Majority Noteholders may consent in writing.

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

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

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

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

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

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

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

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

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

Financial Covenants: With respect to Option One, the following financial covenants:

(a) Option One must maintain a minimum "Tangible Net Worth" (defined and determined in accordance with GAAP and exclusive of (i) any loans outstanding to any officer or director of Option One or its Affiliates (ii) any intangibles (other than originated or purchased servicing rights) and (iii) any receivables from Block) of $425 million as of any day.

(b) Option One must maintain a ratio of 1.0 or greater at any time pursuant to the Capital Adequacy Test, attached as Exhibit I hereto.

(c) Option One may not exceed a maximum non-warehouse leverage ratio (the ratio of (i) the sum of (A) all funded debt (excluding debt from Block or any of its Affiliates and all non-recourse debt) less (B) 91% of its mortgage loan inventory held for sale less (C) 90% of servicing advance receivables (determined and valued in accordance with GAAP) to (ii) Tangible Net Worth) of 0.50x at any time. Any direct or indirect debt provided by Block will be subject to the Subordination Agreement; or, if Block does not enter into the Subordination Agreement, the maximum permitted non-warehousing leverage ratio including debt from Block will be 1.0x at any time, provided, that no more than 0.5x of such non-warehouse leverage ratio can be funded by entities not affiliated with Option One or Block.

(d) Option One must maintain a minimum liquidity facility (defined as a committed, unsecured, non-amortizing liquidity facility from Block not to mature (scheduled or accelerated) prior to the Maturity Date) in an amount no less than $150 million. Such facility from Block cannot contain covenants or termination

events more restrictive than the covenants or termination events contained in the Basic Documents.

(e) Option One must 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.

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

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

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

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

Funding Account: As defined in the Advance Indenture.

Funding Date: With respect to the Advance Note, the day on which Additional Note Balance is purchased by the Issuer under the Advance Note Purchase Agreement.

Funding Notice: As defined in the Advance Indenture.

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

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

Guaranty: The Guaranty made by H&R Block, Inc. in favor of the Indenture Trustee and the Noteholders.

Hedge Funding Requirement: With respect to any day, all amounts required to be paid or delivered by the Issuer under any Hedging Instrument, whether in respect of payments thereunder or in order to meet margin, collateral or other requirements thereof. Such amounts shall be calculated by the Market Value Agent and the Indenture Trustee shall be notified of such amount by the Market Value Agent.

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

Hedging Counterparty: A Person (i) (A) the long-term and commercial paper or short-term deposit ratings of which are acceptable to the Majority Noteholders and (B) which shall agree in writing that, in the event that any of its long-term or commercial paper or short-term deposit ratings cease to be at or above the levels deemed acceptable by the Majority Noteholders, it shall

secure its obligations in accordance with the request of the Majority Noteholders, (ii) that has entered into a Hedging Instrument and (iii) that is acceptable to the Majority Noteholders.

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

Indenture: The Indenture dated as of April 1, 2001, and as amended and restated through and including April 29, 2005, between the Issuer and the Indenture Trustee, as the same may be further amended from time to time.

Indenture Trustee: Wells Fargo Bank, N.A., a national banking association, as Indenture Trustee under the Indenture, or any successor indenture trustee under the Indenture.

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

Independent: When used with respect to any specified Person, such Person (i) is in fact independent of the Loan Originator, the Servicer, the Depositor or any of their respective Affiliates, (ii) does not have any direct financial interest in, or any material indirect financial interest in, the Loan Originator, the Servicer, the Depositor or any of their respective Affiliates and (iii) is not connected with the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, as an officer, employee, promoter, underwriter, trustee, partner, director or

Person performing similar functions; provided, however, that a Person shall not fail to be Independent of the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates merely because such Person is the beneficial owner of 1% or less of any class of securities issued by the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, as the case may be.

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

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

Initial Noteholder: Steamboat Funding Corporation or an Affiliate thereof identified in writing by Greenwich Capital Financial Products, Inc. to the Indenture Trustee and the other parties hereto. Interest Carry-Forward Amount: With respect to any Payment Date, the excess, if any, of (A) the Interest Payment Amount for such Payment Date plus the Interest Carry-Forward Amount for the prior Payment Date over (B) the amount in respect of interest that is actually paid from the Distribution Account on such Payment Date in respect of the interest for such Payment Date.

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

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

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

LIBOR Margin: As defined in the Pricing Side Letter.

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

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

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

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

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

Liquidation Proceeds: With respect to a Liquidated Loan, any cash amounts received in connection with the liquidation of such Liquidated Loan, whether through trustee's sale, foreclosure sale or other disposition, any cash amounts received in connection with the management of the Mortgaged Property from Defaulted Loans, any proceeds from Primary Insurance Policies and any other amounts required to be deposited in the Collection Account pursuant to Section 5.01(b)(1) hereof, in each case other than Mortgage Insurance Proceeds and Released Mortgaged Property Proceeds. Liquidation Proceeds shall also include any awards or settlements in respect of the related Mortgage Property, whether permanent or temporary, partial or entire, by exercise of the power of eminent domain or condemnation.

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

Loan Documents: With respect to a Loan, the documents comprising the Custodial Loan File for such Loan or with respect to a Residual Security, the related pooling and servicing agreement or indenture, the physical Residual Security unless such Residual Security is held in book-entry form and any transferor letters, transferee letters, assignments or bond powers required under the related pooling and servicing agreement, the related indenture or applicable law to transfer such Residual Security.

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

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

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

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

Date, as identified from time to time on the Loan Schedule.

Loan Purchase and Contribution Agreement: The Loan Purchase and Contribution Agreement, between Option One, as seller and the Depositor, as purchaser, dated as of April 1, 2001, and all supplements and amendments thereto.

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

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

Lost Note Affidavit: With respect to any Loan as to which the original Promissory Note has been permanently lost or destroyed and has not been replaced, an affidavit from the Loan Originator certifying that the original Promissory Note has been lost, misplaced or destroyed (together with a copy of the related Promissory Note and indemnifying the Issuer against any loss, cost or liability resulting from the failure to deliver the original Promissory Note) in the form of Exhibit L attached to the Custodial Agreement.

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

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

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

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

Market Value Agent: Greenwich Capital Financial Products, Inc. or an Affiliate thereof designated by Greenwich Capital Financial Products, Inc. in writing to the parties hereto and, in either case, its successors in interest.

Master Disposition Confirmation Agreement: The Master Disposition Confirmation Agreement, dated as of April 1, 2001, by and among Option One, the Depositor, Option One Owner Trust 2001-1A, Option One Owner Trust 2001-1B, Option One Owner Trust 2001-2, Wells Fargo Bank Minnesota, National Association, Bank of America, N.A., Greenwich Capital Financial Products, Inc., and Steamboat Funding Corporation.

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

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

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

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

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

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

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

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

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

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

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

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

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

Nonrecoverable Monthly Advance: Any Monthly Advance previously made or proposed to be made with respect to a Loan or Foreclosure Property that, in the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Initial Noteholder, will not, or, in the case of a proposed Monthly Advance,

would not be, ultimately recoverable from the related late payments, Mortgage Insurance Proceeds, Liquidation Proceeds or condemnation proceeds on such Loan or Foreclosure Property as provided herein.

Nonrecoverable Servicing Advance: With respect to any Loan or any Foreclosure Property, (a) any Servicing Advance previously made and not reimbursed from late collections, condemnation proceeds, Liquidation Proceeds, Mortgage Insurance Proceeds or the Released Mortgaged Property Proceeds on the related Loan or Foreclosure Property or (b) a Servicing Advance proposed to be made in respect of a Loan or Foreclosure Property either of which, in the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Initial Noteholder, would not be ultimately recoverable.

Nonutilization Fee: As defined in the Pricing Side Letter.

Note: The meaning assigned thereto in the Indenture.

Noteholder: The meaning assigned thereto in the Indenture.

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

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

Note Purchase Agreement: The Note Purchase Agreement, dated as of April 18, 2001, and as amended and restated through and including April 29, 2005, among the Initial Noteholder, the Issuer and the Depositor, as The same may be amended from time to time.

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

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

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

London office of each of the Reference Banks to provide a quotation of its rate. If on such LIBOR Determination Date, two or more Reference Banks provide such offered quotations, One-Month LIBOR for the related Accrual Period shall be the arithmetic mean of all such offered quotations (rounded to the nearest whole multiple of 1/16%). If on such LIBOR Determination Date, fewer than two Reference Banks provide such offered quotations, One-Month LIBOR for the Accrual Period shall be the higher of (i) LIBOR as determined on the previous LIBOR Determination Date and (ii) the Reserve Interest Rate. Notwithstanding the foregoing, if, under the priorities described above, One-Month LIBOR for a LIBOR Determination Date would be based on One-Month LIBOR for the previous LIBOR Determination Date for the third consecutive LIBOR Determination Date, the

Initial Noteholder shall select an alternative comparable index (over which the Initial Noteholder has no control), used for determining one-month Eurodollar lending rates that is calculated and published (or otherwise made available) by an independent party.

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

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

Overcollateralization Shortfall: As defined in the Pricing Side Letter.

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

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

Paying Agent: The meaning assigned thereto in the Indenture.

Payment Date: Each of, (i) the 10th day of each calendar month commencing on the first such 10th day to occur after the first Transfer Date, or if any such day is not a Business Day, the first Business Day immediately following such day, (ii) any day a Loan or Residual Security is sold pursuant to the terms hereof, (iii) a Put Date as specified by the Majority Noteholder pursuant to Section 10.05 of the Indenture, and (iv) an additional Payment Date pursuant to Section 5.01(c)(4)(i) and 5.01(c)(4)(iii). From time to time, the Majority Noteholders and the Issuer may agree, upon written notice to the Owner Trustee and the Indenture Trustee, to additional Payment Dates in accordance with Section 5.01(c)(4)(ii).

Payment Statement: As defined in Section 6.01(b) hereof.

Percentage Interest: As defined in the Trust Agreement.

Performance Trigger: Shall exist, as of any Determination Date, if the aggregate Principal Balance of all Loans that are not Scratch & Dent Loans and that are Delinquent greater than 59 days (including Defaulted Loans and Foreclosed Loans) as of such Determination Date

divided by the Pool Principal Balance as of such Determination Date is greater than 2%, provided, however, that a Performance Trigger shall not occur if such percentage is reduced to less than 2% within 5 Business Days of such Determination Date as the result of the exercise of a Servicer Call. A Performance Trigger shall continue to exist until Deemed Cured.

Periodic Cap: With respect to each ARM Loan and any Rate Change Date therefor, the annual percentage set forth in the related Promissory Note, which is the maximum annual percentage by which the Loan Interest Rate for such Loan may increase or decrease (subject to the Lifetime Cap or the Lifetime Floor) on such Rate Change Date from the Loan Interest Rate in effect immediately prior to such Rate Change Date.

Permitted Investments: Each of the following:

(e) Direct general obligations of the United States or the obligations of any agency or instrumentality of the United States fully and unconditionally guaranteed, the timely payment or the guarantee of which constitutes a full faith and credit obligation of the United States.

(f) Federal Housing Administration debentures rated Aa2 or higher by Moody's and AA or better by S&P.

(g) Freddie Mac senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(h) Federal Home Loan Banks' consolidated senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(i) Fannie Mae senior debt obligations rated Aa2 or higher by Moody's.

(j) Federal funds, certificates or deposit, time and demand deposits, and bankers' acceptances (having original maturities of not more than 365 days) of any domestic bank, the short-term debt obligations of which have been rated A-1 or better by S&P and P-1 or better by Moody's.

(k) Investment agreements approved by the Initial Noteholder provided:

(1) The agreement is with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated Aa2 or better by Moody's and AA or better by S&P, and

(2) Monies invested thereunder may be withdrawn without any penalty, premium or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

(3) The agreement is not subordinated to any other obligations of such insurance company or bank, and

(4) The same guaranteed interest rate will be paid on any future deposits made pursuant to such agreement, and

(5) The Indenture Trustee and the Initial Noteholder receive an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

(l) Commercial paper (having original maturities of not more than 365 days) rated A-1 or better by S&P and P-1 or better by Moody's.

(m) Investments in money market funds rated AAAM or AAAM-G by S&P and Aaa or P-1 by Moody's.

(n) Investments approved in writing by the Initial Noteholder;

provided that no instrument described above is permitted to evidence either the right to receive (a) only interest with respect to obligations underlying such instrument or (b) both principal and interest payments derived from obligations underlying such instrument and the interest and principal payments with respect to such instrument provided a yield to maturity at par greater than 120% of the yield to maturity at par of the underlying obligations; and provided, further, that no instrument described above may be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to stated maturity; and provided, further, that, with respect to any instrument described above, such instrument qualifies as a "permitted investment" within the meaning of Section 860G(a)(5) of the Code and the regulations thereunder.

Each reference in this definition to the Rating Agency shall be construed, as a reference to each of S&P and Moody's.

Person: Any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, national banking

association, unincorporated organization or government or any agency or political subdivision thereof.

Physical Property: As defined in clause (b) of the definition of "Delivery" above.

Pool Principal Balance: With respect to any Determination Date, the aggregate Principal Balances of the Loans as of such Determination Date.

Prepaid Installment: With respect to any Loan, any installment of principal thereof and interest thereon received prior to the scheduled Due Date for such installment, intended by the Borrower as an early payment thereof and not as a Prepayment with respect to such Loan.

Prepayment: Any payment of principal of a Loan which is received by the Servicer in advance of the scheduled due date for the payment of such principal (other than the principal portion of any Prepaid Installment), and the proceeds of any Mortgage Insurance Policy which are to be applied as a payment of principal on the related Loan shall be deemed to be Prepayments for all purposes of this Agreement.

Preservation Expenses: Expenditures made by the Servicer in connection with a foreclosed Loan prior to the liquidation thereof, including, without limitation, expenditures for real estate property taxes, hazard insurance premiums, property restoration or preservation.

Pricing Side Letter: The pricing letter of even date herewith, signed by the parties hereto.

Primary Insurance Policy: A policy of primary mortgage guaranty insurance issued by a Qualified Insurer pursuant to Section 4.06 of the Servicing Addendum.

Principal Balance: With respect to any Loan or related Foreclosure Property, (i) at the Transfer Cut-off Date, the Transfer Cut-off Date Principal Balance and (ii) with respect to any other date of determination, the outstanding unpaid principal balance of the Loan as of the end of the preceding Remittance Period (after giving effect to all payments received thereon and the allocation of any Net Loan Losses with respect thereto for a Defaulted Loan prior to the end of such Remittance Period); provided, however, that any Liquidated Loan shall be deemed to have a Principal Balance of zero. With respect to any Residual Security, (i) at the Transfer Cut-off Date the Transfer Cut-off Date Principal Balance and (ii) with respect to any other date of determination, the outstanding unpaid principal balance of the Residual Security as of such date.

Proceeding: Means any suit in equity, action at law or other judicial or administrative proceeding.

Promissory Note: With respect to a Loan, the original executed promissory note or other evidence of the indebtedness of the related Borrower or Borrowers.

Put/Call Loan: Any (i) non-Scratch & Dent Loan that has become 30 or more days (but less than 60 days) Delinquent, (ii) non-Scratch & Dent Loan that has become 60 or more days (but less than 90 days) Delinquent, (iii) non-Scratch & Dent Loan that has become 90 or more days Delinquent, (iv) non-Scratch & Dent Loan that is a Defaulted Loan, (v) non-Scratch & Dent Loan that has been in default for a period of 30 days or more (other than a Loan referred to in clause (i), (ii), (iii) or (iv) hereof), (vi) non-Scratch & Dent Loan that does not meet criteria established by independent rating agencies or surety agency conditions for Dispositions which criteria have been established at the related Transfer Date and may be modified only to match changed criteria of independent rating agencies or surety agents, or (vii) non-Scratch & Dent Loan that is inconsistent with the intended tax status of a Securitization.

Put Date: Any date on which all or a portion of the Notes are to be purchased by the Issuer as a result of the exercise of the Put Option.

Put Option: The right of the Majority Noteholders to require the Issuer to repurchase all or a portion of the Notes in accordance with Section 10.04 of the Indenture.

QSPE Affiliate: Option One Owner Trust 2001-1A, Option One Owner Trust 2001-2, Option One Owner Trust 2002-3, Option One Owner Trust 2003-4. Option One Owner Trust 2003-5 or any other Affiliate which is a "qualified special purpose entity" in accordance with Financial Accounting Standards Board's Statement No. 140 or 125.

Qualified Insurer: An insurance company duly qualified as such under the laws of the states in which the Mortgaged Property is located, duly authorized and licensed in such states to transact the applicable insurance business and to write the insurance provided and that meets the requirements of Fannie Mae and Freddie Mac.

Qualified Substitute Loan: A Loan or Loans substituted for a Deleted Loan pursuant to Section 3.06 hereof, which (i) has or have been approved in writing by the Majority Noteholders and (ii) complies or comply as of the date of substitution with each representation and warranty set forth in Exhibit E and is or are not 30 or more days Delinquent as of the date of substitution for such Deleted Loan or Loans.

Qualified Substitute Residual Security: A Residual Security or Residual Securities substituted for a Deleted Residual Security pursuant to Section 3.06 hereof, which has or have been approved in writing by the Majority Noteholders.

Rapid Amortization Trigger: Shall exist, as of any Determination Date, if the aggregate Principal Balance of all Loans that are not Scratch & Dent Loans and that are Delinquent greater than 59 days (including Defaulted Loans and Foreclosed Loans) as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 3%; provided, however, that a Rapid Amortization Trigger shall not occur if such percentage is reduced to less than 3% within 5 Business Days of such Determination Date as a result of the exercise of a Servicer Call. A Rapid Amortization Trigger shall continue to exist until it is Deemed Cured.

Rate Change Date: The date on which the Loan Interest Rate of each ARM is subject to adjustment in accordance with the related Promissory Note.

Rating Agencies: S&P and Moody's or such other nationally recognized credit rating agencies as may from time to time be designated in writing by the Majority Noteholders in their sole discretion.

Receivables Purchase Agreement: The Receivables Purchase Agreement, dated as of November 1, 2003, among Option One, the Advance Depositor and the Advance Trust.

Receivables Seller: Option One.

Record Date: With respect to each Payment Date, the close of business of the immediately preceding Business Day.

Reference Banks: Deutsche Bank National Trust Company, Barclay's Bank PLC, The Tokyo Mitsubishi Bank and National Westminster Bank PLC and their successors in interest; provided, however, that if the Initial Noteholder determines that any of the foregoing banks are not suitable to serve as a Reference Bank, then any leading banks selected by the Initial Noteholder with the approval of the Issuer, which approval shall not be unreasonably withheld, which are engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i)

with an established place of business in London and (ii) which have been designated as such by the Initial Noteholder with the approval of the Issuer, which approval shall not be unreasonably withheld.

Refinanced Loan: A Loan the proceeds of which were not used to purchase the related Mortgaged Property.

Released Mortgaged Property Proceeds: With respect to any Loan, proceeds received by the Servicer in connection with (i) a taking of an entire Mortgaged Property by exercise of the power of eminent domain or condemnation or (ii) any release of part of the Mortgaged Property from the lien of the related Mortgage, whether by partial condemnation, sale or otherwise; which proceeds in either case are not released to the Borrower in accordance with applicable law and/or Accepted Servicing Practices.

Remittance Date: The Business Day immediately preceding each Payment Date.

Remittance Period: With respect to any Payment Date, the period commencing immediately following the Determination Date for the preceding Payment Date (or, in the case of the initial Payment Date, commencing immediately following the initial Transfer Cut-off Date) and ending on and including the related Determination Date.

Repurchase Price: With respect to a Loan the sum of (i) the Principal Balance thereof as of the date of purchase or repurchase, plus (ii) all accrued and unpaid interest on such Loan to the date of purchase or repurchase computed at the applicable Loan Interest Rate, plus (iii) the amount of any unreimbursed Servicing Advances made by the Servicer with respect to such Loan (after deducting therefrom any amounts received in respect of such purchased or repurchased Loan and being held in the Collection Account for future distribution to the extent such amounts represent recoveries of principal not yet applied to reduce the related Principal Balance or interest (net of the Servicing Fee) for the period from and after the date of repurchase). The Repurchase Price shall be (i) increased by the net negative value or (ii) decreased by the net positive value of all Hedging Instruments terminated with respect to the purchase of such Loan. To the extent the Servicer does not reimburse itself for amounts, if any, in respect of the Servicing Advance Reimbursement Amount pursuant to Section 5.01(c)(1) hereof, with respect to such Loan, the Repurchase Price shall be reduced by such amounts. With respect to a Residual Security the sum of (i) the Principal Balance thereof as of the date of purchase or repurchase, plus (ii) all accrued and unpaid interest on such Residual Security to the date of purchase or repurchase computed at the applicable Residual Security Interest Rate.

Residual Security: Any security sold to the Trust hereunder and pledged to the Indenture Trustee, which security must be (i) a mortgage-backed security issued by Option One Mortgage Acceptance Corp. and evidencing an interest in a securitization trust backed by residential mortgage loans, which mortgage loans are serviced by Option One (including, without limitation, securities designated as class C certificates and class P certificates that meet the foregoing criteria) or (ii) net interest margin security issued by a trust sponsored by Option One and backed by class C certificates and/or class P certificates, which certificates are in turn backed by residential mortgage loans serviced by Option One.

Residual Securities Interest Rate: With respect to each Residual Security, the annual rate of interest borne by such Residual Security.

Residual Securities Pool: As of any date of determination, the pool of all Residual Securities conveyed to the Issuer pursuant to this Agreement on all

Transfer Dates up to and including such date of determination, which Residual Securities have not been released from the Lien of the Indenture pursuant to the terms of the Basic Documents, together with the rights and obligations of a holder thereof, and the payments thereon and proceeds therefrom received on and after the applicable Transfer Cut-off Date, as identified from time to time on the Residual Securities Schedule.

Residual Securities Schedule: The schedule of Residual Securities conveyed to the Issuer on the Closing Date and on each Transfer Date and delivered to the Initial Noteholder in the form of a computer-readable transmission specifying the information set forth on Exhibit G hereto.

Residual Securities Transfer Agreement: The Residual Securities Transfer Agreement dated as of April 16, 2004, between the Loan Originator and the Depositor, as the same may be further amended or supplemented from time to time.

Reserve Interest Rate: With respect to any LIBOR Determination Date, the rate per annum that the Initial Noteholder determines to be either (i) the arithmetic mean (rounded to the nearest whole multiple of 1/16%) of the one-month U.S. dollar lending rates which New York City banks selected by the Initial Noteholder are quoting on the relevant LIBOR Determination Date to the principal London offices of leading banks in the London interbank market or (ii) in the event that the Initial Noteholder can determine no such arithmetic mean, the lowest one-month U.S. dollar lending rate which New York City banks selected by the Initial Noteholder are quoting on such LIBOR Determination Date to leading European banks.

Responsible Officer: When used with respect to the Indenture Trustee or Custodian, any officer within the corporate trust office of such Person, including any Vice President, Assistant Vice President, Secretary, Assistant Secretary or any other officer of such Person customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject. When used with respect to the Issuer or any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Responsible Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter). When used with respect to the Depositor, the Loan Originator or the Servicer, the President, any Vice President, or the Treasurer.

Retained Securities: With respect to a Securitization, any subordinated securities issued or expected to be issued, or excess collateral value retained or expected to be retained, in

connection therewith to the extent the Depositor, the Loan Originator or an Affiliate thereof retains, instead of sell, such securities.

Retained Securities Value: With respect to any Business Day and a Retained Security, the market value thereof as determined by the Market Value Agent in accordance with Section 6.03(d) hereof.

Revolving Period: With respect to the Notes, the period commencing on April 29, 2005 and ending on the earlier of (i) April 28, 2006 and (ii) the date on which the Revolving Period is terminated pursuant to Section 2.07.

RSTA Assignment: The assignment of Residual Securities from Option One to

the Depositor under the Residual Securities Transfer Agreement.

Sales Price: With respect to each Loan and each Residual Security and any Transfer Date, the sum of the Collateral Values with respect to such Loan or such Residual Security conveyed on such Transfer Date as of such Transfer Date.

S&SA Assignment: An assignment, in the form of Exhibit C hereto, of Loans or Residual Securities and other property from the Depositor to the Issuer pursuant to this Agreement.

Scratch & Dent Loan: A Loan identified as having minor documentation, appraisal or underwriting deficiencies, which Loan may not be Delinquent on the Transfer Date; provided, that the Loan Originator has provided a detailed description of such deficiencies to the Initial Noteholder prior to the Transfer Date (or, with respect to Loans that become Scratch & Dent Loans after the Transfer Date, within one Business Day of the discovery, of such deficiencies); provided further, however, that any Scratch & Dent Loan which has deficiencies that render it an Unqualified Loan will be repurchased or substituted pursuant to the procedures in Section 3.05.

Second Lien Loan: A Loan secured by the lien on the Mortgaged Property, subject to one Senior Lien on such Mortgaged Property.

Securities: The Notes and the Trust Certificates.

Securities Intermediary: A "securities intermediary" as defined in Section 8-102(a)(14) of the UCC that is holding a Trust Account for the Indenture Trustee as the sole "entitlement holder" as defined in Section 8-102(a)(7) of the UCC.

Securitization: A sale or transfer of Loans or Residual Securities by the Issuer at the direction of the Majority Noteholders to any other Person in order to effect one or a series of structured-finance securitization transactions, including but not limited to transactions involving the issuance of securities which may be treated for federal income tax purposes as indebtedness of Option One or one or more of its wholly-owned subsidiaries.

Securityholder: Any Noteholder or Certificateholder.

Senior Lien: With respect to any Second Lien Loan, the mortgage loan having a senior priority lien on the related Mortgaged Property.

Servicer: Option One, in its capacity as the servicer hereunder, or any successor appointed as herein provided.

Servicer Call: The optional repurchase by the Servicer of a Loan pursuant to Section 3.08(b) hereof.

Servicer Event of Default: As described in Section 9.01 hereof.

Servicer Put: The mandatory repurchase by the Servicer, at the option of the Majority Noteholders, of a Loan pursuant to Section 3.08(a) hereof.

Servicer's Fiscal Year: May 1st of each year through April 30th of the following year.

Servicer's Loan File: With respect to each Loan, the file held by the Servicer, consisting of all documents (or electronic images thereof) relating to such Loan, including, without limitation, copies of all of the Loan Documents included in the related Custodial Loan File.

Servicer's Remittance Report: A report prepared and computed by the Servicer in substantially the form of Exhibit B attached hereto.

Servicing Addendum: The terms and provisions set forth in Exhibit F attached hereto relating to the administration and servicing of the Loans.

Servicing Advance Reimbursement Amount: With respect to any Determination Date, the amount of any Servicing Advances that have not been reimbursed as of such date, including Nonrecoverable Servicing Advances.

Servicing Advances: As defined in Section 4.14(b) of the Servicing Addendum.

Servicing Compensation: The Servicing Fee and other amounts to which the Servicer is entitled pursuant to Section 4.15 of the Servicing Addendum.

Servicing Fee: As to each Loan (including any Loan that has been foreclosed and for which the related Mortgaged Property has become a Foreclosure Property, but excluding any Liquidated Loan), the fee payable monthly to the Servicer, which shall be the product of 0.50% (50 basis points), or such other lower amount as shall be mutually agreed to in writing by the Majority Noteholders and the Servicer, and the Principal Balance of such Loan as of the beginning of the related Remittance Period, divided by 12. The Servicing Fee shall only be payable to the extent interest is collected on a Loan.

Servicing Officer: Any officer of the Servicer or Subservicer involved in, or responsible for, the administration and servicing of the Loans whose name and specimen signature appears on a list of servicing officers annexed to an Officer's Certificate furnished by the Servicer or the Subservicer, respectively, on the date hereof to the Issuer and the Indenture Trustee, on behalf of the Noteholders, as such list may from time to time be amended.

S&P: Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

State: Means any one of the states of the United States of America or the District of Columbia.

Subservicer: Any Person with which the Servicer has entered into a Subservicing Agreement and which is an Eligible Servicer and satisfies any requirements set forth in Section 4.22 of the Servicing Addendum in respect of the qualifications of a Subservicer.

Subservicing Account: An account established by a Subservicer pursuant to a Subservicing Agreement, which account must be an Eligible Account.

Subservicing Agreement: Any agreement between the Servicer and any Subservicer relating to subservicing and/or administration of any or all Loans as provided in Section 4.22 in the Servicing Addendum.

Subsidiary: With respect to any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

Substitution Adjustment: With respect to any Loan, as to any date on which a substitution occurs pursuant to Section 2.05 or Section 3.06 hereof, the amount, if any, by which (a) the aggregate principal balance of any Qualified Substitute Loans (after application of principal payments received on or before the related Transfer Cut-off Date) is less than (b) the aggregate of the Principal Balances of the related Deleted Loans as of the first day of the month

in which such substitution occurs. With respect to any Residual Security, as to any date on which a substitution occurs pursuant to Section 2.05 or Section 3.06 hereof, the amount, if any, by which (a) the aggregate principal balance of any Qualified Substitute Residual Security (after application of principal payments received on or before the related Transfer Cut-off Date) is less than (b) the aggregate of the Principal Balances of the related Deleted Residual Securities as of the first day of the month in which such substitution occurs.

Tangible Net Worth: With respect to any Person, as of any date of determination, the consolidated Net Worth of such Person and its Subsidiaries, less the consolidated net book value of all assets of such Person and its Subsidiaries (to the extent reflected as an asset in the balance sheet of such Person or any Subsidiary at such date) which will be treated as intangibles under GAAP, including, without limitation, such items as deferred financing expenses, net leasehold improvements, good will, trademarks, trade names, service marks, copyrights, patents, licenses and unamortized debt discount and expense; provided, that residual securities issued by such Person or its Subsidiaries shall not be treated as intangibles for purposes of this definition.

Termination Price: As of any Determination Date, an amount without duplication equal to the greater of (A) the Note Redemption Amount and (B) the sum of (i) the Principal Balance of each Loan included in the Trust as of the end of the preceding Remittance Period; (ii) all unpaid interest accrued on the Principal Balance of each such Loan at the related Loan Interest Rate to the end of the preceding Remittance Period; (iii) the aggregate fair market value of each Foreclosure Property included in the Trust as of the end of the preceding Remittance Period, as determined by an Independent appraiser acceptable to the Majority Noteholders as of a date not more than 30 days prior to such Payment Date; (iv) the Note Principal Balance of the Advance Note as of such date; (v) all accrued and unpaid interest on the Advance Note; (v) the Principal Balance of each Residual Security as of such date; (vi) all accrued and unpaid interest on the Residual Security as of such date; and (vii) all other amounts due under the Advance Documents.

Transfer Cut-off Date: With respect to each Loan or Residual Security, the first day of the month in which the Transfer Date with respect to such Loan or Residual Security occurs or, with respect a Loan originated in such month, the date of origination.

Transfer Cut-off Date Principal Balance: As to each Loan or Residual Security, its Principal Balance as of the opening of business on the Transfer Cut-off Date (after giving effect to any payments received on the Loan or Residual Security before the Transfer Cut-off Date).

Transfer Date: With respect to each Loan or Residual Security, the day such Loan or Residual Security is either (i) sold and conveyed to the Depositor by the Loan Originator pursuant to the Loan Purchase and Contribution Agreement or the Residual Securities Transfer Agreement and to the Issuer by the Depositor pursuant to Section 2.01 hereof or (ii) sold to the Issuer pursuant to the Master Disposition Confirmation Agreement, which results in an increase in the Note Principal Balance by the related Additional Note Principal Balance. With respect to any Qualified Substitute Loan or Qualified Substitute Residual Security, the Transfer Date shall be the day such Loan is conveyed to the Trust pursuant to Section 2.05 or 3.06.

Transfer Obligation: The obligation of the Loan Originator under Section 5.06 hereof to make certain payments in connection with Dispositions and other related matters.

Transfer Obligation Account: The account designated as such, established and maintained pursuant to Section 5.05 hereof.

Transfer Obligation Target Amount: With respect to any Payment Date, the

cumulative total of all withdrawals pursuant to Section 5.05(e), 5.05(f), 5.05(g), and 5.05(h) hereof from the Transfer Obligation Account to but not including such Payment Date minus any amount withdrawn from the Transfer Obligation Account to return to the Loan Originator pursuant to Section 5.05(i)(i).

Trust: Option One Owner Trust 2001-1B, the Delaware business trust created pursuant to the Trust Agreement.

Trust Agreement: The Trust Agreement dated as of April 1, 2001 among the Depositor and the Owner Trustee.

Trust Account Property: The Trust Accounts, all amounts and investments held from time to time in the Trust Accounts and all proceeds of the foregoing.

Trust Accounts: The Distribution Account, the Collection Account and the Transfer Obligation Account.

Trust Certificate: The meaning assigned thereto in the Trust Agreement.

Trust Estate: Shall mean the assets subject to this Agreement, the Trust Agreement and the Indenture and assigned to the Trust, which assets consist of: (i) such Loans as from time to time are subject to this Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan and Residual Security received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments (ix) the Advance Note and all right, title and interest of the Trust in and under the Advance Documents, including without limitation, all voting and consent rights of the Noteholders thereunder, (x) such Residual Securities as from time to time are subject to this Agreement as listed in the Residual Securities Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Residual Securities and Unqualified Residual Securities and by the addition of Qualified Substitute Residual Securities, together with the Loan Documents relating thereto and all proceeds thereof and (xi) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement, the Master Disposition Confirmation Agreement and the Residual Securities Transfer Agreement, and all proceeds of any of the foregoing.

Trust Fees and Expenses: As of each Payment Date, an amount equal to the Servicing Compensation, the Owner Trustee Fee, the Indenture Trustee Fee and the Custodian Fee, if any, and any expenses of the foregoing.

UCC: The Uniform Commercial Code as in effect in the State of New York.

UCC Assignment: A form "UCC-2" or "UCC-3" statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction to reflect an assignment of a secured party's interest in collateral.

UCC-1 Financing Statement: A financing statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction.

Underwriting Guidelines: The underwriting guidelines (including the loan origination guidelines) of the Loan Originator, as the same may be amended from time to time with notice to the Initial Noteholder.

Unfunded Transfer Obligation: With respect to any date of determination, an amount equal to (x) the sum of (A) 10% of the aggregate Collateral Value (as of the related Transfer Date) of all Loans sold hereunder, plus (B) 10% of the aggregate Collateral Value (as of the related Funding Date) of the initial principal balance of the Advance Note and all Additional Note Balance related thereto purchased by the Issuer, plus (C) 10% of the aggregate Collateral Value (as of the related Transfer Date) of all Residual Securities sold hereunder, plus (D) any amounts withdrawn from the Transfer Obligation Account for return to the Loan Originator pursuant to Section 5.05(i)(i) hereof prior to such Payment Date, less (y) the sum of (i) the aggregate amount of payments actually made by the Loan Originator in respect of the Transfer Obligation pursuant to Section 5.06, (ii) the amount obtained by multiplying (a) the Unfunded Transfer Obligation Percentage by (b) the aggregate Collateral Value (as of the related date of Disposition) of all Loans and Residual Securities that have been subject to a Disposition and (iii) without duplication, the aggregate amount of the Repurchase Prices paid by the Servicer in respect of any Servicer Puts.

Unfunded Transfer Obligation Percentage: As of any date of determination, an amount equal to (x) the Unfunded Transfer Obligation as of such date, divided by (y) 100% of the aggregate Collateral Values as of the related Transfer Date of all Loans in the Loan Pool and all Residual Securities in the Residual Securities Pool..

Unqualified Loan: As defined in Section 3.06(a) hereof.

Unqualified Residual Security As defined in Section 3.06(a) hereof.

Wet Funded Custodial File Delivery Date: With respect to a Wet Funded Loan, the later of the fifteenth Business Day and the twentieth calendar day after the related Transfer Date, provided that if a Default or Event of Default shall have occurred, the Wet Funded Custodial File Delivery Date shall be the earlier of (x) such fifteenth Business Day or twentieth calendar day and (y) the fifth day after the occurrence of such event.

Wet Funded Loan: A Loan for which the related Custodial Loan File shall not have been delivered to the Custodian as of the related Transfer Date. Whole Loan Sale: A Disposition of Loans pursuant to a whole-loan sale.

Section 1.02 Other Definitional Provisions.

(a) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of

agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other

document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement or in any such certificate or other document shall control.

(d) The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Article, Section, Schedule and Exhibit references contained in this Agreement are references to Articles, Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

ARTICLE II

CONVEYANCE OF THE TRUST ESTATE; ADDITIONAL NOTE PRINCIPAL BALANCES

Section 2.01 Conveyance of the Trust Estate; Additional Note Principal Balances.

(a) (i) On the terms and conditions of this Agreement, on each Transfer Date during the Revolving Period, the Depositor agrees to offer for sale and to sell a portion of each of the Loans or Residual Securities, as applicable, and contribute to the capital stock of the Issuer the balance of each of the Loans or Residual Securities, as applicable, and deliver the related Loan Documents to or at the direction of the Issuer. To the extent the Issuer has or is able to obtain sufficient funds under the Note Purchase Agreement and the Notes for the purchase thereof, the Issuer agrees to purchase such Loans offered for sale by the Depositor. On the terms and conditions of this Agreement and the Master Disposition Confirmation Agreement, on each Transfer Date during the Revolving Period, the Issuer may acquire Loans from another QSPE Affiliate of the Loan Originator to the extent the Issuer has or is able to obtain sufficient funds for the purchase thereof. On the terms and conditions of this Agreement and the Residual Securities Transfer Agreement, on each Transfer Date during the Revolving Period, the Issuer may acquire Residual Securities from the Loan Originator to the extent the Issuer has or is able to obtain sufficient funds for the purchase thereof. On the terms and conditions of this Agreement and the Advance Note Purchase Agreement, on each Funding Date during the

Revolving Period, the Issuer shall acquire Additional Note Balance from the Advance Trust to the extent the Issuer has or is able to obtain sufficient funds under the Note Purchase Agreement and the Notes for the purchase thereof.

(ii) On each Transfer Date, in consideration of the payment of the Additional Note Principal Balance pursuant to Section 2.06(a) hereof and as a contribution to the assets of the Issuer, the Depositor as of the related Transfer Date and concurrently with the execution and delivery hereof, hereby sells, transfers, assigns, sets over and otherwise conveys to the Issuer, without recourse, but subject to the other terms and provisions of this Agreement, all of the right, title and interest of the Depositor in and to the Trust Estate.

(iii) During the Revolving Period, on each Transfer Date, subject to the conditions precedent set forth in Section 2.06(a) and in accordance with the procedures set forth in Section 2.01(c), the Depositor, pursuant to an S&SA Assignment, will assign to the Issuer without recourse all of its respective right, title and interest, in and to the Loans and Residual

Securities and all proceeds thereof listed on the Loan Schedule or Residual Securities Schedule, as applicable, attached to such S&SA Assignment, including all interest and principal received by the Loan Originator, the Depositor or the Servicer on or with respect to the Loans or Residual Securities on or after the related Transfer Cut-off Date, together with all right, title and interest in and to the proceeds of any related Mortgage Insurance Policies and all of the Depositor's rights, title and interest in and to (but none of its obligations under) the Loan Purchase and Contribution Agreement, the Residual Securities Transfer Agreement and all proceeds of the foregoing.

(iv) The foregoing sales, transfers, assignments, set overs and conveyances do not, and are not intended to, result in a creation or an assumption by the Issuer of any of the obligations of the Depositor, the Loan Originator or any other Person in connection with the Trust Estate or under any agreement or instrument relating thereto except as specifically set forth herein.

(b) As of the Closing Date and as of each Transfer Date and each Funding Date, the Issuer acknowledges the conveyance to it of the Trust Estate, including, as applicable, all rights, title and interest of the Depositor and any QSPE Affiliate in and to the Trust Estate, receipt of which is hereby acknowledged by the Issuer. Concurrently with such delivery, as of the Closing Date and as of each Transfer Date and each Funding Date, pursuant to the Indenture the Issuer pledges the Trust Estate to the Indenture Trustee. In addition, concurrently with such delivery and in exchange therefor, the Owner Trustee, pursuant to the instructions of the Depositor, has executed (not in its individual capacity, but solely as Owner Trustee on behalf of the Issuer) and caused the Trust Certificates to be authenticated and delivered to or at the direction of the Depositor.

(c) (i) Pursuant to and subject to the Note Purchase Agreement, the Trust may, at its sole option, from time to time request that the Initial Noteholder advance on any Transfer Date Additional Note Principal Balances and the Initial Noteholder shall remit on such Transfer Date, to the Advance Account, an amount equal to the Additional Note Principal Balance. In addition, if the 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. Pursuant to and subject to the Note Purchase Agreement, the Trust shall request that the Initial Noteholder advance on each Funding Date Additional Note Principal Balances equal to the Additional Note Balance to be purchased by the Trust on such date and the Initial Noteholder shall remit on such Funding Date to the Funding Account an amount equal to such Additional Note Principal Balance.

(ii) Notwithstanding anything to the contrary herein, in no event shall the Initial Noteholder be required to advance Additional Note Principal Balances on a Transfer Date or Collateral Value Increase Date if the conditions precedent with respect to such Transfer Date or Collateral Value Date under Section 2.06(a) and the conditions precedent to the purchase of Additional Note Principal Balances set forth in Section 3.01 of the Note Purchase Agreement have not been fulfilled. Notwithstanding anything to the contrary herein, in no event shall the Initial Noteholder be required to advance Additional Note Principal Balances on a Funding Date if the conditions precedent with respect to such Funding Date under Section 2.06(b), the conditions precedent to the purchase of Additional Note Principal Balances set forth in Section 3.02 of the Note Purchase Agreement and the conditions precedent to the purchase of Additional Principal Balances set forth in Section 3.01 of the Advance Note Purchase Agreement have not been fulfilled.

(iii) The Servicer shall appropriately note such Additional Note Principal Balance (and the increased Note Principal Balance) in the next succeeding Payment Statement; provided, however, that failure to make any such notation in such Payment Statement or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest and principal payments in respect of the Note Principal Balance held by such Noteholder. The Initial Noteholder shall record on the schedule attached to such Noteholder's Note, the date and amount of any Additional Note Principal Balance advanced by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance held by such Noteholder.

(iv) Absent manifest error, the Note Principal Balance of each Note as set forth in the Initial Noteholder's records shall be binding upon the Noteholders and the Trust, notwithstanding any notation made by the Servicer in its Payment Statement pursuant to the preceding paragraph.

Section 2.02 Ownership and Possession of Loan Files.

With respect to each Loan, as of the related Transfer Date the ownership of the related Promissory Note, the related Mortgage and the contents of the related Servicer's Loan File and Custodial Loan File shall be vested in the Trust for the benefit of the Securityholders, although possession of the Servicer's Loan File on behalf of and for the benefit of the Securityholders shall remain with the Servicer, and the Custodian shall take possession of the Custodial Loan Files as contemplated in Section 2.05 hereof.

Section 2.03 Books and Records; Intention of the Parties.

(a) As of each Transfer Date, the sale of each of the Loans and Residual Securities conveyed by the Depositor on such Transfer Date shall be reflected on the balance sheets and other financial statements of the Depositor and the Loan Originator, as the case may be, as a sale of assets and a contribution to capital by the Loan Originator and the Depositor, as applicable, under GAAP. Each of the Servicer and the Custodian shall be responsible for maintaining, and shall maintain, a complete set of books and records for each Loan and Residual Security which shall be clearly marked to reflect the ownership of each Loan or Residual Security, as of the related Transfer Date, by the Issuer and for the benefit of the Securityholders.

(b) It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments of the Trust Estate on the initial Closing Date, on each Transfer Date and as otherwise contemplated by the Basic Documents and the Assignments shall constitute a sale of the Loans, Residual Securities and all related property from the Depositor to the Issuer and such property shall not be property of the Depositor. It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments on each Funding Date shall constitute a sale of the Advance Note, the related Additional Note Balances and all related property from the Advance Trust to the Issuer and such property shall not be property of the Advance Depositor or the Receivables Seller. The parties hereto shall treat the Notes as indebtedness for federal, state and local income and franchise tax purposes.

(c) If any of the assignments and transfers of the Loans or the Residual Securities and the other property of the Trust Estate specified in Section 2.01(a) hereof to the Issuer pursuant to this Agreement or the conveyance of the Loans or the Residual Securities or any of such other property of the Trust Estate to the Issuer, other than for federal, state and local income or franchise tax purposes, is held or deemed not to be a sale or is held

or deemed to be a pledge of security for a loan, the Depositor intends that the rights and obligations of the parties shall be established pursuant to the terms of this Agreement and that, in such event, with respect to such property, (i) consisting of Loans or Residual Securities and related property, the Depositor shall be deemed to have granted, as of the related Transfer Date, to the Issuer a first priority security interest in the entire right, title and interest of the Depositor in and to such Loans or Residual Securities and proceeds and all other property conveyed to the Issuer as of such Transfer Date, (ii) consisting of any other property specified in Section 2.01(a), the Depositor shall be deemed to have granted, as of the initial Closing Date, to the Issuer a first priority security interest in the entire right, title and interest of the Depositor in and to such property and the proceeds thereof. In such event, with respect to such property, this Agreement shall constitute a security agreement under applicable law.

(d) On the Closing Date, the Depositor shall, at such party's sole expense, cause to be filed UCC-1 Financing Statements naming the Issuer as "secured party" and describing the Trust Estate being sold by the Depositor to the Issuer with the appropriate governmental filing office in the state in which the Depositor is organized and any other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. In addition, on the Closing Date, the Loan Originator shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Depositor as "secured party" and describing the Loans being sold by the

Loan Originator to the Depositor with the appropriate governmental office in the state in which the Loan Originator is organized and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. In addition, on the Closing Date, the Depositor shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Depositor as "secured party" and describing the Loans being sold by the Loan Originator to the Depositor with the appropriate governmental office in the state in which the Loan Originator is organized and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. On or before the initial Funding Date, the Issuer shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Issuer as "secured party" and describing the Advance Note being sold by the Advance Trust to the Issuer with the appropriate governmental office in the state in which the Advance Trust is organized and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. On or before the initial Transfer Date with respect to Residual Securities, the Issuer shall, at its expense, cause to be filed UCC-1 Financing Statements naming the Issuer as "secured party" and describing each Residual Security being sold by the Advance Trust to the Issuer with the appropriate governmental office in the state of Delaware and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate.

Section 2.04 Delivery of Loan Documents.

(a) The Loan Originator shall, prior to the related Transfer Date (or, in the case of each Wet Funded Loan, the related Wet Funded Custodial File Delivery Date), in accordance with the terms and conditions set forth in the Custodial Agreement, deliver or cause to be delivered to the Custodian, as the designated agent of the Indenture Trustee, a Loan Schedule and each of the documents constituting the Custodial Loan File with respect to each Loan. The Loan Originator shall assure that (i) in the event that any Wet Funded Loan is not closed and funded to the order of the appropriate Borrower on the day funds are provided to the Loan Originator by the Initial Noteholder on behalf of the Issuer, such funds shall be promptly returned to the Initial Noteholder on behalf of the Issuer and (ii) in the event that any Wet Funded Loan is subject to a recission, all funds received in connection with such recission shall be promptly returned to the Initial Noteholder on behalf of the Issuer. With respect to each Residual Security, the Loan Originator shall, prior to the related Transfer Date, deliver or cause to be delivered to the Indenture trustee a Residual Security Schedule and each of the related Loan Documents and shall

cause the Delivery of such Residual Security to the Indenture Trustee.

(b) The Loan Originator shall, on the related Transfer Date (or in the case of a Wet Funded Loan, on or before the related Wet Funded Custodial File Delivery Date), deliver or cause to be delivered to the Servicer the related Servicer's Loan File (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders.

(c) The Indenture Trustee shall cause the Custodian to take and maintain continuous physical possession of the Custodial Loan Files in the State of California (or upon prior written notice from the Custodian to the Loan Originator and the Initial Noteholder and delivery of an Opinion of Counsel with respect to the continued perfection of the Indenture

Trustee's security interest, in the State of Minnesota or Utah) and, in connection therewith, shall act solely as agent for the Noteholders in accordance with the terms hereof and not as agent for the Loan Originator, the Servicer or any other party.

Section 2.05 Acceptance by the Indenture Trustee of the Loans; Certain Substitutions and Repurchases; Certification by the Custodian.

(a) The Indenture Trustee declares that it will cause the Custodian to hold the Custodial Loan Files and any additions, amendments, replacements or supplements to the documents contained therein, as well as any other assets included in the Trust Estate and delivered to the Custodian, in trust, upon and subject to the conditions set forth herein. The Indenture Trustee further agrees to cause the Custodian to execute and deliver such certifications as are required under the Custodial Agreement and to otherwise direct the Custodian to perform all of its obligations with respect to the Custodial Loan Files in strict accordance with the terms of the Custodial Agreement.

(b) (i) With respect to any Loans which are set forth as exceptions in the Exceptions Report, the Loan Originator shall cure such exceptions by delivering such missing documents to the Custodian or otherwise curing the defect no later than, in the case of (x) a non-Wet Funded Loan, 5 Business Days, or (y) in the case of a Wet Funded Loan one Business Day after the Wet Funded Custodial File Delivery Date, in each case, following the receipt of the first Exceptions Report listing such exception with respect to such Loan.

(ii) In the event that, with respect to any Loan, the Loan Originator does not comply with the document delivery requirements of this Section 2.05 and such failure has a material adverse effect on the value or enforceability of any Loan or the interests of the Securityholders in any Loan, the Loan Originator shall repurchase such Loan within one Business Day of notice thereof from the Indenture Trustee or the Initial Noteholder at the Repurchase Price thereof with respect to such Loan by depositing such Repurchase Price in the Collection Account. In lieu of such a repurchase, the Depositor and Loan Originator may comply with the substitution provisions of Section 3.06 hereof. The Loan Originator shall provide the Servicer, the Indenture Trustee, the Issuer and the Initial Noteholder with a certification of a Responsible Officer on or prior to such repurchase or substitution indicating that the Loan Originator intends to repurchase or substitute such Loan.

(iii) It is understood and agreed that the obligation of the Loan Originator to repurchase or substitute any such Loan pursuant to this Section 2.05(b) shall constitute the sole remedy with respect to such failure to comply with the foregoing delivery requirements.

(c) In performing its reviews of the Custodial Loan Files pursuant to the Custodial Agreement, the Custodian shall have no responsibility to

determine the genuineness of any document contained therein and any signature thereon. The Custodian shall not have any responsibility for determining whether any document is valid and binding, whether the text of any assignment or endorsement is in proper or recordable form, whether any document has been recorded in accordance with the requirements of any applicable jurisdiction, or whether a blanket assignment is permitted in any applicable jurisdiction.

(d) The Servicer's Loan File shall be held in the custody of the Servicer (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders. It is intended that, by the Servicer's agreement pursuant to this Section 2.05(d), the Indenture Trustee shall be deemed to have possession of the Servicer's Loan Files for purposes of Section 9-305 of the UCC of the state in which such documents or instruments are located. The Servicer shall promptly report to the Indenture Trustee any failure by it to hold the Servicer's Loan File as herein provided and shall promptly take appropriate action to remedy any such failure. In acting as custodian of such documents and instruments, the Servicer agrees not to assert any legal or beneficial ownership interest in the Loans or such documents or instruments. Subject to Section 8.01(d), the Servicer agrees to indemnify the Securityholders and the Indenture Trustee, their officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended for any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever which may be imposed on, incurred by or asserted against the Securityholders or the Indenture Trustee as the result of the negligence or willful misfeasance by the Servicer relating to the maintenance and custody of such documents or instruments which have been delivered to the Servicer; provided, however, that the Servicer will not be liable for any portion of any such amount resulting from the negligence or willful misconduct of any Securityholders or the Indenture Trustee; and provided, further, that the Servicer will not be liable for any portion of any such amount resulting from the Servicer's compliance with any instructions or directions consistent with this Agreement issued to the Servicer by the Indenture Trustee or the Majority Noteholders. The Indenture Trustee shall have no duty to monitor or otherwise oversee the Servicer's performance as custodian of the Servicer Loan File hereunder.

Section 2.06 Conditions Precedent to Transfer Dates, Funding Dates and Collateral Value Increase Dates.

(a) Two (2) Business Days prior to each Transfer Date, the Issuer shall give notice to the Initial Noteholder of such upcoming Transfer Date and provide an estimate of the number of Loans and Residual Securities and the aggregate Principal Balance of such Loans and the aggregate Principal Balance of such Residual Securities to be transferred on such Transfer Date. On the Business Day prior to each Transfer Date, the Issuer shall provide the Initial Noteholder a final Loan Schedule with respect to the Loans to be transferred on such Transfer Date and a final Residual Securities Schedule with respect to the Residual Securities to be transferred on such Transfer Date. On each Transfer Date, the Depositor or the applicable QSPE Affiliate shall convey to the Issuer, the Loans, Residual Securities and the other property and rights related thereto described in the related S&SA Assignment, and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Transfer Date, shall deposit or cause to be deposited cash in the amount of the Additional Note Principal Balance received from the Initial Noteholder in the Advance Account in respect thereof, and the Servicer shall, promptly after such deposit, withdraw the amount deposited in respect of applicable Additional Note Principal Balance from the Advance Account, and distribute such amount to or at the direction of the Depositor or the applicable QSPE Affiliate.

As of the Closing Date, each Transfer Date and, as applicable, each Collateral Value Increase Date:

(i) the Depositor, the QSPE Affiliate and the Servicer, as applicable, shall have delivered to the Issuer and the Initial Noteholder duly executed Assignments, which shall have attached thereto a Loan Schedule and Residual Securities Schedule, as applicable, setting forth the appropriate information with respect to all Loans and Residual Securities conveyed on such Transfer Date and shall have delivered to the Initial Noteholder a computer readable transmission of such Loan Schedule and/or Residual Securities Schedule;

(ii) the Depositor shall have deposited, or caused to be deposited, in the Collection Account all collections received with respect to each of the Loans and Residual Securities on and after the applicable Transfer Cut-off Date or, in the case of purchases from a QSPE Affiliate, such QSPE Affiliate shall have deposited, or caused to be deposited, in the Collection Account all collections received with respect to each of the Loans and allocable to the period after the related Transfer Date;

(iii) as of such Transfer Date or Collateral Value Increase Date, neither the Loan Originator, the Depositor or the QSPE Affiliate, as applicable, shall (A) be insolvent, (B) be made insolvent by its respective sale of Loans or Residual Securities or (C) have reason to believe that its insolvency is imminent;

(iv) the Revolving Period shall not have terminated;

(v) as of such Transfer Date or Collateral Value Increase Date (after giving effect to the sale of Loans on such Transfer Date), there shall be no Overcollateralization Shortfall;

(vi) in the case of non-Wet Funded Loans, the Issuer shall have delivered the Custodial Loan File to the Custodian in accordance with the Custodial Agreement and the Initial Noteholder shall have received a copy of the Trust Receipt and Exceptions Report reflecting such delivery;

(vii) each of the representations and warranties made by the Loan Originator contained in Exhibit E with respect to the Loans and Section 3 of the Residual Securities Transfer Agreement with respect to the Residual Securities shall be true and correct in all material respects as of the related Transfer Date with the same effect as if then made and the proviso set forth in Section 3.05 with respect to Loans sold by a QSPE Affiliate shall not be applicable to any Loans, and the Depositor or the QSPE Affiliate, as applicable, shall have performed all obligations to be performed by it under the Basic Documents on or prior to such Transfer Date or Collateral Value Increase Date;

(viii) the Depositor or the QSPE Affiliate shall, at its own expense, within one Business Day following the Transfer Date, indicate in its computer files that the Loans and Residual Securities identified in each S&SA Assignment have been sold to the Issuer pursuant to this Agreement and the S&SA Assignment;

(ix) the Depositor or the QSPE Affiliate shall have taken any action requested by the Indenture Trustee, the Issuer or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate;

(x) no selection procedures believed by the Depositor or the QSPE Affiliate to be adverse to the interests of the Noteholders shall have been utilized in selecting the Loans or the Residual Securities to be conveyed on such Transfer Date;

(xi) the Depositor shall have provided the Issuer, the Indenture Trustee and the Initial Noteholder no later than two Business Days

prior to such date a notice of Additional Note Principal Balance in the form of Exhibit A hereto;

(xii) after giving effect to the Additional Note Principal Balance associated therewith, the Note Principal Balance will not exceed the Maximum Note Principal Balance;

(xiii) all conditions precedent to the Depositor's purchase of Loans and the Residual Securities pursuant to the Loan Purchase and Contribution Agreement and the Residual Securities Transfer Agreement shall have been fulfilled as of such Transfer Date and, in the case of purchases from a QSPE Affiliate, all conditions precedent to the Issuer's purchase of Loans pursuant to the Master Disposition Confirmation Agreement shall have been fulfilled as of such Transfer Date;

(xiv) all conditions precedent to the Noteholders' purchase of Additional Note Principal Balance pursuant to the Note Purchase Agreement shall have been fulfilled as of such Transfer Date or Collateral Value Increase Date;

(xv) with respect to each Loan acquired from any QSPE Affiliate that has a limited right of recourse to the Loan Originator under the terms of the applicable loan purchase agreement, the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of the related loan purchase contract providing for recourse by that QSPE Affiliate to the Loan Originator; and

(xvi) with respect to each Wet Funded Loan, the Guaranty shall be in full force and effect.

(b) Two (2) Business Days prior to each Funding Date, the Issuer shall deliver or cause to be delivered to the Initial Noteholder the Funding Notice and Funding Date Report delivered by the Receivables Seller pursuant to the Receivables Purchase Agreement. On each Funding Date, the Issuer shall purchase the Additional Note Balance issued by the Advance Trust on such Funding Date, and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Funding Date, shall cause the Initial Noteholder to deposit the applicable Additional Note Principal Balance into the Funding Account.

As of the each Funding Date:

(xvii) the Receivables Seller and the Advance Depositor, shall have delivered to the Issuer the related Funding Notice and Bill of Sale, and the exhibits related thereto, pursuant to the Receivables Purchase Agreement;

(xviii) neither the Loan Originator nor the Depositor shall (A) be insolvent or (B) have reason to believe that its insolvency is imminent;

(xix) the Revolving Period shall not have terminated;

(xx) after giving effect to the purchase of Additional Note Balance on such Funding Date, there shall be no Overcollateralization Shortfall;

(xxi) the Issuer shall have taken any action requested by the Indenture Trustee or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate;

(xxii) the Issuer shall have provided the Indenture Trustee and the Initial Noteholder no later than two Business Days prior to such date a notice of Additional Note Principal Balance in the form of Exhibit A hereto;

(xxiii) after giving effect to the Additional Note Principal

Balance associated therewith, the Note Principal Balance will not exceed the Maximum Note Principal Balance;

(xxiv) all conditions precedent to the Issuer's purchase of Additional Note Balance pursuant to the Advance Note Purchase Agreement shall have been fulfilled as of such Funding Date; and

(xxv) all conditions precedent to the Noteholders' purchase of Additional Note Balance pursuant to the Note Purchase Agreement shall have been fulfilled as of such Funding Date.

Section 2.07 Termination of Revolving Period.

Upon the occurrence of (i) an Event of Default or Default or (ii) a Rapid Amortization Trigger or (iii) the Unfunded Transfer Obligation Percentage equals 4.0% or less or (iv) Option One or any of its Affiliates shall default under, or fail to perform as requested under, or shall otherwise materially breach the terms of any repurchase agreement, loan and security agreement or similar credit facility or agreement entered into by Option One or any of its Affiliates, including the 2001-1A Sale and Servicing Agreement and the Sale and Servicing Agreement, dated as of April 1, 2001, as amended and restated through and including November 25, 2003, among the Option One Owner Trust 2001-2, the Depositor, Option One and the Indenture Trustee, and such default, failure or breach shall entitle any counterparty to declare the Indebtedness thereunder to be due and payable prior to the maturity thereof, the Initial Noteholder may, in any such case, in its sole discretion, terminate the Revolving Period.

Section 2.08 Correction of Errors.

The parties hereto who have relevant information shall cooperate to reconcile any errors in calculating the Sales Price from and after the Closing Date. In the event that an error in the Sales Price is discovered by either party, including without limitation, any error due to miscalculations of Market Value where insufficient information has been provided with respect to a Loan or Residual Security to make an accurate determination of Market Value as of any applicable Transfer Date, any miscalculations of Principal Balance, accrued interest, Overcollateralization Shortfall or aggregate unreimbursed Servicing Advances attributable to the applicable Loan or Residual Security, or any prepayments not properly credited, such party shall give prompt notice to the other parties hereto, and the party that shall have benefitted from such error shall promptly remit to the other, by wire transfer of immediately available funds, the amount of such error with no interest thereon.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Depositor.

The Depositor hereby represents, warrants and covenants to the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Depositor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has, and had at all relevant times, full power to own its property, to carry on its business as currently conducted, to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance of and compliance with all of the terms thereof will not violate the Depositor's organizational documents or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or

acceleration of, any material contract, agreement or other instrument to which the Depositor is a party or which are applicable to the Depositor or any of its assets;

(c) The Depositor has the full power and authority to enter into and consummate the transactions contemplated by each Basic Document to which the Depositor is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by the other party or parties thereto, constitutes a valid, legal and binding obligation of the Depositor, enforceable against it in accordance with the terms thereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Depositor is not in violation of, and the execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance and compliance with the terms of each Basic Document to which the Depositor is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Depositor or any of its properties or materially and adversely affect the performance of any of its duties hereunder;

(e) There are no actions or proceedings against, or investigations of, the Depositor currently pending with regard to which the Depositor has received service of process and no action or proceeding against, or investigation of, the Depositor is, to the knowledge of the Depositor, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Depositor, would prohibit its entering into any of the Basic Documents to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any of the Basic Documents to which it is a party or (C) if determined adversely to the Depositor, would reasonably be expected to prohibit or materially and adversely affect the performance by the Depositor of its obligations under, or the validity or enforceability of, any of the Basic Documents to which it is a party or the Securities (it being understood that the satisfaction of the Financial Covenants by the Loan Originator is not considered an obligation of the Depositor);

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Depositor of, or compliance by the Depositor with, any of the Basic Documents to which the Depositor is a party or the Securities, or for the consummation of the transactions contemplated by any of the Basic Documents to which the Depositor is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The Depositor is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations hereunder; it will not be rendered insolvent by the execution and delivery of any of the Basic Documents to which it is a party or the assumption of any of its obligations thereunder; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Depositor;

(h) The Depositor did not transfer the Loans or Residual Securities sold thereon by the Depositor to the Trust with any intent to hinder, delay or defraud any of its creditors; nor will the Depositor be rendered insolvent as a result of such sale;

(i) The Depositor had good title to, and was the sole owner of, each Loan and Residual Security sold thereon by the Depositor free and clear of any lien other than any such lien released simultaneously with the sale contemplated herein, and, immediately upon each transfer and assignment herein contemplated, the Depositor will have delivered to the Trust good title to, and the Trust will be the sole owner of, each Loan and Residual Security transferred by the Depositor thereon free and clear of any lien;

(j) The Depositor acquired title to each of the Loans and Residual Securities sold thereon by the Depositor in good faith, without notice of any adverse claim;

(k) None of the Basic Documents to which the Depositor is a party, nor any Officer's Certificate, statement, report or other document prepared by the Depositor and furnished or to be furnished by it pursuant to any of the Basic Documents to which it is a party or in connection with the transactions contemplated thereby contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading;

(l) The Depositor is not required to be registered as an "investment company" under the Investment Company Act of 1940, as amended;

(m) The transfer, assignment and conveyance of the Loans and the Residual Securities by the Depositor thereon pursuant to this Agreement is not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction;

(n) The Depositor's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto;

(o) The Depositor covenants that during the continuance of this Agreement it will comply in all respects with the provisions of its organizational documents in effect from time to time; and

(p) The representations and warranties set forth in (h), (i), (j) and (m) above were true and correct (with respect to the applicable QSPE Affiliate) with respect to each Loan transferred to the Trust by any QSPE Affiliate at the time such Loan was transferred to a QSPE Affiliate.

Section 3.02 Representations and Warranties of the Loan Originator.

The Loan Originator hereby represents and warrants to the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Loan Originator is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property related to a Loan sold by it is located and (ii) is in compliance with the laws of any such jurisdiction, in both cases, to the extent necessary to ensure the enforceability of such Loans in accordance with the terms thereof and had at all relevant times, full corporate power to originate such Loans, to own its property, to carry on its business as currently conducted and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Loan Originator of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Loan Originator's articles of organization or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or

result in the breach or acceleration of, any contract, agreement or other instrument to which the Loan Originator is a party or which may be applicable to the Loan Originator or any of its assets;

(c) The Loan Originator has the full power and authority to enter into and consummate all transactions contemplated by the Basic Documents to be consummated by it, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Loan Originator, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Loan Originator is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Loan Originator and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Loan Originator or its properties or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Loan Originator currently pending with regard to which the Loan Originator has received service of process and no action or proceeding against, or investigation of, the Loan Originator is, to the knowledge of the Loan Originator, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Loan Originator, would prohibit its entering into any Basic Document to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Loan Originator, would reasonably be expected to prohibit or materially and adversely affect the sale of the Loans or Residual Securities to the Depositor, the performance by the Loan Originator of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities, provided, however, that for purposes of calculating whether the Loan Seller satisfies the Financial Covenants, such action, proceeding or investigation shall not be taken into account unless there is a reasonable possibility of an adverse determination of such action, proceeding or investigation;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for: (1) the execution, delivery and performance by the Loan Originator of, or compliance by the Loan Originator with, any Basic Document to which it is a party, (2) the issuance of the Securities, (3) the sale and contribution of the Loans or the sale of the Residual Securities, or (4) the consummation of the transactions required of it by any Basic Document to which it is a party, except such as shall have been obtained before such date;

(g) Immediately prior to the sale of any Loan or Residual Security to the Depositor, the Loan Originator had good title to such Loan or Residual

Security sold by it on such date without notice of any adverse claim;

(h) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Loan Originator to the Initial Noteholder in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Loan Originator to the Initial Noteholder in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(i) The Loan Originator is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations under each Basic Document to which it is a party; it will not be rendered insolvent by the execution and delivery of this Agreement or by the performance of its obligations under each Basic Document to which it is a party; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Loan Originator prior to the date hereof;

(j) The Loan Originator has transferred the Loans or Residual Securities transferred by it on or prior to such Transfer Date without any intent to hinder, delay or defraud any of its creditors;

(k) The Loan Originator has received fair consideration and reasonably equivalent value in exchange for the Loans and Residual Securities sold by it on such Transfer Date to the Depositor;

(l) The Loan Originator has not dealt with any broker or agent or other Person who might be entitled to a fee, commission or compensation in connection with the transaction contemplated by this Agreement;

(m) The Loan Originator is in compliance with each of its financial covenants set forth in Section 7.02; and

(n) The Loan Originator's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto.

It is understood and agreed that the representations and warranties set forth in this Section 3.02 shall survive delivery of the respective Custodial Loan Files to the Custodian (as the agent of the Indenture Trustee) and shall inure to the benefit of the Securityholders, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee or the Trust of a breach of any of the foregoing representations and warranties that materially and adversely affects the value of

any Loan or Residual Security or the interests of the Securityholders in any Loan or Residual Security or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The obligations of the Loan Originator set forth in Sections 2.05 and 3.06 hereof to cure any breach or to substitute for or repurchase an affected Loan or Residual Security shall constitute the sole remedies available hereunder to the Securityholders, the Depositor, the Servicer, the Indenture Trustee or the Trust respecting a breach of the representations and warranties contained in this Section 3.02. The fact that the Initial Noteholder has conducted or has failed to conduct any partial or complete due diligence investigation of the Loan Files shall not affect the

Securityholders rights to demand repurchase or substitution as provided under this Agreement.

Section 3.03 Representations, Warranties and Covenants of the Servicer.

The Servicer hereby represents and warrants to and covenants with the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Servicer is a corporation duly organized, validly existing and in good standing under the laws of the State of California and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property is located, and (ii) is in compliance with the laws of any such state, in both cases, to the extent necessary to ensure the enforceability of the Loans in accordance with the terms thereof and to perform its duties under each Basic Document to which it is a party and had at all relevant times, full corporate power to own its property, to carry on its business as currently conducted, to service the Loans and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Servicer of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Servicer's articles of incorporation or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material contract, agreement or other instrument to which the Servicer is a party or which are applicable to the Servicer or any of its assets;

(c) The Servicer has the full power and authority to enter into and consummate all transactions contemplated by each Basic Document to which it is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party. Each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Servicer, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Servicer is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Servicer and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state,

municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Servicer or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Servicer currently pending with regard to which the Servicer has received service of process and no action or proceeding against, or investigation of, the Servicer is, to the knowledge of the Servicer, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Servicer, would prohibit its entering into any Basic Document to which it is a party, (B) seek to prevent the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Servicer, would reasonably be expected to prohibit or materially and adversely affect the performance by the Servicer of its obligations under, or the validity or

enforceability of, any Basic Document to which it is a party or the Securities, provided, however, that for the purpose of calculating whether the Servicer satisfies the Financial Covenants, such action, proceeding or investigation shall not be taken into account unless there is a reasonable possibility of an adverse determination of such action, proceeding or investigation;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Servicer of, or compliance by the Servicer with, any Basic Document to which it is a party or the Securities, or for the consummation of the transactions contemplated by any Basic Document to which it is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Servicer to the Initial Noteholder in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Servicer to the Initial Noteholder in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(h) The Servicer is solvent and will not be rendered insolvent as a result of the performance of its obligations pursuant to under the Basic Documents to which it is a party;

(i) The Servicer acknowledges and agrees that the Servicing Compensation represents reasonable compensation for the performance of its services hereunder and that the entire Servicing Compensation shall be treated by the Servicer, for accounting purposes, as compensation for the servicing and administration of the Loans pursuant to this Agreement;

(j) The Servicer is in compliance with each of its financial covenants set forth in Section 7.02; and

(k) The Servicer is an Eligible Servicer and covenants to remain an Eligible Servicer or, if not an Eligible Servicer, each Subservicer is an Eligible Servicer and the Servicer covenants to cause each Subservicer to be an Eligible Servicer.

It is understood and agreed that the representations, warranties and covenants set forth in this Section 3.03 shall survive delivery of the respective Custodial Loan Files to the Indenture Trustee or the Custodian on its behalf and shall inure to the benefit of the Depositor, the Securityholders, the Indenture Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee or the Issuer of a breach of any of the foregoing representations, warranties and covenants that materially and adversely affects the value of any Loan or Residual Security or the interests of the Securityholders therein or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The fact that the Initial Noteholder has conducted or has failed to conduct any partial or complete due diligence investigation shall not affect the Securityholders, rights to exercise their remedies as provided under this Agreement.

Section 3.04 Reserved.

Section 3.05 Representations and Warranties Regarding Loans.

The Loan Originator makes each of the representations and warranties set forth on Exhibit E hereto with respect to each Loan and makes each representation and warranty set forth in Section 3 of the Residual Securities Transfer Agreement with respect to each Residual Security, provided, however, that with respect to each Loan transferred to the Issuer by a QSPE Affiliate, to the extent that the Loan Originator has at the time of such transfer actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator shall notify the Initial Noteholder of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty.

In addition, the Loan Originator represents and warrants with respect to each Loan sold by a QSPE Affiliate that the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of any loan purchase agreement providing for recourse by that QSPE Affiliate to the Loan Originator.

Section 3.06 Purchase and Substitution.

(a) It is understood and agreed that the representations and warranties set forth in Exhibit E hereto and in Section 3 of the Residual Securities Transfer Agreement shall survive the conveyance of the Loans or the Residual Securities to the Indenture Trustee on behalf of the Issuer, and the delivery of the Securities to the Securityholders. Upon discovery by the Depositor, the Servicer, the Loan Originator, the Custodian, the Issuer, the Indenture Trustee or any Securityholder of a breach of any of such representations and warranties or the representations and warranties of the Loan Originator set forth in Section 3.02 which materially

and adversely affects the value or enforceability of any Loan or Residual Security or the interests of the Securityholders in any Loan or Residual Security (notwithstanding that such representation and warranty was made to the Loan Originator's best knowledge) or which, as a result of the attributes of the aggregate Loan Pool or Residual Securities Pool, constitutes a breach of the representations and warranties set forth in Exhibit E or in Section 3 of the Residual Securities Transfer Agreement, the party discovering such breach shall give prompt written notice to the others. The Loan Originator shall within 5 Business Days of the earlier of the Loan Originator's discovery or the Loan Originator's receiving notice of any breach of a representation or warranty, promptly cure such breach in all material respects. If within 5 Business Days after the earlier of the Loan Originator's discovery of such breach or the Loan Originator's receiving notice thereof such breach has not been remedied by the Loan Originator and such breach materially and adversely affects the interests of the Securityholders in the related Loan (an "Unqualified Loan") or related Residual Security (an "Unqualified Residual Security"), the Loan Originator shall promptly upon receipt of written instructions from the Majority Noteholders either (i) remove such Unqualified Loan (in which case it shall become a Deleted Loan) or Unqualified Residual Security (in which case it shall become a Deleted Residual Security) from the Trust and substitute one or more Qualified Substitute Loans (in place of a Deleted Loan) or Qualified Residual Securities (in place of a Deleted Residual Security) in the manner and subject to the conditions set forth in this Section 3.06 or (ii) purchase such Unqualified Loan or Unqualified Residual Security at a purchase price equal to the Repurchase Price with respect to such Unqualified Loan or Unqualified Residual Security by depositing or causing to be deposited such Repurchase Price in the Collection Account.

Any substitution of Loans or Residual Securities pursuant to this Section 3.06(a) shall be accompanied by payment by the Loan Originator of the Substitution Adjustment, if any, (x) if no Overcollateralization Shortfall

exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i) or (y) otherwise to be deposited in the Collection Account pursuant to Section 5.01(b)(1) hereof.

(b) As to any Deleted Loan or Deleted Residual Security for which the Loan Originator substitutes a Qualified Substitute Loan or Loans or Qualified Substitute Residual Security or Residual Securities, the Loan Originator shall effect such substitution by delivering to the Indenture Trustee and Initial Noteholder a certification executed by a Responsible Officer of the Loan Originator to the effect that the Substitution Adjustment, if any, has been (x) if no Overcollateralization Shortfall exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i), or (y) otherwise deposited in the Collection Account. As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Custodian the documents constituting the Custodial Loan File for such Qualified Substitute Loan or Loans. As to any Deleted Residual Security for which the Loan Originator substitutes a Qualified Substitute Residual Security or Residual Securities, the Loan Originator shall effect such substitution by delivering to the Trustee the Loan Documents for such Qualified Substitute Residual Security or Residual Securities.

The Servicer shall deposit in the Collection Account all payments received in connection with each Qualified Substitute Loan or Qualified Substitute Residual Security after the date of such substitution. Monthly Payments received with respect to Qualified Substitute Loans or

Qualified Substitute Residual Securities on or before the date of substitution will be retained by the Loan Originator. The Trust will be entitled to all payments received on the Deleted Loan or Deleted Residual Security on or before the date of substitution and the Loan Originator shall thereafter be entitled to retain all amounts subsequently received in respect of such Deleted Loan or Residual Security. The Loan Originator shall give written notice to the Issuer, the Servicer (if the Loan Originator is not then acting as such), the Indenture Trustee and Initial Noteholder that such substitution has taken place and the Servicer shall amend the Loan Schedule or Residual Security Schedule, as applicable, to reflect (i) the removal of such Deleted Loan or Deleted Residual Security from the terms of this Agreement and (ii) the substitution of the Qualified Substitute Loan or Qualified Substitute Residual Security. The Servicer shall promptly deliver to the Issuer, the Loan Originator, the Indenture Trustee and Initial Noteholder, a copy of the amended Loan Schedule and/or a copy of the amended Residual Security Schedule. Upon such substitution, such Qualified Substitute Loan or Loans or Qualified Substitute Residual Security or Residual Securities shall be subject to the terms of this Agreement in all respects, and the Loan Originator shall be deemed to have made with respect to such Qualified Substitute Loan or Loans, as of the date of substitution, the covenants, representations and warranties set forth in Exhibit E hereto and with respect to such or Qualified Substitute Residual Security or Residual Securities, the covenants, representations and warranties set forth in the Residual Securities Transfer Agreement. On the date of such substitution, the Loan Originator will (x) if no Overcollateralization Shortfall exists as of the date of substitution (after giving effect to such substitution), remit to the Noteholders as provided in Section 5.01(c)(4)(i) or (y) otherwise deposit into the Collection Account, in each case an amount equal to the related Substitution Adjustment, if any. In addition, on the date of such substitution, the Servicer shall cause the Indenture Trustee to release the Deleted Loan or Deleted Residual Securities from the lien of the Indenture and the Servicer will cause such Qualified Substitute Loan or Qualified Substitute Residual Securities to be pledged to the Indenture Trustee under the Indenture as part of the Trust Estate.

(c) With respect to all Unqualified Loans, Unqualified Residual

Securities or other Loans or Residual Securities repurchased by the Loan Originator pursuant to this Agreement, upon the deposit of the Repurchase Price therefor into the Collection Account, (i) the Issuer shall assign to the Loan Originator, without representation or warranty, all of the Issuer's right, title and interest in and to such Unqualified Loan or Unqualified Residual Security, which right, title and interest were conveyed to the Issuer pursuant to Section 2.01 hereof and (ii) the Indenture Trustee shall assign to the Loan Originator, without recourse, representation or warranty, all the Indenture Trustee's right, title and interest in and to such Unqualified Loans or Loans or Unqualified Residual Security or Residual Securities, which right, title and interest were conveyed to the Indenture Trustee pursuant to Section 2.01 hereof and the Indenture. The Issuer and the Indenture Trustee shall, at the expense of the Loan Originator, take any actions as shall be reasonably requested by the Loan Originator to effect the repurchase of any such Loans or Residual Securities and to have the Custodian return the Custodial Loan File of the deleted Loan to the Servicer or to have the Trustee return the Loan Documents of the Deleted Residual Security to the Servicer.

(d) It is understood and agreed that the obligations of the Loan Originator set forth in this Section 3.06 to cure, purchase or substitute for a Unqualified Loan or Unqualified

Residual Security constitute the sole remedies hereunder of the Depositor, the Issuer, the Indenture Trustee, the Owner Trustee and the Securityholders respecting a breach of the representations and warranties contained in Sections 3.02 hereof and in Exhibit E hereto and the Residual Security Transfer Agreement. Any cause of action against the Loan Originator relating to or arising out of a defect in a Custodial Loan File or the Loan Documents (with respect to a Residual Security) or against the Loan Originator relating to or arising out of a breach of any representations and warranties made in Sections 3.02 hereof and in Exhibit E hereto or the Residual Security Transfer Agreement shall accrue as to any Loan or Residual Security upon (i) discovery of such defect or breach by any party and notice thereof to the Loan Originator or notice thereof by the Loan Originator to the Indenture Trustee, (ii) failure by the Loan Originator to cure such defect or breach or purchase or substitute such Loan or Residual Security as specified above, and (iii) demand upon the Loan Originator, as applicable, by the Issuer or the Majority Noteholders for all amounts payable in respect of such Loan or Residual Security.

(e) Neither the Issuer nor the Indenture Trustee shall have any duty to conduct any affirmative investigation other than as specifically set forth in this Agreement as to the occurrence of any condition requiring the repurchase or substitution of any Loan or Residual Security pursuant to this Section or the eligibility of any Loan for purposes of this Agreement.

Section 3.07 Dispositions.

(a) The Majority Noteholders may at any time, and from time to time, require that the Issuer redeem all or any portion of the Note Principal Balance of the Notes by paying the Note Redemption Amount with respect to the Note Principal Balance to be redeemed. In connection with any such redemption, the Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with this Agreement, including in accordance with this Section 3.07.

(b) (i) In consideration of the consideration received from the Depositor under the Loan Purchase and Contribution Agreement and the Residual Securities Transfer Agreement, the Loan Originator hereby agrees and covenants that in connection with each Disposition it shall effect the following:

(A) make such representations and warranties concerning the Loans as of the "cut-off date" of the related Disposition to the Disposition Participants as may be necessary to effect the Disposition and such additional representations and warranties as may be necessary, in the reasonable opinion of any of the Disposition Participants, to effect such Disposition; provided, that,

to the extent that the Loan Originator has at the time of the Disposition actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator may notify the Disposition Participants of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty;

(B) supply such information, opinions of counsel, letters from law and/or accounting firms and other documentation and certificates regarding the origination of the Loans or the issuance of the Residual Securities as any Disposition Participant shall reasonably request to effect a Disposition and enter into such indemnification agreements customary for such

transaction relating to or in connection with the Disposition as the Disposition Participants may reasonably require;

(C) make itself available for and engage in good faith consultation with the Disposition Participants concerning information to be contained in any document, agreement, private placement memorandum, or filing with the Securities and Exchange Commission relating to the Loan Originator, the Loans or the Residual Securities in connection with a Disposition and shall use reasonable efforts to compile any information and prepare any reports and certificates, into a form, whether written or electronic, suitable for inclusion in such documentation;

(D) to implement the foregoing and to otherwise effect a Disposition, enter into, or arrange for its Affiliates to enter into insurance and indemnity agreements, underwriting or placement agreements, servicing agreements, purchase agreements and any other documentation which may reasonably be required of or reasonably deemed appropriate by the Disposition Participants in order to effect a Disposition; and

(E) take such further actions as may be reasonably necessary to effect the foregoing;

provided, that notwithstanding anything to the contrary, (a) the Loan Originator shall have no liability for the Loans or the Residual Securities arising from or relating to the ongoing ability of the related Borrowers to pay under the Loans or under the loans underlying the Residual Securities; (b) none of the indemnities hereunder shall constitute an unconditional guarantee by the Loan Originator of collectibility of the Loans or the Residual Securities; (c) the Loan Originator shall have no obligation with respect to the financial inability of any Borrower to pay principal, interest or other amount owing by such Borrower under a Loan or under a loan underlying a Residual Security; and (d) the Loan Originator shall only be required to enter into documentation in connection with Dispositions that is consistent with the prior public securitizations of affiliates of the Loan Originator, provided that to the extent an Affiliate of the Initial Noteholder acts as "depositor" or performs a similar function in a Securitization, additional indemnities and informational representations and warranties are provided which are consistent with those in the Basic Documents and may upon request of the Loan Originator be set forth in a separate agreement between an Affiliate of the Initial Noteholder and the Loan Originator.

(ii) In the event of any Disposition to the Loan Originator or any of its Affiliates (except in connection with a Securitization or a Disposition to a QSPE Affiliate), the purchase price paid by the Loan Originator or any such Affiliate shall be the "fair market value" of the Loans or the Residual Securities subject to such Disposition (as determined by the Market Value Agent based upon recent sales of comparable loans or securities or such other objective criteria as may be approved for determining "fair market value" by a "Big Five" national accounting firm).

(iii) As long as no Event of Default or Default shall have

occurred and be continuing under this Agreement or the Indenture, the Servicer may continue to service the Loans included in any Disposition subject to any applicable "term-to-term" servicing provisions in Section 9.01(c) and subject to any required amendments to the related servicing provisions as

may be necessary to effect the related Disposition including but not limited to the obligation to make recoverable principal and interest advances on the Loans.

After the termination of the Revolving Period, the Loan Originator, the Issuer and the Depositor shall use commercially reasonable efforts to effect a Disposition at the direction of the Disposition Agent.

(c) The Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with the terms of this Agreement and the Basic Documents. In connection therewith, the Trust agrees to assist the Loan Originator in such Dispositions and accordingly it shall, at the request and direction of the Majority Noteholders:

(i) transfer, deliver and sell all or a portion of the Loans or Residual Securities, as of the "cut-off dates" of the related Dispositions, to such Disposition Participants as may be necessary to effect the Dispositions; provided, that any such sale shall be for "fair market value," as determined by the Market Value Agent in its reasonable discretion;

(ii) deposit the cash Disposition Proceeds into the Distribution Account pursuant to Section 5.01(c)(2)(D);

(iii) to the extent that a Securitization creates any Retained Securities, to accept such Retained Securities as a part of the Disposition Proceeds in accordance with the terms of this Agreement; and

(iv) take such further actions, including executing and delivering documents, certificates and agreements, as may be reasonably necessary to effect such Dispositions.

(d) The Servicer hereby covenants that it will take such actions as may be reasonably necessary to effect Dispositions as the Disposition Participants may request and direct, including without limitation providing the Loan Originator such information as may be required to make representations and warranties required hereunder, and covenants that it will make such representations and warranties regarding its servicing of the Loans hereunder as of the Cut-off Date of the related Disposition as reasonably required by the Disposition Participants.

(e) [reserved]

(f) The Majority Noteholders may effect Whole Loan Sales upon written notice to the Servicer of its intent to cause the Issuer to effect a Whole Loan Sale at least 5 Business Days in advance thereof. The Disposition Agent shall serve as agent for Whole Loan Sales and will receive a reasonable fee for such services provided that no such fee shall be payable if (i) the Loan Originator or its Affiliates purchase such Loans and (ii) no Event of Default or Default shall have occurred. The Loan Originator or its Affiliates may concurrently bid to purchase Loans in a Whole Loan Sale; provided, however, that neither the Loan Originator nor any such Affiliates shall pay a price in excess of the fair market value thereof (as determined by the Market Value Agent based upon recent sales of comparable loans or such other objective criteria as may be approved for determining "fair market value" by a "Big Five" national accounting firm). In the event that the Loan Originator does not bid in any such Whole Loan

Sale, it shall have a right of first refusal to purchase the Loans offered for sale at the price offered by the highest bidder. The Disposition Agent shall conduct any Whole Loan Sale subject to the Loan Originator's right of first refusal and shall promptly notify the Loan Originator of the amount of the highest bid. The Loan Originator shall have five (5) Business Days following its receipt of such notice to exercise its right of first refusal by notifying the Disposition Agent in writing.

(g) Except as otherwise expressly set forth under this Section 3.07, the parties' rights and obligations under this Section 3.07 shall continue notwithstanding the occurrence of an Event of Default.

(h) The Disposition Participants (and the Majority Noteholders to the extent directing the Disposition Participants) shall be independent contractors to the Issuer and shall have no fiduciary obligations to the Issuer or any of its Affiliates. In that connection, the Disposition Participants shall not be liable for any error of judgment made in good faith and shall not be liable with respect to any action they take or omits to take in good faith in the performance of their duties.

Section 3.08 Servicer Put; Servicer Call.

(a) Servicer Put. The Servicer shall promptly purchase, upon the written demand of the Majority Noteholders, any Put/Call Loan; provided, however, that the Servicer may, upon receipt of such demand, elect to repurchase such Put/Call Loan pursuant to (b) below, in which case such repurchase shall be deemed a Servicer Call.

(b) Servicer Call. The Servicer may repurchase any Put/Call Loan at any time. Such Servicer Calls shall be solely at the option of the Servicer. Prior to exercising a Servicer Call, the Servicer shall deliver written notice to the Majority Noteholders and the Indenture Trustee which notice shall identify each Loan to be purchased and the Repurchase Price therefor; provided, however, that the Servicer may irrevocably waive its right to repurchase any Put/Call Loan as soon as reasonably practicable following its receipt of notice of the occurrence of any event or events giving rise to such Loan being a Put/Call Loan.

(c) In connection with each Servicer Put, the Servicer shall remit for deposit into the Collection Account the Repurchase Price for the Loans to be repurchased. In connection with each Servicer Call, the Servicer shall deposit into the Collection Account the Repurchase Price for the Loans to be purchased. The aggregate Repurchase Price of all Loans transferred pursuant to Section 3.08(a) shall in no event exceed the Unfunded Transfer Obligation at the time of any Servicer Put.

Section 3.09 Modification of Underwriting Guidelines.

The Loan Originator shall give the Initial Noteholder prompt written notification of any modification or change to the Underwriting Guidelines. If the Noteholder objects in writing to any modification or change to the Underwriting Guidelines within 15 days after receipt of such notice, no Loans may be conveyed to the Issuer pursuant to this Agreement unless such Loans have been originated pursuant to the Underwriting Guidelines without giving effect to such modification or change. Notwithstanding anything contained in this Agreement to the contrary,

any Loan conveyed to the Issuer pursuant to this Agreement pursuant to a modification or change to the Underwriting Guidelines that has been rejected by the Initial Noteholder or which the Initial Noteholder did not receive notice of, such Loan shall be deemed an Unqualified Loan and be repurchased or substituted for in accordance with Section 3.06.

ARTICLE IV

ADMINISTRATION AND SERVICING OF THE LOANS

Section 4.01 Servicer's Servicing Obligations.

The Servicer, as independent contract servicer, shall service and administer the Loans in accordance with the terms and provisions set forth in the Servicing Addendum, which Servicing Addendum is incorporated herein by reference.

ARTICLE V

ESTABLISHMENT OF TRUST ACCOUNTS; TRANSFER OBLIGATION

Section 5.01 Collection Account and Distribution Account.

(a) (1) Establishment of Collection Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained one or more Collection Accounts (collectively, the "Collection Account"), which shall be separate Eligible Accounts entitled "Option One Owner Trust 2001-1B Collection Account, Wells Fargo Bank, N.A., as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-1B Mortgage-Backed Notes." The Collection Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Collection Account shall be invested in accordance with Section 5.03 hereof. Net investment earnings shall not be considered part of funds available in the Collection Account.

(2) Establishment of Distribution Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained, one or more Distribution Accounts (collectively, the "Distribution Account"), which shall be separate Eligible Accounts, entitled "Option One Owner Trust 2001-1B Distribution Account, Wells Fargo Bank, N.A., as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-1B Mortgage-Backed Notes." The Distribution Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Distribution Account shall be invested in accordance with Section 5.03 hereof. The Servicer may, at its option, maintain one account to serve as both the Distribution Account and the Collection Account, in which case, the account shall be entitled "Option One Owner Trust 2001-1B Collection/Distribution Account, Wells Fargo Bank, N.A., as Indenture Trustee, for the benefit of the Option One Owner Trust 2001-1B Mortgage-Backed Notes." If the Servicer makes such an election, all references herein or in any other Basic Document to either the Collection Account or the Distribution Account shall mean the Collection/Distribution Account described in the preceding sentence.

(3) The Servicer will inform the Indenture Trustee of the location of any accounts held in the Indenture Trustee's name, including any location to which an account is transferred.

(b) Deposits to Collection Account. The Servicer shall deposit or cause to be deposited (without duplication):

(i) all payments on or in respect of each Loan collected on or after the related Transfer Cut- off Date or with respect to each Loan purchased from a QSPE Affiliate, all such payments allocable to such Loan on or after the related Transfer Date (net, in each case, of any Servicing Compensation retained therefrom) within two (2) Business Days after receipt thereof;

(ii) all Net Liquidation Proceeds within two (2) Business Days after receipt thereof;

(iii) all Mortgage Insurance Proceeds within two (2) Business Days after receipt thereof;

(iv) all Released Mortgaged Property Proceeds within two (2)

Business Days after receipt thereof;

(v) any amounts payable in connection with the repurchase of any Loan and the amount of any Substitution Adjustment pursuant to Sections 2.05 and 3.06 hereof concurrently with payment thereof;

(vi) any Repurchase Price payable in connection with a Servicer Call pursuant to Section 3.08 hereof concurrently with payment thereof;

(vii) the deposit of the Termination Price under Section 10.02 hereof concurrently with payment thereof;

(viii) Nonutilization Fees;

(ix) [reserved];

(x) any payments received under Hedging Instruments or the return of amounts by the Hedging Counterparty pledged pursuant to prior Hedge Funding Requirements in accordance with the last sentence of this Section 5.01(b)(1); and

(xi) any Repurchase Price payable in connection with a Servicer Put remitted by the Servicer pursuant to Section 3.08.

Except as otherwise expressly provided in Section 5.01(c)(4)(i), the Servicer agrees that it will cause the Loan Originator, Borrower or other appropriate Person paying such amounts, as the case may be, to remit directly to the Servicer for deposit into the Collection Account all amounts referenced in clauses (i) through (xi) to the extent such amounts are in excess of a

Monthly Payment on the related Loan. To the extent the Servicer receives any such amounts, it will deposit them into the Collection Account on the same Business Day as receipt thereof.

(c) Withdrawals From Collection Account; Deposits to Distribution Account.

(1) Withdrawals From Collection Account -- Reimbursement Items. The Paying Agent shall periodically but in any event on each Determination Date, make the following withdrawals from the Collection Account prior to any other withdrawals, in no particular order of priority:

(i) to withdraw any amount not required to be deposited in the Collection Account or deposited therein in error, including Servicing Compensation;

(ii) to withdraw the Servicing Advance Reimbursement Amount; and

(iii) to clear and terminate the Collection Account in connection with the termination of this Agreement.

(2) Deposits to Distribution Account - Payment Dates.

(A) On the Business Day prior to each Payment Date, the Paying Agent shall deposit into the Distribution Account such amounts as are required from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g) and 5.05(h).

(B) After making all withdrawals specified in Section 5.01(c)(1) above, on each Remittance Date, the Paying Agent (based on information provided by the Servicer for such Payment Date), shall withdraw the Monthly Remittance Amount (or, with respect to an additional Payment Date pursuant to Section 5.01(c)(4)(ii), all amounts on deposit in the Collection Account on such date up to the amount necessary to make the payments due on the

related Payment Date in accordance with Section 5.01(c)(3)) from the Collection Account not later than 5:00 P.M., New York City time and deposit such amount into the Distribution Account.

(C) On each Payment Date, the Servicer shall cause to be deposited in the Distribution Account all payments on the Advance Note made on or before such Payment Date and not previously distributed pursuant to Section 5.01(c)(3).

(D) The Servicer shall deposit or cause to be deposited in the Distribution Account any cash Disposition Proceeds pursuant to Section 3.07. To the extent the Servicer receives such amounts, it will deposit them into the Distribution Account on the same Business Day as receipt thereof.

(E) On each Payment Date, the Servicer shall cause to be deposited in the Distribution Account all payments on each Residual Security made on or before such Payment Date.

(3) Withdrawals From Distribution Account -- Payment Dates. On each Payment Date, to the extent funds are available in the Distribution Account, the Paying Agent

(based on the information provided by the Servicer contained in the Servicer's Remittance Report for such Payment Date) shall make withdrawals therefrom for application in the following order of priority:

(i) to distribute on such Payment Date the following amounts in the following order: (a) to the Indenture Trustee, an amount equal to the Indenture Trustee Fee and all unpaid Indenture Trustee Fees from prior Payment Dates and all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid by the Servicer or the Depositor up to an amount not to exceed $25,000 per annum, (b) to the Custodian, an amount equal to the Custodian Fee and all unpaid Custodian Fees from prior Payment Dates, (c) to the Servicer, an amount equal to the Servicing Compensation and all unpaid Servicing Compensation from prior Payment Dates (to the extent not retained from collections or remitted to the Servicer pursuant to Section 5.01(c)) and (d) to the Servicer, in trust for the Owner Trustee, an amount equal to the Owner Trustee Fee and all unpaid Owner Trustee Fees from prior Payment Dates;

(ii) to distribute on such Payment Date, the Hedge Funding Requirement to the appropriate Hedging Counterparties;

(iii) to the holders of the Notes pro rata, the sum of the Interest Payment Amount for such Payment Date and the Interest Carry-Forward Amount for the preceding Payment Date;

(iv) to the holders of the Notes pro rata, the Overcollateralization Shortfall for such Payment Date; provided, however, that if (a) a Rapid Amortization Trigger shall have occurred and not been Deemed Cured or (b) an Event of Default under the Indenture or Default shall have occurred, the holders of the Notes shall receive, in respect of principal, all remaining amounts on deposit in the Distribution Account;

(v) to the Initial Noteholder, the Nonutilization Fee for such Payment Date, together with any Nonutilization Fees unpaid from any prior Payment Dates;

(vi) to the appropriate Person, amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and Due Diligence Fees until such amounts are paid in full;

(vii) to the Transfer Obligation Account, all remaining amounts until the balance therein equals the Transfer Obligation Target Amount;

(viii) to the Indenture Trustee all amounts owing to the

Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid pursuant to clause (i) above;

(ix) all Nonrecoverable Servicing Advances not previously reimbursed; and

(x) to the holders of the Trust Certificates, in accordance with Section 5.2(b) of the Trust Agreement, all amounts remaining therein.

(4) (i) If the Loan Originator or the Servicer, as applicable, repurchases, purchases or substitutes a Loan pursuant to Section 2.05, 3.06, 3.08(a), 3.08(b) or 3.08(c), then the Noteholders and the Issuer shall deem such date to be an additional Payment Date and the Issuer shall provide written notice to the Indenture Trustee and the Paying Agent of such additional Payment Date at least one Business Day prior to such Payment Date. On such additional Payment Date, the Loan Originator or the Servicer, in satisfaction of its obligations under 2.05, 3.06, 3.08(a) 3.08(b) or 3.08(c) and in satisfaction of the obligations of the Issuer and the Paying Agent to distribute such amounts to the Noteholders pursuant to Section 5.01(c), shall remit to the Noteholders, on behalf of the Issuer and the Paying Agent, an amount equal to the Repurchase Prices and any Substitution Adjustments (as applicable) to be paid by the Loan Originator or the Servicer by 12:00 p.m. New York City time, as applicable, under such Section, on such Payment Date, and the Note Principal Balance will be reduced accordingly. Such amounts shall be deemed deposited into the Collection Account and the Distribution Account, as applicable, and such amounts will be deemed distributed pursuant to the terms of Section 5.01(c). Upon notice of an additional Payment Date to the Paying Agent and the Indenture Trustee as provided above, the Paying Agent shall provide the Loan Originator or the Servicer (as applicable) information necessary so that remittances to the Noteholders pursuant to this clause (4)(i) may be made by the Loan Originator or the Servicer, as applicable, in compliance with Section 5.02(a) hereof.

(ii) To the extent that there is deposited in the Collection Account or the Distribution Account any amounts referenced in Section 5.01(b)(1)(vii) and 5.01(c)(2)(D), the Majority Noteholders and the Issuer may agree, upon reasonable written notice to the Paying Agent and the Indenture Trustee, to additional Payment Dates. The Issuer and the Majority Noteholder shall give the Paying Agent and the Indenture Trustee at least one (1) Business Day's written notice prior to such additional Payment Date and such notice shall specify each amount in Section 5.01(c) to be withdrawn from the Collection Account and Distribution Account on such day.

(iii) To the extent that there is deposited in the Distribution Account any amounts referenced in Section 5.05(f), the Majority Noteholders may, in their sole discretion, establish an additional Payment Date by written notice delivered to the Paying Agent and the Indenture Trustee at least one Business Day prior to such additional Payment Date. On such additional Payment Date, the Paying Agent shall pay the sum of the Overcollateralization Shortfall to the Noteholders in respect of principal on the Notes.

Notwithstanding that the Notes have been paid in full, the Indenture Trustee, the Paying Agent and the Servicer shall continue to maintain the Distribution Account hereunder until this Agreement has been terminated.

Section 5.02 Payments to Securityholders.

(a) All distributions made on the Notes on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made on a pro rata basis among the Noteholders of record of the Notes on the next preceding Record Date based on the Percentage Interest represented by their respective Notes, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of

immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest (as defined in the Indenture) of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee 5 Business Days prior to the related Record Date, and otherwise by check mailed to the address of such Noteholder appearing in the Notes Register. The final distribution on each Note will be made in like manner, but only upon presentment and surrender of such Note at the location specified in the notice to Noteholders of such final distribution.

(b) All distributions made on the Trust Certificates on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made in accordance with the Percentage Interest among the holders of the Trust Certificates of record on the next preceding Record Date based on their Percentage Interests (as defined in the Trust Agreement) on the date of distribution, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of each such holder, if such holder shall own of record a Trust Certificate in an original denomination aggregating at least 25% of the Percentage Interests and shall have so notified the Paying Agent and the Indenture Trustee 5 Business Days prior to the related Record Date, and otherwise by check mailed to the address of such Certificateholder appearing in the Certificate Register. The final distribution on each Trust Certificate will be made in like manner, but only upon presentment and surrender of such Trust Certificate at the location specified in the notice to holders of the Trust Certificates of such final distribution. Any amount distributed to the holders of the Trust Certificates on any Payment Date shall not be subject to any claim or interest of the Noteholders. In the event that at any time there shall be more than one Certificateholder, the Indenture Trustee shall be entitled to reasonable additional compensation from the Servicer for any increase in its obligations hereunder.

Section 5.03 Trust Accounts; Trust Account Property.

(a) Control of Trust Accounts. Each of the Trust Accounts established hereunder has been pledged by the issuer to the Indenture Trustee under the Indenture and shall be subject to the lien of the Indenture. Amounts distributed from each Trust Account in accordance with the terms of this Agreement shall be released for the benefit of the Securityholders from the Trust Estate upon such distribution thereunder or hereunder. The Indenture Trustee shall possess all right, title and interest in and to all funds on deposit from time to time in the Trust Accounts and in all proceeds thereof (including all income thereon) and all such funds, investments, proceeds and income shall be part of the Trust Account Property and the Trust Estate. If, at any time, any Trust Account ceases to be an Eligible Account, the Indenture Trustee shall, within ten Business Days (or such longer period, not to exceed 30 calendar days, with the prior written consent of the Majority Noteholders) (i) establish a new Trust Account as an Eligible Account, (ii) terminate the ineligible Trust Account, and (iii) transfer any cash and investments from such ineligible Trust Account to such new Trust Account.

With respect to the Trust Accounts, the Issuer and the Indenture Trustee agree, that each such Trust Account shall be subject to the sole and exclusive dominion, custody and control of the Indenture Trustee for the benefit of the Noteholders, and, except as may be

consented to in writing by the Majority Noteholders, the Indenture Trustee shall have sole signature and withdrawal authority with respect thereto.

The Servicer (unless it is also the Paying Agent) shall not be entitled to make any withdrawals or payments from the Trust Accounts.

(b) (1) Investment of Funds. Funds held in the Collection Account, the Distribution Account and the Transfer Obligation Account may be invested (to the extent practicable and consistent with any requirements of the Code) in

Permitted Investments, as directed by the Servicer prior to the occurrence of an Event of Default and by the Majority Noteholders thereafter, in writing or facsimile transmission confirmed in writing by the Servicer or Majority Noteholders, as applicable. In the event the Indenture Trustee has not received such written direction, such Funds shall be invested in any Permitted Investment described in clause (i) of the definition of Permitted Investments. In any case, funds in the Collection Account, the Distribution Account and the Transfer Obligation Account must be available for withdrawal without penalty, and any Permitted Investments must mature or otherwise be available for withdrawal, one Business Day prior to the next Payment Date and shall not be sold or disposed of prior to its maturity subject to Subsection (b)(2) of this Section. All interest and any other investment earnings on amounts or investments held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be paid to the Servicer immediately upon receipt by the Indenture Trustee. All Permitted Investments in which funds in the Collection Account, the Distribution Account or the Transfer Obligation Account are invested must be held by or registered in the name of "Wells Fargo Bank, N.A., as Indenture Trustee, in trust for the Option One Owner Trust 2001-1B Mortgage-Backed Notes."

(2) Insufficiency and Losses in Trust Accounts. If any amounts are needed for disbursement from the Collection Account, the Distribution Account or the Transfer Obligation Account held by or on behalf of the Indenture Trustee and sufficient uninvested funds are not available to make such disbursement, the Indenture Trustee shall cause to be sold or otherwise converted to cash a sufficient amount of the investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be. The Indenture Trustee shall not be liable for any investment loss or other charge resulting therefrom, unless such loss or charge is caused by the failure of the Indenture Trustee to perform in accordance with written directions provided pursuant to this Section 5.03.

If any losses are realized in connection with any investment in the Collection Account, the Distribution Account or the Transfer Obligation Account pursuant to this Agreement during a period in which the Servicer has the right to direct investments pursuant to Section 5.03(b), then the Servicer shall deposit the amount of such losses (to the extent not offset by income from other investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be) into the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be, immediately upon the realization of such loss. All interest and any other investment earnings on amounts held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be taxed to the Issuer and for federal and state income tax purposes the Issuer shall be deemed to be the owner of the Collection Account, the Distribution Account and/or the Transfer Obligation Account, as the case may be.

(c) Subject to Section 6.01 of the Indenture, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in any Trust Account held by the Indenture Trustee resulting from any investment loss on any Permitted Investment included therein.

(d) With respect to the Trust Account Property, the Indenture Trustee acknowledges and agrees that:

(1) any Trust Account Property that is held in deposit accounts shall be held solely in the Eligible Accounts, subject to the last sentence of Subsection (a) of this Section 5.03; and each such Eligible Account shall be subject to the sole and exclusive dominion, custody and control of the Indenture Trustee; and, without limitation on the foregoing, the Indenture Trustee shall have sole signature authority with respect thereto;

(2) any Trust Account Property that constitutes Physical Property shall be delivered to the Indenture Trustee in accordance with paragraphs (a) and (b) of the definition of "Delivery" in Section 1.01 hereof and shall be held, pending maturity or disposition, solely by the Indenture

Trustee or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Indenture Trustee;

(3) any Trust Account Property that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations shall be delivered in accordance with paragraph (c) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued book-entry registration of such Trust Account Property as described in such paragraph; and

(4) any Trust Account Property that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (3) above shall be delivered to the Indenture Trustee in accordance with paragraph (d) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued registration of the Indenture Trustee's (or its nominee's) ownership of such security.

Section 5.04 Advance Account.

(a) The Servicer shall cause to be established and maintained in its name, an Advance Account (the "Advance Account"), which need not be a segregated account. The Advance Account shall be maintained with any financial institution the Servicer elects.

(b) Deposits and Withdrawals. Amounts in respect of the transfer of Additional Note Principal Balances purchased on Transfer Dates related to Loans and Residual Securities shall be deposited in and withdrawn from the Advance Account as provided in Sections 2.01 (c) and 2.06 hereof and Section 3.01 of the Note Purchase Agreement.

Section 5.05 Transfer Obligation Account.

(a) The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained in the name of the Indenture Trustee a Transfer Obligation Account (the "Transfer Obligation Account"), which shall be a separate Eligible Account and may be

interest-bearing, entitled "Option One Owner Trust 2001-1B Transfer Obligation Account, Wells Fargo Bank, N.A., as Indenture Trustee, in trust for the Option One Owner Trust 2001-1B Mortgage-Backed Notes." The Indenture Trustee shall have no monitoring or calculation obligation with respect to withdrawals from the Transfer Obligation Account. Amounts in the Transfer Obligation Account shall be invested in accordance with Section 5.03.

(b) In accordance with Section 5.06, the Loan Originator shall deposit into the Transfer Obligation Account any amounts as may be required thereby.

(c) On each Payment Date, the Paying Agent will deposit in the Transfer Obligation Account any amounts required to be deposited therein pursuant to Section 5.01(c)(3)(vii).

(d) On the date of each Disposition, the Paying Agent shall withdraw from the Transfer Obligation Account such amount on deposit therein in respect of the payment of Transfer Obligations as may be requested by the Disposition Agent in writing to effect such Disposition.

(e) On each Payment Date, the Paying Agent shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account and (y) the Interest Carry-Forward Amount as of such date.

(f) If with respect to any Business Day there exists an Overcollateralization Shortfall, the Paying Agent, upon the written direction of

the Initial Noteholder, shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Business Day the lesser of (x) the amount then on deposit in the Transfer Obligation Account and (y) the amount of such Overcollateralization Shortfall as of such date.

(g) If with respect to any Payment Date there shall exist a Hedge Funding Requirement, the Paying Agent, upon the written direction of the Servicer or the Initial Noteholder, shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on the Business Day prior to such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account (after making all other required withdrawals therefrom with respect to such Payment Date) and (y) the amount of such Hedge Funding Requirement as of such date.

(h) In the event of the occurrence of an Event of Default under the Indenture, the Paying Agent shall withdraw all remaining funds from the Transfer Obligation Account and apply such funds in satisfaction of the Notes as provided in Section 5.04(b) of the Indenture.

(i) The Paying Agent shall return to the Loan Originator all amounts on deposit in the Transfer Obligation Account (after making all other withdrawals pursuant to this Section 5.05) until the Majority Noteholders provide written notice to the Indenture Trustee (with a copy to the Loan Originator and the Servicer) of the occurrence of a default or event of default (however defined) under any Basic Document with respect to the Issuer, the Depositor, the Loan Originator or any of their Affiliates and (ii) upon the date of the termination of this

Agreement pursuant to Article X, the Paying Agent shall withdraw any remaining amounts from the Transfer Obligation Account and remit all such amounts to the Loan Originator.

Section 5.06 Transfer Obligation.

(a) In consideration of the transactions contemplated by the Basic Documents, the Loan Originator agrees and covenants with the Depositor that:

(i) In connection with each Disposition it shall fund, or cause to be funded, reserve funds, pay credit enhancer fees, pay, or cause to be paid, underwriting fees, fund any difference between the cash Disposition Proceeds and the aggregate Note Principal Balance at the time of such Disposition, and make, or cause to be made, such other payments as may be, in the reasonable opinion of the Disposition Agent, commercially reasonably necessary to effect Dispositions, in each case to the extent that Disposition Proceeds are insufficient to pay such amounts;

(ii) In connection with Hedging Instruments, on the Business Day prior to each Payment Date, it shall deliver to the Servicer for deposit into the Transfer Obligation Account any Hedge Funding Requirement (to the extent amounts available on the related Payment Date pursuant to Section 5.01 are insufficient to make such payment), when, as and if due to any Hedging Counterparty;

(iii) if any Interest Carry-Forward Amount shall occur, it shall deposit into the Transfer Obligation Account any such Interest Carry-Forward Amount on or before the Business Day preceding such related Payment Date;

(iv) If on any Business Day there exists an Overcollateralization Shortfall, upon the written direction of the Initial Noteholder, it shall on such Business Day deposit into the Transfer Obligation Account the full amount of the Overcollateralization Shortfall as of such date, provided, that in the event that notice of such Overcollateralization Shortfall is provided to the Loan Originator after 3:00 p.m. New York City time, the Loan Originator shall make such deposit on the following Business Day; and

(v) Notwithstanding anything to the contrary herein, in the event of the occurrence of an Event of Default under the Indenture, the Loan Originator shall promptly deposit into the Transfer Obligation Account the entire amount of the Unfunded Transfer Obligation;

provided, that notwithstanding anything to the contrary contained herein, the Loan Originator's cumulative payments under or in respect of the Transfer Obligations (after subtracting therefrom any amounts returned to the Loan Originator pursuant to Section 5.05(i)(i)) together with the Servicer's payments in respect of any Servicer Puts shall not in the aggregate exceed the Unfunded Transfer Obligation.

(b) The Loan Originator agrees that the Noteholders, as ultimate assignee of the rights of the Depositor under this Agreement and the other Basic Documents, may enforce the rights of the Depositor directly against the Loan Originator.

ARTICLE VI

STATEMENTS AND REPORTS; SPECIFICATION OF TAX MATTERS

Section 6.01 Statements.

(a) No later than 12 noon (New York City time) on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Initial Noteholder by electronic transmission, the receipt and legibility of which shall be confirmed by telephone, and with hard copy thereof to be delivered no later than one (1) Business Day after such Remittance Date, the Servicer's Remittance Report, setting forth the date of such Report (day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2001-1B"), and the date of this Agreement, all in substantially the form set out in Exhibit B hereto. Furthermore, on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Initial Noteholder a data file providing, with respect to each Loan in the Loan Pool as of the last day of the related Remittance Period (i) if such Loan is an ARM, the current Loan Interest Rate; (ii) the Principal Balance with respect to such Loan; (iii) the date of the last Monthly Payment paid in full; and (iv) such other information as may be reasonably requested by the Initial Noteholder and the Indenture Trustee. In addition, no later than 12:00 noon (New York City time) on the 15th day of each calendar month (or if such day is not a Business Day, the preceding Business Day), the Custodian shall prepare and provide to the Servicer and the Indenture Trustee by facsimile, the Custodian Fee Notice for the Payment Date falling in such calendar month.

(b) No later than 12 noon (New York City time) on each Remittance Date, the Servicer shall prepare (or cause to be prepared) and provide to the Indenture Trustee electronically or via fax, receipt confirmed by telephone, the Initial Noteholder and each Noteholder, a statement (the "Payment Statement"), stating each date and amount of a purchase of Additional Note Principal Balance (day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2001-1B"), the date of this Agreement and the following information:

(1) the aggregate amount of collections in respect of principal of the Loans received by the Servicer during the preceding Remittance Period;

(2) the aggregate amount of collections in respect of interest on the Loans received by the Servicer during the preceding Remittance Period;

(3) all Mortgage Insurance Proceeds received by the Servicer during the preceding Remittance Period and not required to be applied to restoration or repair of the related Mortgaged Property or returned to the Borrower under applicable law or pursuant to the terms of the applicable Mortgage Insurance Policy;

(4) all Net Liquidation Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(5) all Released Mortgaged Property Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(6) the aggregate amount of all Servicing Advances made by the Servicer during the preceding Remittance Period;

(7) the aggregate of all amounts deposited into the Distribution Account in respect of the repurchase of Unqualified Loans and the repurchase of Loans pursuant to Section 2.05 hereof during the preceding Remittance Period;

(8) the aggregate Principal Balance of all Loans for which a Servicer Call was exercised during the preceding Remittance Period;

(9) the aggregate Principal Balance of all Loans for which a Servicer Put was exercised during the preceding Remittance Period;

(10) the aggregate amount of all payments received under Hedging Instruments during the preceding Remittance Period;

(11) the aggregate amount of all withdrawals from the Distribution Account pursuant to Section 5.01(c)(1)(i) hereof during the preceding Remittance Period;

(12) the aggregate amount of cash Disposition Proceeds received during the preceding Remittance Period;

(13) withdrawals from the Collection Account in respect of the Servicing Advance Reimbursement Amount with respect to the related Payment Date;

(14) [reserved];

(15) the number and aggregate Principal Balance of all Loans that are (i) 30-59 days Delinquent, (ii) 60- 89 days Delinquent, (iii) 90 or more days Delinquent as of the end of the related Remittance Period;

(16) the aggregate amount of Liquidated Loan Losses incurred (i) during the preceding Remittance Period, and (ii) during the preceding three Remittance Periods;

(17) the aggregate of the Principal Balances of all Loans in the Loan Pool as of the end of the related Remittance Period;

(18) the aggregate amount of all deposits into the Distribution Account from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g), and 5.05(h) on the related Payment Date;

(19) the aggregate amount of distributions in respect of Servicing Compensation to the Servicer, and unpaid Servicing Compensation from prior Payment Dates for the related Payment Date;

(20) the aggregate amount of distributions in respect of Indenture Trustee Fees and unpaid Indenture Trustee Fees from prior Payment Dates for the related Payment Date;

(21) the aggregate amount of distributions in respect of the Custodian Fee and unpaid Custodian Fees from prior Payment Dates for the related Payment Date;

(22) the aggregate amount of distributions in respect of the Owner Trustee Fees and unpaid Owner Trustee Fees from prior Payment Dates and for the related Payment Date;

(23) the Unfunded Transfer Obligation and Overcollateralization Shortfall on such Payment Date for the related Payment Date;

(24) the aggregate amount of distributions to the Transfer Obligation Account for the related Payment Date;

(25) the aggregate amount of distributions in respect of Trust/Depositor Indemnities for the related Payment Date;

(26) the aggregate amount of distributions to the holders of the Trust Certificates for the related Payment Date;

(27) the Note Principal Balance of the Notes as of the last day of the related Remittance Period (without taking into account any Additional Note Principal Balance between the last day of such Remittance Period and the related Payment Date) before and after giving effect to distributions made to the holders of the Notes for such Payment Date;

(28) the Pool Principal Balance as of the end of the preceding Remittance Period; and

(29) whether a Performance Trigger or a Rapid Amortization Trigger shall exist with respect to such Payment Date.

Such Payment Statement shall also be provided on the Remittance Date to the Initial Noteholder and Indenture Trustee in the form of a data file in a form mutually agreed to by and between the Initial Noteholder, the Indenture Trustee and the Servicer. The Indenture Trustee shall have no duty to monitor the occurrence of a Performance Trigger, Rapid Amortization Trigger or any events resulting in withdrawals from the Transfer Obligation Account.

Section 6.02 Specification of Certain Tax Matters.

The Paying Agent shall comply with all requirements of the Code and applicable state and local law with respect to the withholding from any distributions made to any Securityholder of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith, giving due effect to any applicable exemptions from such withholding and effective certifications or forms provided by the recipient. Any amounts withheld pursuant to this Section 6.02 shall be deemed to have been distributed to the Securityholders, as the case may be, for all purposes of this Agreement. The Indenture Trustee shall have no responsibility for preparing or filing any tax returns.

Section 6.03 Valuation of Loans and Residual Securities, Hedge Value and Retained Securities Value; Market Value Agent.

(a) The Initial Noteholder hereby irrevocably appoints, and the Issuer hereby consents to the appointment of, the Market Value Agent as agent on behalf of the Noteholders to determine the Market Value of each Loan and Residual Security, the Hedge Value of each Hedging Instrument and the Retained Securities Value of all Retained Securities.

(b) Except as otherwise set forth in Section 3.07, the Market Value Agent shall determine the Market Value of each Loan and Residual Security, for the purposes of the Basic Documents, in its sole judgment, exercised in good faith. In determining the Market Value of each Loan and Residual Security, the Market Value Agent may consider any information that it may deem relevant and shall base such determination primarily on the lesser of its estimate of the

projected proceeds from such Loan's or Residual Security's inclusion in (i) a Securitization (inclusive of the projected Retained Securities Value of any Retained Securities to be issued in connection with such Securitization) and (ii) a Whole Loan Sale, in each case net of such Loan's ratable share of all costs and fees associated with such Disposition, including, without limitation, any costs of issuance, sale, underwriting and funding reserve accounts. The Market Value Agent's determination, in its sole judgment, of Market Value shall be conclusive and binding upon the parties hereto, absent manifest error (including without limitation, any error contemplated in Section 2.08).

(c) On each Business Day the Market Value Agent shall determine in its sole judgment, exercised in good faith, the Hedge Value of each Hedging Instrument as of such Business Day. In making such determination the Market Value Agent may rely exclusively on quotations provided by the Hedging Counterparty, by leading dealers in instruments similar to such Hedging Instrument, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

(d) On each Business Day, the Market Value Agent shall determine in its sole judgment, exercised in good faith, the Retained Securities Value of the Retained Securities, if any, expected to be issued pursuant to such Securitization as of the closing date of such Securitization. In making such determination the Market Value Agent may rely exclusively on quotations provided by leading dealers in instruments similar to such Retained Securities, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

ARTICLE VII

HEDGING; FINANCIAL COVENANTS

Section 7.01 Hedging Instruments.

(a) On each Transfer Date, the Trust shall enter into such Hedging Instruments as the Market Value Agent, on behalf of the Majority Noteholders, shall determine are necessary in order to hedge the interest rate risk with respect to the Collateral Value of the

Loans being purchased on such Transfer Date. The Market Value Agent shall determine, in its sole discretion, whether any Hedging Instrument conforms to the requirements of Section 7.01(b), (c) and (d).

(b) Each Hedging Instrument shall expressly provide that in the event of a Disposition or other removal of the Loan from the Trust, such portion of the Hedging Instrument shall terminate as the Disposition Agent deems appropriate to facilitate the hedging of the risks specified in Section 7.01(a). In the event that the Hedging Instrument is not otherwise terminated, it shall contain provisions that allow the position of the Trust to be assumed by an Affiliate of the Trust upon the liquidation of the Trust. The terms of the assignment documentation and the credit quality of the successor to the Trust shall be subject to the Hedging Counterparty's approval.

(c) Any Hedging Instrument that provides for any payment obligation on the part of the Issuer must (i) be without recourse to the assets of the Issuer, (ii) contain a non-petition covenant provision in the form of Section 11.13, (iii) limit payment dates thereunder to Payment Dates and (iv) contain a provision limiting any cash payments due on any day under such Hedging Instrument solely to funds available therefor in the Collection Account on such day pursuant to Section 5.01(c)(3)(ii) hereof and funds available therefor in the Transfer Obligation Account.

(d) Each Hedging Instrument must (i) provide for the direct payment of any amounts thereunder to the Collection Account pursuant to Section 5.01(b)(1)(x), (ii) contain an assignment of all of the Issuer's rights (but

none of its obligations) under such Hedging Instrument to the Indenture Trustee and shall include an express consent to the Hedging Counterparty to such assignment, (iii) provide that in the event of the occurrence of an Event of Default, such Hedging Instrument shall terminate upon the direction of the Majority Noteholders, (iv) prohibit the Hedging Counterparty from "setting-off" or "netting" other obligations of the Issuer or its Affiliates against such Hedging Counterparty's payment obligations thereunder, (v) provide that the appropriate portion of the Hedging Instrument will terminate upon the removal of the related Loans from the Trust Estate and (vi) have economic terms that are fixed and not subject to alteration after the date of assumption or execution.

(e) If agreed to by the Majority Noteholders, the Issuer may pledge its assets in order to secure its obligations in respect of Hedge Funding Requirements, provided that such right shall be limited solely to Hedging Instruments for which an Affiliate of the Initial Noteholder is a Hedging Counterparty.

(f) The aggregate notional amount of all Hedging Instruments shall not exceed the Note Principal Balance as of the date on which each Hedging Instrument is entered into by the Issuer and a Hedging Counterparty.

Section 7.02 Financial Covenants.

Each of the Loan Originator and the Servicer shall satisfy the Financial Covenants.

ARTICLE VIII

THE SERVICER

Section 8.01 Indemnification; Third Party Claims.

(a) The Servicer shall indemnify the Loan Originator, the Owner Trustee, the Trust, the Depositor, the Indenture Trustee and the Noteholders, their respective officers, directors, employees, agents and "control persons," as such term is used under the Act and under the Securities Exchange Act of 1934 as amended (each a "Servicer Indemnified Party") and hold harmless each of them against any and all claims, losses, damages, penalties, fines, forfeitures, reasonable legal fees and related costs, judgments, and other costs and expenses resulting from any claim, demand, defense or assertion based on or grounded upon, or resulting from, a breach of any of the Servicer's representations and warranties and covenants contained in this Agreement or in any way relating to the failure of the Servicer to perform its duties and service the Loans in compliance with the terms of this Agreement except to the extent such loss arises out of such Servicer Indemnified Party's gross negligence or willful misconduct; provided, however, that if the Servicer is not liable pursuant to the provisions of Section 8.01(b) hereof for its failure to perform its duties and service the Loans in compliance with the terms of this Agreement, then the provisions of this Section 8.01 shall have no force and effect with respect to such failure.

(b) None of the Loan Originator, the Depositor or the Servicer or any of their respective Affiliates, directors, officers, employees or agents shall be under any liability to the Owner Trustee, the Issuer, the Indenture Trustee or the Securityholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, directors, officers, employees, agents against the remedies provided herein for the breach of any warranties, representations or covenants made herein, or against any expense or liability specifically required to be borne by such party without right of reimbursement pursuant to the terms hereof, or against any expense or liability which would otherwise be imposed by reason of misfeasance, bad faith or negligence in the performance of the respective duties of the Servicer, the Depositor or the Loan Originator, as the case may be. The Loan

Originator, the Depositor, the Servicer and any of their respective Affiliates, directors, officers, employees, agents may rely in good faith on any document of any kind which, prima facie, is properly executed and submitted by any Person respecting any matters arising hereunder.

(c) The Loan Originator agrees to indemnify and hold harmless the Depositor and the Noteholders, as the ultimate assignees from the Depositor (each an "Originator Indemnified Party," together with the Servicer Indemnified Parties, the "Indemnified Parties"), from and against any loss, liability, expense, damage, claim or injury arising out of or based on (i) any breach of any representation, warranty or covenant of the Loan Originator, the Servicer or

their Affiliates, in any Basic Document, including, without limitation, the origination or prior servicing of the Loans by reason of any acts, omissions, or alleged acts or omissions arising out of activities of the Loan Originator, the Servicer or their Affiliates, and (ii) any untrue statement by the Loan Originator, the Servicer or its Affiliates of any material fact or any such Person's failure to state a material fact necessary to make such statements not misleading with respect to any such Person's statements contained in any Basic Document, including, without limitation, any Officer's Certificate, statement, report or other document or information prepared by any such Person and furnished or to be furnished by it pursuant to or in connection with the transactions contemplated thereby and not corrected prior to completion of the relevant transaction including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the Loans or any such Person's business, operations or financial condition, including reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim; provided that the Loan Originator shall not indemnify an Originator Indemnified Party to the extent such loss, liability, expense, damage or injury is due to either an Originator Indemnified Party's willful misfeasance, bad faith or negligence or by reason of an Originator Indemnified Party's reckless disregard of its obligations hereunder; provided, further, that the Loan Originator shall not be so required to indemnify an Originator Indemnified Party or to otherwise be liable to an Originator Indemnified Party for any losses in respect of the performance of the Loans or Residual Securities, the creditworthiness of the Borrowers under the Loans, changes in the market value of the Loans or Residual Securities or other similar investment risks associated with the Loans or Residual Securities arising from a breach of any representation or warranty set forth in Exhibit E hereto or Section 3 of the Residual Securities Transfer Agreement, as applicable, a remedy for the breach of which is provided in Section 3.06 hereof. The provisions of this indemnity shall run directly to and be enforceable by an Originator Indemnified Party subject to the limitations hereof.

(d) With respect to a claim subject to indemnity hereunder made by any Person against an Indemnified Party (a "Third Party Claim"), such Indemnified Party shall notify the related indemnifying parties (each an "Indemnifying Party") in writing of the Third Party Claim within a reasonable time after receipt by such Indemnified Party of written notice of the Third Party Claim unless the Indemnifying Parties shall have previously obtained actual knowledge thereof. Thereafter, the Indemnified Party shall deliver to the Indemnifying Parties, within a reasonable time after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim. No failure to give such notice or deliver such documents shall effect the rights to indemnity hereunder. Each Indemnifying Party shall promptly notify the Indenture Trustee and the Indemnified Party (if other than the Indenture Trustee) of any claim of which it has been notified and shall promptly notify the Indenture Trustee and the Indemnified Party (if applicable) of its intended course of action with respect to any claim.

(e) If a Third Party Claim is made against an Indemnified Party, while maintaining control over its own defense, the Indemnified Party shall cooperate and consult fully with the Indemnifying Party in preparing such

defense, and the Indemnified Party may defend the same in such manner as it may deem appropriate, including settling such claim or litigation after giving notice to the Indemnifying Party of such terms and the Indemnifying Party will promptly reimburse the Indemnified Party upon written request; provided, however, that the

Indemnified Party may not settle any claim or litigation without the consent of the Indemnifying Party; provided, further, that the Indemnifying Party shall have the right to reject the selection of counsel by the Indemnified Party if the Indemnifying Party reasonably determines that such counsel is inappropriate in light of the nature of the claim or litigation and shall have the right to assume the defense of such claim or litigation if the Indemnifying Party determines that the manner of defense of such claim or litigation is unreasonable.

Section 8.02 Merger or Consolidation of the Servicer.

The Servicer shall keep in full effect its existence, rights and franchises as a corporation, and will obtain and preserve its qualification to do business as a foreign corporation and maintain such other licenses and permits in each jurisdiction necessary to protect the validity and enforceability of each Basic Document to which it is a party and each of the Loans and to perform its duties under each Basic Document to which it is a party; provided, however, that the Servicer may merge or consolidate with any other corporation upon the satisfaction of the conditions set forth in the following paragraph.

Any Person into which the Servicer may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Servicer shall be a party, or any Person succeeding to the business of the Servicer, shall be an Eligible Servicer and shall be the successor of the Servicer, as applicable hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. The Servicer shall send notice of any such merger, conversion, consolidation or succession to the Indenture Trustee and the issuer.

Section 8.03 Limitation on Liability of the Servicer and Others.

The Servicer and any director, officer, employee or agent of the Servicer may rely on any document of any kind which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper authorities respecting any matters arising hereunder. Subject to the terms of Section 8.01 hereof, the Servicer shall have no obligation to appear with respect to, prosecute or defend any legal action which is not incidental to the Servicer's duty to service the Loans in accordance with this Agreement.

Section 8.04 Servicer Not to Resign; Assignment.

The Servicer shall not resign from the obligations and duties hereby imposed on it except (a) with the consent of the Majority Noteholders or (b) upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination pursuant to clause (b) of the preceding sentence permitting the resignation of the Servicer shall be evidenced by an Independent opinion of counsel to such effect delivered (at the expense of the Servicer) to the Indenture Trustee and the Majority Noteholders. No resignation of the Servicer shall become effective until a successor servicer, appointed pursuant to the provisions of Section 9.02 hereof shall have assumed the Servicer's responsibilities, duties, liabilities (other than those liabilities arising prior to the appointment of such successor) and obligations under this Agreement.

Except as expressly provided herein, the Servicer shall not assign or transfer any of its rights, benefits or privileges hereunder to any other Person, or delegate to or subcontract with, or

authorize or appoint any other Person to perform any of the duties, covenants or obligations to be performed by the Servicer hereunder and any agreement, instrument or act purporting to effect any such assignment, transfer, delegation or appointment shall be void.

The Servicer agrees to cooperate with any successor Servicer in effecting the transfer of the Servicer's servicing responsibilities and rights hereunder pursuant to the first paragraph of this Section 8.04, including, without limitation, the transfer to such successor of all relevant records and documents (including any Loan Files in the possession of the Servicer) and all amounts received with respect to the Loans and not otherwise permitted to be retained by the Servicer pursuant to this Agreement. In addition, the Servicer, at its sole cost and expense, shall prepare, execute and deliver any and all documents and instruments to the successor Servicer including all Loan Files in its possession and do or accomplish all other acts necessary or appropriate to effect such termination and transfer of servicing responsibilities.

Section 8.05 Relationship of Servicer to Issuer and the Indenture Trustee.

The relationship of the Servicer (and of any successor to the Servicer as servicer under this Agreement) to the Issuer, the Owner Trustee and the Indenture Trustee under this Agreement is intended by the parties hereto to be that of an independent contractor and not of a joint venturer, agent or partner of the issuer, the Owner Trustee or the Indenture Trustee.

Section 8.06 Servicer May Own Securities.

Each of the Servicer and any Affiliate of the Servicer may in its individual or any other capacity become the owner or pledgee of Securities with the same rights as it would have if it were not the Servicer or an Affiliate thereof except as otherwise specifically provided herein; provided, however, that at any time that Option One or any of its Affiliates is the Servicer, neither the Servicer nor any of its Affiliates (other than an Affiliate which is a corporation whose purpose is limited to holding securities and related activities and which cannot incur recourse debt) may be a Noteholder. Securities so owned by or pledged to the Servicer or such Affiliate shall have an equal and proportionate benefit under the provisions of this Agreement, without preference, priority, or distinction as among all of the Securities; provided, however, that any Securities owned by the Servicer or any Affiliate thereof, during the time such Securities are owned by them, shall be without voting rights for any purpose set forth in this Agreement unless the Servicer or such Affiliate owns all outstanding Securities of the related class. The Servicer shall notify the Indenture Trustee promptly after it or any of its Affiliates becomes the owner or pledgee of a Security.

Section 8.07 Indemnification of the Indenture Trustee and Initial Noteholder.

The Servicer agrees to indemnify the Indenture Trustee and its employees, officers, directors and agents, and reimburse its reasonable out-of-pocket expenses in accordance with Section 6.07 of the Indenture as if it was a signatory thereto. The Servicer agrees to indemnify the Initial Noteholder in accordance with Section 9.01 of the Note Purchase Agreement as if it were signatory thereto.

ARTICLE IX

SERVICER EVENTS OF DEFAULT

Section 9.01 Servicer Events of Default.

(a) In case one or more of the following Servicer Events of Default

shall occur and be continuing, that is to say:

(1) any failure by Servicer to deposit into the Collection Account or the Distribution Account or any failure by Servicer to make any of the required payments therefrom; or

(2) any failure on the part of the Servicer duly to observe or perform in any material respect any other of the material covenants or agreements on the part of the Servicer, contained in any Basic Document to which it is a party, which continues unremedied for a period of 30 days (or, in the case of payment of insurance premiums, for a period of 15 days) after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by Holders of 25% of the Percentage Interests of the Notes or the Trust Certificates; or

(3) any breach on the part of the Servicer of any representation or warranty contained in any Basic Document to which it is a party that materially and adversely affects the interests of any of the parties hereto or any Securityholder and which continues unremedied for a period of 30 days after the date on which notice of such breach, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by the Initial Noteholder or Holders of 25% of the Percentage Interests (as defined in the Indenture) of the Notes; or

(4) there shall have been commenced before a court or agency or supervisory authority having jurisdiction in the premises an involuntary proceeding against the Servicer under any present or future federal or state bankruptcy, insolvency or similar law for the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, which action shall not have been dismissed for a period of 60 days; or

(5) the Servicer shall consent to the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to it or of or relating to all or substantially all of its property; or

(6) the Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy, insolvency or reorganization statute, make an assignment for the benefit of its creditors, voluntarily suspend payment of its obligations, or take any corporate action in furtherance of the foregoing; or

(7) Reserved; or

(8) the Servicer or the Loan Originator fails to comply with any of its financial covenants set forth in Section 7.02; or

(9) a Change of Control of the Servicer; or

(10) so long as the Servicer or the Loan Originator is an Affiliate of either of the Depositor or the Issuer and any "event of default' by any such party occurs under any of the Basic Documents.

(b) Then, and in each and every such case, so long as a Servicer Event of Default shall not have been remedied, the Indenture Trustee or the Majority Noteholders, by notice in writing to the Servicer may, in addition to whatever rights such Person may have at law or in equity to damages, including injunctive relief and specific performance, may terminate all the rights and obligations of the Servicer under this Agreement and in and to the Loans and the proceeds thereof, as servicer under this Agreement. Upon receipt by the Servicer

of such written notice, all authority and power of the Servicer under this Agreement, whether with respect to the Loans or otherwise, shall, subject to Section 9.02 hereof, pass to and be vested in a successor servicer, and the successor servicer is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments and do or cause to be done all other acts or things necessary or appropriate to effect the purposes of such notice of termination, including, but not limited to, the transfer and endorsement or assignment of the Loans and related documents. The Servicer agrees to cooperate with the successor servicer in effecting the termination of the Servicer's responsibilities and rights hereunder, including, without limitation, the transfer to the successor servicer for administration by it of all amounts which shall at the time be credited by the Servicer to each Collection Account or thereafter received with respect to the Loans.

(c) Upon the occurrence of (i) an Event of Default or Default under any of the Basic Documents, (ii) a Servicer Event of Default under this Agreement, (iii) a Rapid Amortization Trigger or (iv) a determination, reasonably made by the Initial Noteholder, that an event has occurred that shall materially impair the ability of the Servicer to service and administer the Loans in accordance with the terms and provisions set forth in the Servicing Addendum (each, a "Term Event"), the Servicer's right to service the Loans pursuant to the terms of this Agreement shall be in effect for an initial period commencing on the date on which such Term Event occurred and shall automatically terminate at 5:00 p.m. (New York City time), on the last business day of the calendar month in which such Term Event occurred (the "Initial Term"). Thereafter, the Initial Term shall be extendible in the sole discretion of the Initial Noteholder by written notice (each, a "Servicer Extension Notice") of the Initial Noteholder for successive one-month terms (each such term ending at 5:00 p.m. (New York City time), on the last business day of the related month). Following a Term Event, the Servicer hereby agrees that the Servicer shall be bound for the duration of the Initial Term and the term covered by any such Servicer Extension Notice to act as the Servicer pursuant to this Agreement. Following a Term Event, the Servicer agrees that if, as of 3:00 p.m. (New York City time) on the last business day of any month, the Servicer shall not have received a Servicer Extension Notice from the Initial Noteholder, the Servicer shall give written notice of such non-receipt to the Initial Noteholder by

4:00 p.m. (New York City time). Following a Term Event, the failure of the Initial Noteholder to deliver a Servicer Extension Notice by 5:00 p.m. (New York City time) shall result in the automatic and immediate termination of the Servicer (the "Termination Date"). Notwithstanding these time frames, the Servicer and the Initial Noteholder shall comply with all applicable laws in connection with such transfer and the Servicer shall continue to service the Loans until completion of such transfer.

Section 9.02 Appointment of Successor.

On and after the date the Servicer receives a notice of termination pursuant to Section 9.01 hereof or is automatically terminated pursuant to Section 9.01 (c) hereof, or the Owner Trustee receives the resignation of the Servicer evidenced by an Opinion of Counsel or accompanied by the consents required by Section 8.04 hereof, or the Servicer is removed as servicer pursuant to this Article IX or Section 4.01 of the Servicing Addendum, then, the Majority Noteholders shall appoint a successor servicer to be the successor in all respects to the Servicer in its capacity as Servicer under this Agreement and the transactions set forth or provided for herein and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof; provided, however, that the successor servicer shall not be liable for any actions of any servicer prior to it.

The successor servicer shall be obligated to make Servicing Advances hereunder. As compensation therefor, the successor servicer appointed pursuant to the following paragraph, shall be entitled to all funds relating to the Loans

which the Servicer would have been entitled to receive from the Collection Account pursuant to Section 5.01 hereof as if the Servicer had continued to act as servicer hereunder, together with other Servicing Compensation in the form of assumption fees, late payment charges or otherwise as provided in Section 4.15 of the Servicing Addendum. The Servicer shall not be entitled to any termination fee if it is terminated pursuant to Section 9.01 hereof but shall be entitled to any accrued and unpaid Servicing Compensation to the date of termination.

Any collections received by the Servicer after removal or resignation shall be endorsed by it to the Indenture Trustee and remitted directly to the successor servicer. The compensation of any successor servicer appointed shall be the Servicing Fee, together with other Servicing Compensation provided for herein. The Indenture Trustee, the Issuer, any Custodian, the Servicer and any such successor servicer shall take such action, consistent with this Agreement, as shall be reasonably necessary to effect any such succession. Any costs or expenses incurred by the Indenture Trustee in connection with the termination of the Servicer and the succession of a successor servicer shall be an expense of the outgoing Servicer and, to the extent not paid thereby, an expense of such successor servicer. The Servicer agrees to cooperate with the Indenture Trustee and any successor servicer in effecting the termination of the Servicer's servicing responsibilities and rights hereunder and shall promptly provide the successor servicer all documents and records reasonably requested by it to enable it to assume the Servicer's functions hereunder and shall promptly also transfer to the successor servicer all amounts which then have been or should have been deposited in any Trust Account maintained by the Servicer or which are thereafter received with respect to the Loans. Upon the occurrence of an Event of Default, the Majority Noteholders shall have the right to order the Servicer's Loan Files and all other files of the Servicer relating to the Loans and all other records of the Servicer and all

documents relating to the Loans which are then or may thereafter come into the possession of the Servicer or any third parry acting for the Servicer to be delivered to such custodian or servicer as it selects and the Servicer shall deliver to such custodian or servicer such assignments as the Majority Noteholders shall request. No successor servicer shall be held liable by reason of any failure to make, or any delay in making, any distribution hereunder or any portion thereof caused by (i) the failure of the Servicer to deliver, or any delay in delivering, cash, documents or records to it or (ii) restrictions imposed by any regulatory authority having jurisdiction over the Servicer hereunder. No appointment of a successor to the Servicer hereunder shall be effective until written notice of such proposed appointment shall have been provided to the Initial Noteholder, the Indenture Trustee, the Issuer and the Depositor, the Majority Noteholders and the Issuer shall have consented in writing thereto.

In connection with such appointment and assumption, the Majority Noteholder may make such arrangements for the compensation of such successor servicer out of payments on the Loans as they and such successor servicer shall agree.

Section 9.03 Waiver of Defaults.

The Majority Noteholders may waive any events permitting removal of the Servicer as servicer pursuant to this Article IX. Upon any waiver of a past default, such default shall cease to exist and any Servicer Event of Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto except to the extent expressly so waived.

Section 9.04 Accounting Upon Termination of Servicer.

Upon termination of the Servicer under this Article IX, the Servicer shall, at its own expense:

(a) deliver to its successor or, if none shall yet have been

appointed, to the Indenture Trustee the funds in any Trust Account maintained by the Servicer;

(b) deliver to its successor or, if none shall yet have been appointed, to the Custodian all Loan Files and related documents and statements held by it hereunder and a Loan portfolio computer tape;

(c) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee and to the Issuer and the Securityholders a full accounting of all funds, including a statement showing the Monthly Payments collected by it and a statement of monies held in trust by it for payments or charges with respect to the Loans; and

(d) execute and deliver such instruments and perform all acts reasonably requested in order to effect the orderly and efficient transfer of servicing of the Loans to its successor and to more fully and definitively vest in such successor all rights, powers, duties, responsibilities, obligations and liabilities of the Servicer under this Agreement.

ARTICLE X

TERMINATION; PUT OPTION

Section 10.01 Termination.

(a) This Agreement shall terminate upon either: (A) the later of (i) the satisfaction and discharge of the Indenture and the provisions thereof and payment to the Noteholders of all amounts due and owing in accordance with the provisions hereof or (ii) the disposition of all funds with respect to the last Loan and Residual Security and the remittance of all funds due hereunder and the payment of all amounts due and payable, including, in both cases, without limitation, indemnification payments payable pursuant to any Basic Document to the Indenture Trustee, the Owner Trustee, the Issuer, the Servicer and the Custodian, written notice of the occurrence of either of which shall be provided to the Indenture Trustee by the Servicer; or (B) the mutual consent of the Servicer, the Depositor and all Securityholders in writing and delivered to the Indenture Trustee by the Servicer.

(b) The Securities shall be subject to an early redemption or termination at the option of the Servicer and the Majority Noteholders in the manner and subject to the provisions of Section 10.02 and 10.04 of this Agreement.

(c) Except as provided in this Article X, none of the Depositor, the Servicer nor any Certificateholder or Noteholder shall be entitled to revoke or terminate the Trust.

Section 10.02 Optional Termination.

(a) The Servicer may, at its option, effect an early termination of the Trust on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans, the Residual Securities and the Advance Note at a purchase price, payable in cash, equal to or greater than the Termination Price. The expense of any Independent appraiser required in connection with the calculation and payment of the Termination Price under this Section 10.02 shall be a nonreimbursable expense of the Servicer.

Any such early termination by the Servicer shall be accomplished by depositing into the Collection Account on the third Business Day prior to the Payment Date on which the purchase is to occur the amount of the Termination Price to be paid. The Termination Price and any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c) (1) hereof) shall be deposited in the Distribution Account and distributed by the Indenture Trustee pursuant to Section 5.01(c)(3) of this

Agreement and Section 9.1 of the Trust Agreement on the next succeeding Payment Date; and any amounts received with respect to the Loans, the Residual Securities and Foreclosure Properties subsequent to the final Payment Date shall belong to the purchaser thereof.

Section 10.03 Notice of Termination.

Notice of termination of this Agreement or of early redemption and termination of the Issuer pursuant to Section 10.01 shall be sent by the Indenture Trustee to the Noteholders in accordance with Section 10.02 of the Indenture.

Section 10.04 Put Option.

The Majority Noteholders may, at their option, effect a put of the entire outstanding Note Principal Balance, or any portion thereof, to the Trust on any date by exercise of the Put Option. The Majority Noteholders shall effect such put by providing notice thereof in accordance with Section 10.05 of the Indenture.

Unless otherwise agreed by the Majority Noteholders, on the third Business Day prior to the Put Date, the Issuer shall deposit the Note Redemption Amount into the Distribution Account and, if the Put Date occurs after the termination of the Revolving Period and constitutes a put of the entire outstanding Note Principal Balance, any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c)(1) hereof) shall be deposited in the Distribution Account and distributed by the Paying Agent pursuant to section 5.01 (c) (3) of this Agreement on the Put Date; and any amounts received with respect to the Loans, Residual Securities and Foreclosure Properties subsequent to the Put Date shall belong to the Issuer.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.01 Acts of Securityholders.

Except as otherwise specifically provided herein and except with respect to Section 11.02(b), whenever action, consent or approval of the Securityholders is required under this Agreement, such action, consent or approval shall be deemed to have been taken or given on behalf of, and shall be binding upon, all Securityholders if the Majority Noteholders agree to take such action or give such consent or approval.

Section 11.02 Amendment.

(a) This Agreement may be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement with notice thereof to the Securityholders, without the consent of any of the Securityholders, to cure any error or ambiguity, to correct or supplement any provisions hereof which may be defective or inconsistent with any other provisions hereof or to add any other provisions with respect to matters or questions arising under this Agreement; provided, however, that such action will not adversely affect in any material respect the interests of the Securityholders, as evidenced by an Opinion of Counsel to such effect provided at the expense of the party requesting such Amendment.

(b) This Agreement may also be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement, with the prior written consent of the Majority Noteholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, or of modifying

in any manner the rights of the Securityholders; provided, however, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, collections of payments on Loans or Residual Securities or distributions which are required to be made on any Security, without the consent of the holders of 100% of the Securities, (ii) adversely affect in any material respect the interests of any of the holders of the Securities in any manner other than as described in clause (i), without the consent of the holders of 100% of the Securities, or (iii) reduce the percentage of the Securities, the consent of which is required for any such amendment, without the consent of the holders of 100% of the Securities.

(c) It shall not be necessary for the consent of Securityholders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the execution of any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment which affects the Issuer's own rights, duties or immunities of the Issuer or the Indenture Trustee, as the case may be, under this Agreement.

Section 11.03 Recordation of Agreement.

To the extent permitted by applicable law, this Agreement, or a memorandum thereof if permitted under applicable law, is subject to recordation in all appropriate public offices for real property records in all of the counties or other comparable jurisdictions in which any or all of the Mortgaged Property is situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Servicer at the Securityholders' expense on direction of the Majority Noteholders but only when accompanied by an Opinion of Counsel to the effect that such recordation materially and beneficially affects the interests of the Securityholders or is necessary for the administration or servicing of the Loans.

Section 11.04 Duration of Agreement.

This Agreement shall continue in existence and effect until terminated as herein provided.

Section 11.05 Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

Section 11.06 Notices.

All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered personally, mailed by overnight mail, certified mail or registered mail, postage prepaid, or (ii) transmitted by telecopy, upon telephone confirmation of receipt thereof, as follows: (1) in the case of the Depositor, to Option One Loan Warehouse Corporation, 3 Ada, Irvine, California 92618, or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Depositor; (2) in the case of the Trust, to Option One Owner Trust 2001-1B, c/o Wilmington Trust Company, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, telecopy number: (302) 651-8882, telephone number: (302) 651-1000, or such other address or telecopy or telephone numbers as may hereafter be furnished to the Noteholders and the other parties hereto in writing by the Trust; (3) in the case of the Loan Originator, to Option One Mortgage Corporation, 3 Ada, Irvine, California 92618, Attention:

William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Loan Originator; (4) in the case of the Servicer, to Option One Mortgage Corporation, 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Servicer; and (5) in the case of the Indenture Trustee, at the Corporate Trust Office, as defined in the Indenture, any such notices shall be deemed to be effective with respect to any party hereto upon the receipt of such notice or telephone confirmation thereof by such party, except; provided, that notices to the Securityholders shall be effective upon mailing or personal delivery.

Section 11.07 Severability of Provisions.

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

Section 11.08 No Partnership.

Nothing herein contained shall be deemed or construed to create any partnership or joint venture between the parties hereto and the services of the Servicer shall be rendered as an independent contractor.

Section 11.09 Counterparts.

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

Section 11.10 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the Servicer, the Loan Originator, the Depositor, the Indenture Trustee, the Issuer and the Securityholders and their respective successors and permitted assigns.

Section 11.11 Headings.

The headings of the various Sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

Section 11.12 Actions of Securityholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Depositor, the Servicer or the Issuer. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and conclusive in favor of the Depositor, the Servicer and the Issuer if made in the manner provided in this Section 11.12.

(b) The fact and date of the execution by any Securityholder of any such instrument or writing may be proved in any reasonable manner which the Depositor, the Servicer or the Issuer may deem sufficient.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Securityholder shall bind every holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, or omitted to be done, by the Depositor, the Servicer or the Issuer in reliance thereon, whether or not notation of such action is made upon such Security.

(d) The Depositor, the Servicer or the Issuer may require additional proof of any matter referred to in this Section 11.12 as it shall deem necessary.

Section 11.13 Non-Petition Agreement.

Notwithstanding any prior termination of any Basic Document, the Loan Originator, the Servicer, the Depositor and the Indenture Trustee each severally and not jointly covenants that it shall not, prior to the date which is one year and one day after the payment in full of the all of the Notes, acquiesce, petition or otherwise, directly or indirectly, invoke or cause the Trust or the Depositor to invoke the process of any governmental authority for the purpose of commencing or sustaining a case against the Issuer or Depositor under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or Depositor or any substantial part of their respective property or ordering the winding up or liquidation of the affairs of the Issuer or the Depositor.

Section 11.14 Holders of the Securities.

(a) Any sums to be distributed or otherwise paid hereunder or under this Agreement to the holders of the Securities shall be paid to such holders pro rata based on their Percentage Interests;

(b) Where any act or event hereunder is expressed to be subject to the consent or approval of the holders of the Securities, such consent or approval shall be capable of being given by the holder or holders evidencing in the aggregate not less than 51% of the Percentage Interests.

Section 11.15 Due Diligence Fees, Due Diligence.

The Loan Originator acknowledges that the Initial Noteholder has the right to perform continuing due diligence reviews with respect to the Loans, for purposes of verifying compliance with the representations, warranties and specifications made hereunder, or otherwise, and the Loan Originator agrees that upon reasonable prior notice (with no notice being required upon the occurrence of an Event of Default) to the Loan Originator, the Initial Noteholder, the Indenture Trustee and Custodian or its authorized representatives will be permitted during normal business hours to examine, inspect, and make copies and extracts of, the Loan Files and any and all documents, records, agreements, instruments or information relating to such Loans in the possession or under the control of the Servicer and the Indenture Trustee. The Loan Originator also shall make available to the Initial Noteholder a knowledgeable financial or accounting officer for the purpose of answering questions respecting the Loan Files and the Loans and the financial condition of the Loan Originator. Without limiting the generality of the foregoing, the Loan Originator acknowledges that the Initial Noteholder may purchase Notes based solely upon the information provided by the Loan Originator to the Initial Noteholder in the Loan Schedule and the representations, warranties and covenants contained herein, and that the Initial Noteholder, at its option, has the right at any time to conduct a partial or complete due diligence review on some or all of the Loans securing such purchase, including without limitation ordering new credit reports and new appraisals on the related Mortgaged Properties and otherwise re-generating the information used to originate such Loan. The Initial Noteholder may underwrite such Loans itself or engage a mutually agreed upon third party underwriter to perform such underwriting. The Loan Originator agrees to cooperate with the

Initial Noteholder and any third party underwriter in connection with such underwriting, including, but not limited to, providing the Initial Noteholder and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such Loans in the possession, or under the control, of the Servicer. The Loan Originator further agrees that the Loan Originator shall reimburse the Initial Noteholder for any and all reasonable out-of-pocket costs and expenses incurred by the Initial Noteholder in connection with the Initial Noteholder's activities pursuant to this Section 11.15 hereof (the "Due Diligence Fees"). In addition to the obligations set forth in Section 11.17 of this Agreement, the Initial Noteholder agrees (on behalf of itself and its Affiliates, directors, officers, employees and representatives) to use reasonable precaution to keep confidential, in accordance with its customary procedures for handling confidential information and in accordance with safe and sound practices, and not to disclose to any third party, any non-public information supplied to it or otherwise obtained by it hereunder with respect to the Loan Originator or any of its Affiliates (including, but not limited to, the Loan

File); provided, however, that nothing herein shall prohibit the disclosure of any such information to the extent required by statute, rule, regulation or judicial process; provided, further that, unless specifically prohibited by applicable law or court order, the Initial Noteholder shall, prior to disclosure thereof, notify the Loan Originator of any request for disclosure of any such non-public information. The Initial Noteholder further agrees not to use any such non-public information for any purpose unrelated to this Agreement and that the Initial Noteholder shall not disclose such non-public information to any third party underwriter in connection with a potential Disposition without obtaining a written agreement from such third party underwriter to comply with the confidentiality provisions of this Section 11.15.

Section 11.16 No Reliance.

Each of the Loan Originator, the Depositor and the Issuer hereby acknowledges that it has not relied on the Initial Noteholder or any of its officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended, for any tax, accounting, legal or other professional advice in connection with the transactions contemplated by the Basic Documents, that each of the Loan Originator, the Depositor and the Issuer has retained and been advised by such tax, accounting, legal and other professionals as it has deemed necessary in connection with the transactions contemplated by the Basic Documents and that the Initial Noteholder makes no representation or warranty, and shall have no liability with respect to, the tax, accounting or legal treatment or implications relating to the transactions contemplated by the Basic Documents.

Section 11.17 Confidential Information.

In addition to the confidentiality requirements set forth in Section 11.15 of the Agreement, each Noteholder, as well as the Indenture Trustee and the Disposition Agent (each of said parties singularly referred to herein as a "Receiving Party" and collectively referred to herein as the "Receiving Parties"), agrees to hold and treat all Confidential Information (as defined below) in confidence and in accordance with this Section. Such Confidential Information will not, without the prior written consent of the Servicer and the Loan Originator, be disclosed or used by such Receiving Parties or its subsidiaries, Affiliates, directors, officers, members, employees, agents or controlling persons (collectively, the "Information Recipients") other than for the purpose of making a decision to purchase or sell Notes or taking any other permitted action under this Agreement and or any other Basic Document. Each Receiving Party agrees to disclose Confidential Information only to its Information Recipients who need to know it for the purpose of making a decision to purchase or sell Notes or the taking of any other permitted action under this Agreement and or any other Basic Document (including in connection with the servicing of the Loans and in connection with any servicing transfers) and who are informed by such Receiving Party of its confidential nature and who agree to

be bound by the terms of this Section 11.17. Disclosure that is not in violation of the Right to Financial Privacy Act, the Gramm-Leach-Bliley Act or other applicable law by such Receiving Party of any Confidential Information at the request of its outside auditors or governmental regulatory authorities in connection with an examination of a Receiving Party by any such authority shall not constitute a breach of its obligations under this Section 11.17 and shall not require the prior consent of the Servicer and the Loan Originator.

Each Receiving Party shall be responsible for any breach of this Section 11.17 by its Information Recipients. The Initial Noteholder may use Confidential Information for internal due diligence purposes in connection with its analysis of the transactions contemplated by the Basic Documents. The Disposition Agent may disclose Confidential Information to the Disposition Participants as required to effect Dispositions. This Section 11.17 shall terminate upon the occurrence of an Event of Default; provided, however, that such termination shall not relieve the Receiving Parties or their respective Information Recipients from the obligation to comply with the Gramm-Leach-Bliley Act or other applicable law with respect to their use or disclosure of Confidential Information following the occurrence of an Event of Default.

As used herein, "Confidential Information" means non-public personal information (as defined in the Gramm-Leach-Bliley Act and its enabling regulations issued by the Federal Trade Commission) regarding Borrowers. Confidential Information shall not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by a Receiving Party or any Information Recipients; (ii) was available to a Receiving Party on a non-confidential basis prior to its disclosure to Receiving Party by the Servicer or the Loan Originator; (iii) is required to be disclosed by a governmental authority or related governmental agencies or as otherwise required by law; (iv) becomes available to a Receiving Party on a non-confidential basis from a Person other than the Servicer or the Loan Originator who, to the best knowledge of such Receiving Party, is not otherwise bound by a confidentiality agreement with the Servicer or the Loan Originator and is not otherwise prohibited from transmitting the information to such Receiving Party.

Section 11.18 Conflicts.

Notwithstanding anything contained in the Basic Documents to the contrary, in the event of the conflict between the terms of this Agreement and any other Basic Document, the terms of this Agreement shall control.

Section 11.19 Limitation on Liability.

It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-1B, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Agreement or any other related documents.

Section 11.20 No Agency.

Nothing contained herein or in the Basic Documents shall be construed to create an agency or fiduciary relationship between the Initial Noteholder or the Majority Noteholders or any of their Affiliates and the Issuer, the Depositor, the Loan Originator or the Servicer. None of the Initial Noteholder, the Majority Noteholders or any of their Affiliates shall be liable for any acts or actions affected in connection with a disposition of Loans or Residual Securities, including without limitation, any Securitization pursuant to Section 3.06, any Loan Originator Put or Servicer Call pursuant to Section 3.07 hereof nor any Whole Loan Sale pursuant to Section 3.10 hereof.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the Issuer, the Depositor, the Servicer, the Indenture Trustee and the Loan Originator have caused their names to be signed by their respective officers thereunto duly authorized, as of the day and year first above written, to this Second Amended and Restated Sale and Servicing Agreement.

OPTION ONE OWNER TRUST 2001-1B,
By: Wilmington Trust Company
not in its individual capacity
but solely as Owner Trustee

By: /s/ Mary Kay Pupillo

Name: Mary Kay Pupillo
Title: Assistant Vice President

OPTION ONE LOAN WAREHOUSE
CORPORATION, as Depositor

By: /s/ C.R. Fulton

Name: Charles R. Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION,
as Loan Originator and Servicer

By: /s/ C.R. Fulton

Name: Charles R. Fulton
Title: Vice President

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

By: /s/ Darron C. Woodus

Name: Darron C. Woodus
Title: Assistant Vice President

EXHIBIT 10.56

==========

INDENTURE

between

OPTION ONE OWNER TRUST 2001-1B
as Issuer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
as Indenture Trustee

Dated as of April 1, 2001

OPTION ONE OWNER TRUST 2001-1B
MORTGAGE-BACKED NOTES

==========

TABLE OF CONTENTS

INDENTURE

INDENTURE dated as of April 1, 2001 (the "Indenture"), between OPTION ONE OWNER TRUST 2001-1B, a Delaware business trust, as Issuer (the "Issuer"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee (the "Indenture Trustee").

WITNESSETH THAT:

In consideration of the mutual covenants herein contained, the Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance of Notes, issuable as provided in this Indenture. All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders.

GRANTING CLAUSE

Subject to the terms of this Indenture, the Issuer hereby Grants on the Closing Date, to the Indenture Trustee, as Indenture Trustee for the benefit of the Noteholders, all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in and to: (i) such Loans as from time to time are subject to the Sale and Servicing Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments; (ix) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement and/or the Master Disposition Confirmation Agreement, and all proceeds of any of the foregoing, (x) all right, title and interest of the Issuer in and to the Sale and Servicing Agreement, including the Issuer's right to cause the Loan Originator to repurchase Loans from the Issuer under certain circumstances described therein), (xi) all right, title and interest of the Trust (but none of the obligations) in and to the Swap Agreement, (xii) all other Property of the Trust from time to time and (xiii) all present and future claims, demands, causes of action and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind and other forms of

obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Collateral").

The foregoing Grant is made in trust to secure the payment of principal of and interest on, and any other amounts owing in respect of, the Notes, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture.

The Indenture Trustee, as Indenture Trustee on behalf of the Noteholders, acknowledges such Grant, accepts the trusts hereunder and agrees to perform its duties required in this Indenture to the best of its ability to the end that the interests of the Noteholders may adequately and effectively be protected.

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. (a) Except as otherwise specified herein, the following terms have the respective meanings set forth below for all purposes of this Indenture.

"Act" has the meaning specified in Section 11.03(a) hereof.

"Additional Note Principal Balance" As defined in the Sale and Servicing Agreement.

"Administration Agreement" means the Administration Agreement dated as of April 1, 2001, between the Issuer and the Administrator.

"Administrator" means Option One Mortgage Corporation, or any successor Administrator under the Administration Agreement.

"Authorized Officer" means, with respect to the Issuer, any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Owner Trustee to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Authorized Officers delivered by the Administrator to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter).

"Basic Documents" As defined in the Sale and Servicing Agreement.

"Certificate of Trust" means the certificate of trust of the Issuer substantially in the form of Exhibit C to the Trust Agreement.

"Change of Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of outstanding shares of voting stock of the Loan Originator at any time if after giving effect to such acquisition (i) such Person or Persons owns twenty percent (20%) or more of such outstanding voting stock or (ii) H&R Block, Inc. does not own more than fifty percent (50%) of such outstanding shares of voting stock.

"Clean-up Call Date" As defined in the Sale and Servicing Agreement.

"Closing Date" means April 27, 2001.

"Collateral" has the meaning specified in the Granting Clause of this Indenture.

"Commission" means the Securities and Exchange Commission.

"Corporate Trust Office" means the principal office of the Indenture Trustee at which at any particular time its corporate trust business shall be administered, which office at date of execution of this Indenture is located, for note transfer purposes, at Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: Option One Owner Trust 2001-1B, telecopy number: (612) 667-6282, telephone number: (800) 344-5128, and for all other purposes, at 11000 Broken Land Parkway, Columbia, Maryland 21044, Attention: Option One Owner Trust 2001-1B, telecopy number: (410) 884-2372, telephone number: (410) 884-2000, or at such other address as the Indenture Trustee may designate from time to time by notice to the Noteholders and the Issuer, or the principal corporate trust office of any successor Indenture Trustee at the address designated by such successor Indenture Trustee by notice to the Noteholders and the Issuer.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Depositor" shall mean Option One Loan Warehouse Corporation, a Delaware corporation; in its capacity as depositor under the Sale and Servicing Agreement, or any successor in interest thereto.

"Depository Institution" means any depository institution or trust

company, including the Indenture Trustee, that (a) is incorporated under the laws of the United States of America or any State thereof, (b) is subject to supervision and examination by federal or state banking authorities and (c) has outstanding unsecured commercial paper or other short-term unsecured debt obligations that are rated at a rating to which the Majority Noteholders consent in writing.

"Event of Default" has the meaning specified in Section 5.01 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Executive Officer" means, with respect to (i) the Depositor, the Servicer, the Loan Originator or any Affiliate of any of them, the President, any Vice President or the Treasurer of such corporation; and with respect to any partnership, any general partner thereof, (ii) the Note Registrar,

any Responsible Officer of the Indenture Trustee, (iii) any other corporation, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Executive Vice President, any Vice President, the Secretary or the Treasurer of such entity and (iv) any partnership, any general partner thereof.

"Grant" means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, create and grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to this Indenture. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for principal and interest payments in respect of the Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Holder" means the Person in whose name a Note is registered on the Note Register.

"ICA Owner" means "beneficial owner" as such term is used in Section 3(c)(l) of the Investment Company Act of 1940, as amended (other than any persons who are excluded from such term or from the 100-beneficial owner test of Section 3(c)(l) by law or regulations adopted by the Securities and Exchange Commission.

"Indenture" means this Indenture and any amendments hereto.

"Indenture Trustee" means Wells Fargo Bank Minnesota, National Association, a national banking association, as Indenture Trustee under this Indenture, or any successor Indenture Trustee hereunder.

"Issuer" means Option One Owner Trust 2001-1B.

"Issuer Order" and "Issuer Request" mean a written order or request signed in the name of the Issuer by any one of its Authorized Officers and delivered to the Indenture Trustee.

"Loan Originator" means Option One Mortgage Corporation, a California corporation.

"Majority Certificateholders" As defined in the Sale and Servicing Agreement.

"Maturity Date" means, with respect to the Notes, 364 days after the commencement of the Revolving Period, provided that the Maturity Date shall

automatically be extended for an additional 364 days unless the Initial Noteholder notifies the Depositor and the Issuer in writing at least 180 days prior to the expiration of the initial 364 day period that it elects not to extend the Maturity Date for such additional 364 day period.

"Maximum Note Principal Balance" As defined in the Note Purchase Agreement.

"Note" means any Note authorized by and authenticated and delivered under this Indenture.

"Note Interest Rate" means for each Accrual Period, a per annum interest rate equal to One-Month LIBOR for the related LIBOR Determination Date plus the LIBOR Margin and the Additional LIBOR Margin for such Accrual Period.

"Note Principal Balance" As defined in the Sale and Servicing Agreement.

"Note Purchase Agreement" means the Note Purchase Agreement dated as of April 27, 2001, among the Issuer, the Depositor and Steamboat Funding Corporation.

"Note Redemption Amount" As defined in the Sale and Servicing Agreement.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 2.03 hereof.

"Noteholder" means the Person in whose name a Note is registered on the Note Register.

"Officer's Certificate" means a certificate signed by any Authorized Officer of the Issuer or the Administrator, under the circumstances described in, and otherwise complying with, the applicable requirements of Section 11.01 hereof, and delivered to the Indenture Trustee. Unless otherwise specified, any reference in this Indenture to an Officer's Certificate shall be to an Officer's Certificate of any Authorized Officer of the Issuer or the Administrator.

"Opinion of Counsel" means one or more written opinions of counsel who may, except as otherwise expressly provided in this Indenture, be an employee of or counsel to the Issuer, and which opinion or opinions shall be addressed to the Indenture Trustee, as Indenture Trustee, and shall comply with any applicable requirements of Section 11.01 hereof and shall be in form and substance satisfactory to the Initial Noteholder.

"Outstanding" means, with respect to any Note and as of the date of determination, any Note theretofore authenticated and delivered under this Indenture except:

(i) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(ii) Notes or portions thereof the payment for which money in the necessary amount has theretofore been deposited with the Indenture Trustee or any Paying Agent in trust for the Noteholders (provided, however, that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision for such notice satisfactory to the Indenture Trustee has been made); and

(iii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture unless proof satisfactory to the Indenture Trustee is

presented that any such Notes are held by a bona fide purchaser; provided, however, that in determining whether the Noteholders representing the requisite Percentage Interests of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any Basic Document, Notes owned by the Issuer, any other obligor upon the Notes, the Depositor or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Indenture Trustee actually knows to be owned in such manner shall be disregarded. Notes owned in such manner that have been pledged in good faith may be regarded as Outstanding if the pledgee certifies to the Indenture Trustee (y) that the pledgee has the right so to act with respect to such Notes and (z) that the pledgee is not the Issuer, any other obligor upon the Notes, the Depositor or any Affiliate of any of the foregoing Persons.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee under the Trust Agreement, or any successor Owner Trustee under the Trust Agreement.

"Paying Agent" means (unless the Paying Agent is the Servicer) a Person that meets the eligibility standards for the Indenture Trustee specified in Section 6.11 hereof and is authorized by the Issuer to make payments to and distributions from the Collection Account and the Distribution Account, including payment of principal of or interest on the Notes on behalf of the Issuer. The initial Paying Agent shall be the Servicer, provided that if the Servicer is terminated as Paying Agent for any reason, the Indenture Trustee shall be the Paying Agent until another Paying Agent is appointed by the Initial Noteholder pursuant to Section 8.04 herein. The Indenture Trustee shall be entitled to reasonable additional compensation for assuming the role of Paying Agent.

"Payment Date" As defined in the Sale and Servicing Agreement.

"Percentage Interest" means, with respect to any Note and as of any date of determination, the percentage equal to a fraction, the numerator of which is the principal balance of such Note as of such date of determination and the denominator of which is the Note Principal Balance.

"Person" As defined in the Sale and Servicing Agreement.

"Predecessor Note" means, with respect to any particular Note, every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purpose of this definition, any Note authenticated and delivered under Section 2.04 hereof in lieu of a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Record Date" As defined in the Sale and Servicing Agreement.

"Redemption Date" means in the case of a redemption of the Notes pursuant to Section 10.01 hereof, the Payment Date specified by the Servicer pursuant to such Section 10.01.

"Registered Holder" means the Person in the name of which a Note is registered on the Note Register on the applicable Record Date.

"Required Principal Payment" As defined in the Sale and Servicing Agreement.

"Revolving Period" As defined in the Sale and Servicing Agreement.

"Sale Agent" has the meaning assigned to such term in Section 5.11 hereof.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement dated as of April 1, 2001, among the Issuer, the Depositor, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders.

"Servicer" shall mean Option One Mortgage Corporation, in its capacity as servicer under the Sale and Servicing Agreement, and any successor servicer thereunder.

"State" means any one of the States of the United States of America or the District of Columbia.

"Swap Agreement" As defined in the Sale and Servicing Agreement.

"Swap Counterparty" As defined in the Sale and Servicing Agreement.

"Termination Price" As defined in the Sale and Servicing Agreement.

"Transfer Date" As defined in the Sale and Servicing Agreement.

"Trust Agreement" means the Trust Agreement dated as of April 1, 2001, between the Depositor and the Owner Trustee.

"Trust Certificate" has the meaning assigned to such term in Section 1.1 of the Trust Agreement.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force on the date hereof, unless otherwise specifically provided.

(b) Except as otherwise specified herein or as the context may otherwise require, capitalized terms used but not otherwise defined herein have the respective meanings set forth in the Sale and Servicing Agreement for all purposes of this Indenture.

Section 1.02. Rules of Construction. Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) "including" means including without limitation;

(v) words in the singular include the plural and words in the plural include the singular; and

(vi) any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented (as provided in such agreements) and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

ARTICLE II

GENERAL PROVISIONS WITH RESPECT TO THE NOTES

Section 2.01. Method of Issuance and Form of Notes.

(a) The Notes shall be designated generally as the "Option One Owner Trust 2001-1B Mortgage-Backed Notes" of the Issuer. Each Note shall bear upon its face the designation so selected for the Notes. All Notes shall be identical in all respects except for the denominations thereof. All Notes issued under this Indenture shall be in all respects equally and ratably entitled to the benefits thereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

The Notes may be typewritten, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Each Note shall be dated the date of its authentication.

The terms of the Notes shall be set forth in this Indenture.

The Notes shall be in definitive form and shall bear a legend substantially in the form of Exhibit C attached hereto.

Section 2.02. Execution, Authentication, Delivery and Dating. The Notes shall be executed on behalf of the Issuer by an Authorized Officer of the Owner Trustee or the Administrator. The signature of any such Authorized Officer on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signature of individuals who were at any time Authorized Officers of the Owner Trustee or the Administrator shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

Subject to the satisfaction of the conditions set forth in Section 2.08 hereof, the Indenture Trustee shall upon Issuer Order authenticate and deliver the Notes.

The Notes that are authenticated and delivered by the Indenture Trustee to or upon the order of the Issuer on the Closing Date shall be dated as of such Closing Date. All other Notes that are authenticated after the Closing Date for any other purpose under the Indenture shall be dated the date of their authentication. The Notes shall be issued in such denominations as may be agreed by the Issuer and the Initial Noteholder.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Indenture Trustee by the manual signature of one of its

authorized signatories, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.03. Registration; Registration of Transfer and Exchange. The Issuer shall cause to be kept a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Notes and the registration of transfers of Notes. The Indenture Trustee initially shall be the "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided. Upon any resignation of any Note Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of the Note

Registrar.

If a Person other than the Indenture Trustee is appointed by the Issuer as Note Registrar, the Issuer will give the Indenture Trustee prompt written notice of the appointment of such Note Registrar and of the location, and any change in the location, of the Note Register, and the Indenture Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof, and the Indenture Trustee shall have the right to rely upon a certificate executed on behalf of the Note Registrar by an Executive Officer thereof as to the names and addresses of the Noteholders and the principal amounts and number of the Notes.

Upon surrender for registration of transfer of any Note at the office or agency of the Issuer to be maintained as provided in Section 3.02 hereof, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Noteholder shall obtain from the Indenture Trustee, in the name of the designated transferee or transferees, one or more new Notes in any authorized denominations, of a like aggregate Note Principal Balance.

At the option of the Holder, Notes may be exchanged for other Notes in any authorized denominations, of a like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Noteholder shall obtain from the Indenture Trustee, the Notes which the Noteholder making the exchange is entitled to receive.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in the form attached to the form of Note attached as Exhibit A hereto duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Securities Transfer Agents' Medallion Program ("STAMP").

No service charge shall be made to a Noteholder for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 9.05 hereof not involving any transfer.

The preceding provisions of this Section 2.03 notwithstanding, the Issuer shall not be required to make, and the Note Registrar need not register, transfers or exchanges of Notes selected for redemption or of any Note for a period of 15 days preceding the due date for any payment with respect to such Note.

Section 2.04. Mutilated, Destroyed, Lost or Stolen Notes. If (i) any mutilated Note is surrendered to the Indenture Trustee, or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Issuer and Indenture Trustee such security or indemnity as may reasonably be required by it to hold the Issuer and the Indenture Trustee, as applicable, harmless, then, in the absence of notice to the Issuer, the Note Registrar or the Indenture Trustee that such Note has been acquired by a bona fide purchaser, an Authorized Officer of the Owner Trustee or the Administrator on behalf of the Issuer shall execute, and upon its written request the Indenture Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note; provided, however, that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become or within seven days shall be

due and payable, or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may pay such destroyed, lost or stolen Note when so due or payable or upon the Redemption Date without surrender thereof. If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Issuer shall be entitled to recover such replacement Note (or such payment) from the Person to which it was delivered or any Person taking such replacement Note from such Person to which such replacement Note was delivered or any assignee of such Person, except a bona fide purchaser, and the Issuer and the Indenture Trustee shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Indenture Trustee in connection therewith.

Upon the issuance of any replacement Note under this Section 2.04, the Issuer may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Indenture Trustee) connected therewith.

Every replacement Note issued pursuant to this Section 2.04 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.04 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.05. Persons Deemed Noteholders. Prior to due presentment for registration of transfer of any Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in the name of which any Note is registered (as of the day of determination) as the Noteholder for the purpose of receiving payments of principal of and

interest, if any, on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and none of the Issuer, the Indenture Trustee or any agent of the Issuer or the Indenture Trustee shall be affected by notice to the contrary.

Section 2.06. Payment of Principal and/or Interest; Defaulted Interest.

(a) The Notes shall accrue interest at the Note Interest Rate, and such interest shall be payable on each Payment Date, subject to Section 3.01 hereof. Any installment of interest or principal, if any, payable on any Note that is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in the name of which such Note (or one or more Predecessor Notes) is registered on the next preceding Record Date based on the Percentage Interest represented by its respective Note, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee, and otherwise by check mailed to the address of such Noteholder appearing in the Note Register no less than five days preceding the related Record Date. The final installment of principal payable with respect to such Note shall be payable as provided in Section 2.06(b) below. The funds represented by any such checks returned undelivered shall be held in accordance with Section 3.03 hereof.

(b) The principal of each Note shall be payable in installments on

each Payment Date as provided in Sections 5.01 and 5.02 of the Sale and Servicing Agreement and Section 5.04(b) hereof. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable, if not previously paid, on the earlier of (i) the Maturity Date, (ii) the Redemption Date and (iii) the date on which an Event of Default shall have occurred and be continuing, if the Indenture Trustee or the Majority Noteholders shall have declared the Notes to be immediately due and payable in the manner provided in Section 5.02 hereof.

All principal payments on the Notes shall be made pro rata to the Noteholders based on their respective Percentage Interests. The Paying Agent shall notify the Person in the name of which a Note is registered at the close of business on the Record Date preceding the Payment Date on which the Issuer expects that the final installment of principal of and interest on such Note will be paid. Such notice shall be mailed or transmitted by facsimile prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of such Note and shall specify the place where such Note may be presented and surrendered for payment of such installment. Notices in connection with redemptions of Notes shall be provided to Noteholders as set forth in Section 10.02 hereof.

Section 2.07. Cancellation. All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Indenture Trustee, be delivered to the Indenture Trustee and shall promptly be canceled by the Indenture Trustee. The Issuer may at any time deliver to the Indenture Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Notes so delivered shall promptly be canceled by the Indenture Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this

Section 2.07, except as expressly permitted by this Indenture. All canceled Notes may be held or disposed of by the Indenture Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer shall direct by an Issuer Order that they be destroyed or returned to it; provided, however, that such Issuer Order is timely and the Notes have not been previously disposed of by the Indenture Trustee.

Section 2.08. Conditions Precedent to the Authentication of the Notes. The Notes may be authenticated by the Indenture Trustee upon receipt by the Indenture Trustee of the following:

(a) An Issuer Order authorizing authentication of such Notes by the Indenture Trustee;

(b) All of the items of Collateral which are to be delivered pursuant to the Basic Documents to the Indenture Trustee or its designee by the related Closing Date shall have been delivered;

(c) An executed counterpart of each Basic Document;

(d) One or more Opinions of Counsel addressed to the Indenture Trustee to the effect that:

(i) all conditions precedent provided for in this Indenture relating to the authentication of the Notes have been complied with;

(ii) the Owner Trustee has power and authority to execute, deliver and perform its obligations under the Trust Agreement;

(iii) the Issuer has been duly formed, is validly existing as a business trust under the laws of the State of Delaware, 12 Del. C. Section 3801 et seq., and has power, authority and legal right to execute and deliver this Indenture, the Note Purchase Agreement, the Custodial Agreement, the Administration Agreement and the Sale and Servicing

Agreement;

(iv) assuming due authorization, execution and delivery hereof by the Indenture Trustee, the Indenture is a valid, legal and binding obligation of the Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent or preferential conveyance and other similar laws of general application affecting the rights of creditors generally and to general principles of equity (regardless of whether such enforcement is considered in a Proceeding in equity or at law);

(v) the Notes, when executed and authenticated as provided herein and delivered against payment therefor, will be the valid, legal and binding obligations of the Issuer pursuant to the terms of this Indenture, entitled to the benefits of this Indenture, and will be enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent or preferential conveyance and other similar laws of general application affecting the rights of creditors generally and to general principles of

equity (regardless of whether such enforcement is considered in a Proceeding in equity or at law);

(vi) Reserved;

(vii) this Indenture is not required to be qualified under the Trust Indenture Act;

(viii) no authorization, approval or consent of any governmental body having jurisdiction in the premises which has not been obtained by the Issuer is required to be obtained by the Issuer for the valid issuance and delivery of the Notes, except that no opinion need be expressed with respect to any such authorizations, approvals or consents as may be required under any state securities or "blue sky" laws; and

(ix) any other matters that the Indenture Trustee may reasonably request.

(e) An Officer's Certificate complying with the requirements of Section 11.01 hereof and stating that:

(i) the Issuer is not in Default under this Indenture and the issuance of the Notes applied for will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, the Trust Agreement, any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it may be bound or to which it may be subject, and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes applied for have been complied with;

(ii) the Issuer is the owner of all of the Loans, has not assigned any interest or participation in the Loans (or, if any such interest or participation has been assigned, it has been released) and has the right to Grant all of the Loans to the Indenture Trustee;

(iii) the Issuer has Granted to the Indenture Trustee all of its right, title and interest in and to the Collateral, and has delivered or caused the same to be delivered to the Indenture Trustee; and

(iv) all conditions precedent provided for in this Indenture relating to the authentication of the Notes have been complied with.

Section 2.09. Release of Collateral. (a) Except as otherwise

provided by the terms of the Basic Documents, the Indenture Trustee shall release the Collateral from the lien of this Indenture only upon receipt of an Issuer Request accompanied by the written consent of the Majority Noteholders in accordance with the procedures set forth in the Custodial Agreement. To the extent it deems necessary, the Indenture Trustee may seek direction from the Initial Noteholder with regard to the release of Collateral other than the Custodial Loan File.

(b) The Indenture Trustee shall, if requested by the Servicer, temporarily release or cause the Custodian temporarily to release to the Servicer the Custodial Loan File pursuant to the provisions of Section 5(b) of the Custodial Agreement upon compliance by the Servicer with the provisions thereof; provided, however, that the Custodian's records shall indicate the Issuer's pledge to the Indenture Trustee under the Indenture.

Section 2.10. Additional Note Principal Balance. In the event of payment of Additional Note Principal Balance by the Noteholders as provided in Section 2.01(c) of the Sale and Servicing Agreement, each Noteholder shall, and is hereby authorized to, record on the schedule attached to its Note the date and amount of any Additional Note Principal Balance advanced by it, and each repayment thereof; provided that failure to make any such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Additional Note Principal Balance and its right to receive interest payments in respect of the Additional Note Principal Balance held by such Noteholder.

Absent manifest error, the Note Principal Balance of each Note as set forth in the notations made by the related Noteholder on such Note shall be binding upon the Indenture Trustee and the Issuer; provided that failure by a Noteholder to make such recordation on its Note or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive principal and interest payments in respect thereof.

Section 2.11. Tax Treatment. The Issuer has entered into this Indenture, and the Notes will be issued, with the intention that for all purposes, including federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness of the Issuer secured by the Collateral. The Issuer, by entering into this Indenture, and each Noteholder, by its acceptance of a Note, agree to treat the Notes for all purposes, including federal, state and local income, single business and franchise tax purposes, as indebtedness of the Issuer. The Indenture Trustee will have no responsibility for filing or preparing any tax returns.

Section 2.12. Limitations on Transfer of the Notes.

(a) The Notes have not been and will not be registered under the Securities Act and will not be listed on any exchange. No transfer of a Note shall be made unless such transfer is made pursuant to an effective registration statement under the Securities Act and all applicable state securities laws or is exempt from the registration requirements under the Securities Act and such state securities laws. In order to assure compliance with the Securities Act and state securities laws, any transfer of a Note shall be made (A) in reliance on Rule 144A under the Securities Act, in which case, the Indenture Trustee shall require that the transferor deliver a certification substantially in the form of Exhibit B-1 hereto and that the transferee deliver a certification substantially in the form of Exhibit B-3 hereto, or (B) to an institutional "accredited investor" within the meaning of Rule 01(a)(1), (2), (3) or (7) of Regulation D under the Securities Act that is not a "qualified institutional buyer," in which case the Indenture Trustee shall require that the transferee deliver a certification ***stantially in the form of Exhibit B-2 hereto. The Indenture Trustee shall not make any transfer ***re-registration of the Notes if after such transfer or re-registration, there would be more than five ***teholders. Each Noteholder shall, by its acceptance of a Note, be deemed to have represented and ***ranted that the number of ICA Owners with respect to all of

its Notes shall not exceed four.

(b) The Note Registrar shall not register the transfer of any Note unless the Indenture Trustee has received a certificate from the transferee to the effect that either (i) the transferee is not an employee benefit plan or other retirement plan or arrangement subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended (each, a "Plan"), and is not acting on behalf of or investing the assets of a Plan or (ii) if the transferee is a Plan or is acting on behalf of or investing the assets of a Plan, the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts) and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

ARTICLE III

COVENANTS

Section 3.01. Payment of Principal and/or Interest. The Issuer will duly and punctually pay (or will cause to be paid duly and punctually) the principal of and interest on the Notes in accordance with the terms of the Notes, this Indenture and the Sale and Servicing Agreement. Amounts properly withheld under the Code by any Person from a payment to any Noteholder of interest and/or principal shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture. The Notes shall be non-recourse obligations of the Issuer and shall be limited in right of payment to amounts available from the Collateral, as provided in this Indenture. The Issuer shall not otherwise be liable for payments on the Notes. If any other provision of this Indenture shall be deemed to conflict with the provisions of this Section 3.01, the provisions of this Section 3.01 shall control.

Section 3.02. Maintenance of Office or Agency. The Indenture Trustee shall maintain at the Corporate Trust Office an office or agency where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Indenture Trustee shall give prompt written notice to the Issuer of the location, and of any change in the location, of any such office or agency.

Section 3.03. Money for Payments to Be Held in Trust. As provided in Section 8.02(a) and (b) hereof, all payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Distribution Account pursuant to Section 8.02(c) hereof shall be made on behalf of the Issuer by the Indenture Trustee or by the Paying Agent, and no amounts so withdrawn from the Distribution Account for payments of Notes shall be paid over to the Issuer except as provided in this Section 3.03.

Any Paying Agent shall be appointed by the Initial Noteholder with written notice thereof to the Indenture Trustee. The Issuer shall not appoint any Paying Agent (other than the Indenture Trustee or Servicer) which is not, at the time of such appointment, a Depository Institution.

The Issuer will cause each Paying Agent other than the Indenture Trustee to execute and deliver to the Indenture Trustee an instrument in which such Paying Agent shall agree with the Indenture Trustee (and if the Indenture Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 3.03, that such Paying Agent will:

(i) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) give the Indenture Trustee notice of any Default by the Issuer (or any other obligor upon the Notes) of which it has actual knowledge in the making of any payment required to be made with respect to the Notes;

(iii) at any time during the continuance of any such Default, upon the written request of the Majority Noteholders or the Indenture Trustee, forthwith pay to the Indenture Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to the Indenture Trustee all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards required to be met by a Paying Agent at the time of its appointment; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Notes of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith; provided, however, that with respect to withholding and reporting requirements applicable to original issue discount (if any) on the Notes, the Issuer shall have first provided the calculations pertaining thereto to the Indenture Trustee.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Indenture Trustee all sums held in trust by such Paying Agent, such sums to be held by the Indenture Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Indenture Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to applicable laws with respect to escheat of funds or abandoned property, any money held by the Indenture Trustee or any Paying Agent in trust for the payment of any amount due with respect to any Note and remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer on Issuer Request; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Indenture Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Indenture Trustee or such Paying Agent, before being required to make any such repayment, shall at the expense and direction of the Issuer cause to be published, once in a newspaper of general circulation in the City of New York customarily published in the English

language on each Business Day, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Indenture Trustee shall also adopt and employ any other reasonable means of notification of such repayment (including, but not limited to, mailing notice of such repayment to Noteholders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in moneys due and payable but not claimed at the last address of record for each such Noteholder determinable from the records of the Indenture Trustee or of any Paying Agent. Any costs and expenses of the Indenture Trustee and the Paying Agent incurred in the holding of such funds shall be charged against such funds. Monies so held shall not bear interest.

Section 3.04. Existence. (a) Subject to subparagraph (b) of this

Section 3.04, the Issuer will keep in full effect its existence, rights and franchises as a business trust under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other State or of the United States of America, in which case the Issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes and the Collateral. The Issuer shall comply in all respects with the covenants contained in the Trust Agreement, including without limitation, the "special purpose entity" set forth in Section 4.1 thereof.

(b) Any successor to the Owner Trustee appointed pursuant to Section 10.2 of the Trust Agreement shall be the successor Owner Trustee under this Indenture without the execution or filing of any paper, instrument or further act to be done on the part of the parties hereto.

(c) Upon any consolidation or merger of or other succession to the Owner Trustee, the Person succeeding to the Owner Trustee under the Trust Agreement may exercise every right and power of the Owner Trustee under this Indenture with the same effect as if such Person had been named as the Owner Trustee herein.

Section 3.05. Protection of Collateral. The Issuer will from time to time execute and deliver all such reasonable supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(i) provide further assurance with respect to the Grant of all or any portion of the Collateral;

(ii) maintain or preserve the lien and security interest (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;

(iv) enforce any rights with respect to the Collateral; and

(v) preserve and defend title to the Collateral and the rights of the Indenture Trustee and the Noteholders in such Collateral against the claims of all Persons and parties.

The Issuer hereby designates the Administrator, its agent and attorney-in-fact to execute any financing statement, continuation statement or other instrument required to be executed pursuant to this Section 3.05.

Section 3.06. Negative Covenants. Without the written consent of the Majority Noteholders, so long as any Notes are Outstanding, the Issuer shall not:

(i) except as expressly permitted by the Basic Documents, sell, transfer, exchange or otherwise dispose of any of the properties or assets of the Issuer, including those included in any part of the Trust Estate, unless directed to do so by the Noteholders as permitted herein;

(ii) claim any credit on, or make any deduction from the principal or interest payable in respect of, the Notes (other than amounts properly withheld from such payments under the Code) or assert any claim against any present or former Noteholder by reason of the payment of the taxes levied or assessed upon any part of the Trust Estate;

(iii) engage in any business or activity other than as expressly

permitted by this Indenture and the other Basic Documents, other than in connection with, or relating to, the issuance of Notes pursuant to this Indenture, or amend this Indenture as in effect on the Closing Date other than in accordance with Article IX hereof;

(iv) issue any debt obligations except under this Indenture;

(v) incur or assume any indebtedness or guaranty any indebtedness of any Person, except for such indebtedness as may be incurred by the Issuer in connection with the issuance of the Notes pursuant to this Indenture;

(vi) dissolve or liquidate in whole or in part or merge or consolidate with any other Person;

(vii) (A) permit the validity or effectiveness of this Indenture to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Notes except as may expressly be permitted hereby, (B) except as provided in the Basic Documents, permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance to be created on or extend to or otherwise arise upon or burden the Trust Estate or any part thereof or any interest therein or the proceeds thereof (other than tax liens, mechanics' liens and other liens that arise by operation of law, in each case, on any Mortgaged Property and arising solely as a result of an action or omission of the related Borrowers) or (C) except as provided in the Basic Documents, permit any Person other than itself, the Owner Trustee and the Noteholders to have any right, title or interest in the Trust Estate;

(viii) remove the Administrator without the prior written consent of the Majority Noteholders; or

(ix) take any other action or fail to take any action which may cause the Trust to be taxable as (a) an association pursuant to Section 7701 of the Code and the corresponding regulations, or (b) as a taxable mortgage pool pursuant to Section 7701(i) of the Code.

Section 3.07. Performance of Obligations; Servicing of Loans. (a) The Issuer will not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's material covenants or obligations under any instrument or agreement included in the Collateral or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except as expressly provided in the Basic Documents or such other instrument or agreement.

(b) The Issuer may contract with or otherwise obtain the assistance of other Persons (including, without limitation, the Administrator under the Administration Agreement) to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Indenture Trustee in an Officer's Certificate of the Issuer shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Servicer and the Administrator to assist the Issuer in performing its duties under this Indenture.

(c) The Issuer will punctually perform and observe all of its obligations and agreements contained in this Indenture, in the Basic Documents and in the instruments and agreements included in the Collateral, including but not limited to (i) filing or causing to be filed all UCC financing statements and continuation statements required to be filed by the terms of this Indenture and the Sale and Servicing Agreement and (ii) recording or causing to be recorded all Mortgages, Assignments of Mortgage, all intervening Assignments of Mortgage and all assumption and modification agreements required to be recorded by the terms of the Sale and Servicing Agreement, in accordance with and within the time periods provided for in this Indenture and/or the Sale and Servicing

Agreement, as applicable. Except as otherwise expressly provided therein, the Issuer shall not waive, amend, modify, supplement or terminate any Basic Document or any provision thereof without the consent of the Indenture Trustee and the Majority Noteholders.

(d) If the Issuer shall have knowledge of the occurrence of a Servicing Event of Default, the Issuer shall promptly notify the Indenture Trustee and the Initial Noteholder thereof, and shall specify in such notice the action, if any, the Issuer is taking with respect to such default. If a Servicing Event of Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Sale and Servicing Agreement with respect to the Loans, the Issuer shall take all reasonable steps available to it to remedy such failure.

(e) Reserved.

(f) Upon any termination of the Servicer's rights and powers pursuant to the Sale and Servicing Agreement, the Issuer shall promptly notify the Indenture Trustee. As soon as a successor servicer is appointed, the Issuer shall notify the Indenture Trustee of such appointment, specifying in such notice the name and address of such successor servicer.

(g) Without derogating from the absolute nature of the assignment granted to the Indenture Trustee under this Indenture or the rights of the Indenture Trustee hereunder, the Issuer agrees (i) that it will not, without the prior written consent of the Indenture Trustee, amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, supplement, termination, waiver or surrender of, the terms of any Collateral (except to the extent otherwise permitted by the Sale and Servicing Agreement) or the Basic Documents, or waive timely performance or observance by the Servicer or the Depositor under the Sale and Servicing Agreement; and (ii) that any such amendment shall not (A) increase or reduce in any manner the amount of, or accelerate or delay the timing of, distributions that are required to be made for the benefit of the Noteholders or (B) reduce the aforesaid percentage of the Notes that is required to consent to any such amendment, without the consent of Noteholders evidencing 100% Percentage Interests of the Outstanding Notes. If any such amendment, modification, supplement or waiver shall so be consented to by the Indenture Trustee, the Issuer agrees, promptly following a request by the Indenture Trustee to do so, to execute and deliver, in its own name and at its own expense, such agreements, instruments, consents and other documents as the Indenture Trustee may deem necessary or appropriate in the circumstances.

Section 3.08. Reserved.

Section 3.09. Annual Statement as to Compliance. So long as the Notes are Outstanding, the Issuer will deliver to the Indenture Trustee, within 120 days after the end of each fiscal year of the Issuer (commencing with the fiscal year beginning on May 1, 2001), an Officer's Certificate stating, as to the Authorized Officer signing such Officer's Certificate, that:

(i) a review of the activities of the Issuer during such year and of its performance under this Indenture has been made under such Authorized Officer's supervision; and

(ii) to the best of such Authorized Officer's knowledge, based on such review, the Issuer has materially complied with all conditions and covenants under this Indenture throughout such year, or, if there has been a default in its compliance with any such condition or covenant, specifying each such default known to such Authorized Officer and the nature and status thereof.

Section 3.10. Covenants of the Issuer. All covenants of the Issuer in this Indenture are covenants of the Issuer and are not covenants of the Owner Trustee. The Owner Trustee is, and any successor Owner Trustee under the Trust Agreement will be, entering into this Indenture solely as Owner Trustee under

the Trust Agreement and not in its respective individual capacity, and in no case whatsoever shall the Owner Trustee or any such successor Owner Trustee be personally liable on, or for any loss in respect of, any of the statements, representations, warranties or obligations of the Issuer hereunder, as to all of which the parties hereto agree to look solely to the property of the Issuer.

Section 3.11. Servicer's Obligations. The Issuer shall cause the Servicer to comply with the Sale and Servicing Agreement.

Section 3.12. Restricted Payments. The Issuer shall not, directly or indirectly, (i) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to the Owner Trustee or any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest or security in or of the Issuer or to the Servicer, (ii) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (iii) set aside or otherwise segregate any amounts for any such purpose; provided, however, that the Issuer may make, or cause to be made, (x) distributions to the Servicer, the Indenture Trustee, the Owner Trustee and the Noteholders and the holders of the Trust Certificates as contemplated by, and to the extent funds are available for such purpose under, the Sale and Servicing Agreement or the Trust Agreement and (y) payments to the Indenture Trustee pursuant to Section 1(a)(ii) of the Administration Agreement. The Issuer will not, directly or indirectly, make or cause to be made payments to or distributions from the Distribution Account except in accordance with this Indenture and the Basic Documents.

Section 3.13. Treatment of Notes as Debt for All Purposes. The Issuer shall, and shall cause the Administrator to, treat the Notes as indebtedness for all purposes.

Section 3.14. Notice of Events of Default. The Issuer shall give the Indenture Trustee and the Initial Noteholder prompt written notice of each Event of Default hereunder each default on the part of the Servicer or the Loan Originator of their respective obligations under any of the Basic Documents.

Section 3.15. Further Instruments and Acts. Upon request of the Indenture Trustee, the Issuer will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

ARTICLE IV

SATISFACTION AND DISCHARGE

Section 4.01. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to the Notes (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen Notes, (iii) rights of Noteholders to receive payments of principal thereof and interest thereon, (iv) Sections 3.03, 3.04 and 3.10 hereof, (v) the rights, obligations and immunities of the Indenture Trustee hereunder (including the rights of the Indenture Trustee under Section 6.07 hereof and the obligations of the Indenture Trustee under Section 4.02 hereof) and (vi) the rights of Noteholders as beneficiaries hereof with respect to the property so deposited with the Indenture Trustee payable to all or any of them), and the Indenture Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments satisfactory to it, and prepared and delivered to it by the Issuer, acknowledging satisfaction and discharge of this Indenture with respect to the Notes, when all of the following have occurred:

(A) either

(1) all Notes theretofore authenticated and delivered (other than (i) Notes that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.04 hereof and (ii) Notes for the payment of which money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 3.03 hereof) shall have been delivered to the Indenture Trustee for cancellation; or

(2) all Notes not theretofore delivered to the Indenture Trustee for cancellation

a. shall have become due and payable, or

b. are to be called for redemption within one year under arrangements satisfactory to the Indenture Trustee for the giving of notice of redemption by the Indenture Trustee in the name, and at the expense, of the Issuer,

c. and the Issuer, in the case of clause a. or b. above, has irrevocably deposited or caused irrevocably to be deposited with the Indenture Trustee cash or direct obligations of or obligations guaranteed by the United States of America (which will mature prior to the date such, amounts are payable), in trust for such purpose, in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Indenture Trustee for cancellation when due to the applicable Maturity Date or the Redemption Date (if Notes shall have been called for redemption pursuant to Section 10.01 hereof), as the case may be; and

(B) the latest of (a) the payment in full of all outstanding obligations under the Notes, (b) the payment in full of all unpaid Trust Fees and Expenses and (c) the date on which the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer; and

(C) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each meeting the applicable requirements of Section 11.01 hereof and, subject to Section 11.02 hereof, each stating that all conditions precedent herein provided for, relating to the satisfaction and discharge of this Indenture with respect to the Notes, have been complied with.

Section 4.02. Application of Trust Money. All moneys deposited with the Indenture Trustee pursuant to Sections 3.03 and 4.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or

through any Paying Agent, as the Indenture Trustee may determine, to the Noteholders for the payment or redemption of which such moneys have been deposited with the Indenture Trustee, of all sums due and to become due thereon for principal and/or interest; but such moneys need not be segregated from other funds except to the extent required herein or in the Sale and Servicing Agreement or required by law.

Section 4.03. Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all moneys then held by any Paying Agent other than the Indenture

Trustee under the provisions of this Indenture with respect to such Notes shall, upon demand of the Issuer, be paid to the Indenture Trustee to be held and applied according to Section 3.03 hereof and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE V

REMEDIES

Section 5.01. Events of Default. "Event of Default." wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) notwithstanding any insufficiency of funds in the Distribution Account for of on the related Payment Date, when the same becomes due and payable; or

(b) notwithstanding any insufficiency of funds in the Distribution Account for payment thereof on the related Payment Date, default in the payment of any installment of the Required Principal Payment or the Overcollateralization Shortfall of any Note (i) on any Payment Date or (ii) on the Maturity Date, or, to the extent that there are funds available in the Distribution Account therefor, default in the payment of any installment of the principal of any Note from such available funds, as a result of the occurrence of a Rapid Amortization Trigger; or

(c) the occurrence of a Servicer Event of Default; or

(d) default in the observance or performance of any covenant or agreement of the Issuer made in any Basic Document to which it is a party (other than a covenant or agreement, a default in the observance or performance of which is elsewhere in this Section 5.01 specifically dealt with), or any representation or warranty of the Issuer made in any Basic Document to which it is a party or in any certificate or other writing delivered pursuant thereto or in connection therewith proving to have been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured, or the circumstance or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of 30 days after there shall have been given, by registered or certified mail, to the Issuer by the Indenture Trustee, or to the Issuer, the Depositor and the Indenture Trustee by Noteholders evidencing at least 25% Percentage Interests of the Outstanding Notes, a written

notice specifying such default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a notice of Default hereunder, or

(e) default in the observance or performance of any covenant or agreement of the Depositor made in any Basic Document to which it is a party or any representation or warranty of the Depositor (except as otherwise expressly provided in the Basic Documents with respect to representations and warranties regarding the Loans) or Loan Originator made in any Basic Document to which they are a party, proving to have been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured, or the circumstance or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of 30 days (or five days in the case of the failure of the Loan Originator to make a payment in respect of the Transfer Obligation) after there shall have been given, by registered or certified mail, to the Issuer and the Depositor by the Indenture Trustee, or to the Issuer, the Depositor and the Indenture Trustee by Noteholders evidencing at least 25% Percentage Interests of the Outstanding Notes, a written notice specifying such Default or incorrect representation or warranty and requiring it to be remedied

and stating that such notice is a notice of Default hereunder; or

(f) default in the observance or performance of any covenant or agreement of the Loan Originator made in any repurchase agreement, loan and security agreement or other similar credit facility agreement entered into by the Loan Originator and any third party for borrowed funds in excess of $10,000,000, including any default which entitles any party to require acceleration or prepayment of any indebtedness thereunder; or

(g) the filing of a decree or order for relief by a court having jurisdiction over the Issuer, the Depositor or the Loan Originator or all or substantially all of the Collateral in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointing of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Depositor or the Loan Originator or for all or substantially all of the Collateral, or the ordering of the winding-up or liquidation of the affairs of the Issuer, the Depositor or the Loan Originator, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(h) the commencement by the Issuer, the Depositor or the Loan Originator of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer, the Depositor or the Loan Originator to the entry of an order for relief in an involuntary case under any such law, or the consent by the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Depositor or the Loan Originator or for any substantial part of the Collateral, or the making by the Issuer, the Depositor or the Loan Originator of any general assignment for the benefit of creditors, or the failure by the Issuer, the Depositor or the Loan Originator generally to pay its respective debts as such debts become due, or the taking of any action by the Issuer, the Depositor or the Loan Originator in furtherance of any of the foregoing; or

(i) a Change of Control of the Loan Originator; or

(j) the Notes shall be Outstanding on the day after the end of the Revolving Period.

The Issuer shall deliver to the Indenture Trustee, within five days after the occurrence thereof, written notice in the form of an Officer's Certificate of any event which with the giving of notice and the lapse of time would become an Event of Default under clauses (d) or (e) above, the status of such event and what action the Issuer or the Depositor, as applicable, is taking or proposes to take with respect thereto.

Section 5.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default should occur and be continuing, then and in every such case the Indenture Trustee, at the direction or upon the prior written consent of the Majority Noteholders, may declare all the Notes to be immediately due and payable, by a notice in writing to the Issuer (and to the Indenture Trustee if given by Noteholders), and upon any such declaration, the unpaid principal amount of such Notes, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the moneys due has been obtained by the Indenture Trustee as hereinafter in this Article V provided, the Majority Noteholders, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

1. all payments of principal of and/or interest on all Notes and all

other amounts that would then be due hereunder or upon such Notes if the Event of Default giving rise to such acceleration had not occurred; and

2. all sums paid or advanced by the Indenture Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel; and

(b) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 5.12 hereof. No such rescission shall affect any subsequent default or impair any right consequent thereto.

Section 5.03. Collection of Indebtedness and Suits for Enforcement by Indenture Trustee. (a) The Issuer covenants that if (i) default is made in the payment of any interest on any Note when the same becomes due and payable, and such default continues for a period of five days, or (ii) default is made in the payment of the principal of or any installment of the principal of any Note when the same becomes due and payable, the Issuer will, upon demand of the Indenture Trustee, pay to the Indenture Trustee, for the benefit of the Noteholders, the whole amount then due and payable on such Notes for principal and/or interest, with interest upon the overdue principal and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments

of interest at the rate borne by the Notes and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel.

(b) In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Indenture Trustee shall at the direction of the Majority Noteholders, subject to Section 5.06(c) institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or other obligor upon such Notes and collect in the manner provided by law out of the property of the Issuer or other obligor upon such Notes, wherever situated, the moneys adjudged or decreed to be payable.

(c) If an Event of Default occurs and is continuing, the Indenture Trustee shall at the direction of the Majority Noteholders, as more particularly provided in Section 5.04 hereof, subject to Section 5.06(c) hereof, proceed to protect and enforce its rights and the rights of the Noteholders by such appropriate Proceedings as the Indenture Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture or by law.

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Notes or any Person having or claiming an ownership interest in the Collateral, Proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to the Issuer or other obligor upon the Notes, or to the creditors or property of the Issuer or such other obligor, the Indenture Trustee, irrespective of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section 5.03, shall be entitled and empowered by intervention in such Proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of

principal and/or interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee, and its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of negligence or bad faith) and of the Noteholders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Noteholders in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders and the Indenture Trustee on their behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee or the Noteholders allowed in any judicial proceedings relative to the Issuer, its creditors and its property; and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Noteholders to make payments to the Indenture Trustee and, in the event that the Indenture Trustee shall consent to the making of payments directly to such Noteholders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred and all advances made by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith.

(e) Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Indenture Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceedings relative thereto, and any such action or Proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, shall be for the ratable benefit of the Noteholders.

(g) In any Proceedings brought by the Indenture Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the Noteholders, and it shall not be necessary to make any Noteholder a party to any such Proceedings.

Section 5.04. Remedies; Priorities. (a) If an Event of Default shall have occurred and be continuing, the Indenture Trustee, at the direction of the Majority Noteholders shall, do one or more of the following (subject to Section 5.05 hereof):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Notes

or under this Indenture with respect thereto, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Issuer and any other obligor upon such Notes moneys adjudged due;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(iii) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee or the Noteholders; and

(iv) sell the Collateral or any portion thereof or rights or interest therein in a commercially reasonable manner, at one or more public or private sales called and conducted in any manner permitted by law; provided, however, that the Indenture Trustee may not sell or otherwise liquidate the Collateral following an Event of Default, unless (A) the Holders of 100% Percentage Interests of the Outstanding Notes consent thereto, (B) the proceeds of such sale or liquidation distributable to the Noteholders are sufficient to discharge in full all amounts then due and unpaid upon such Notes for principal and/or interest or (C) the Indenture Trustee determines that the Collateral will not continue to provide sufficient funds for the payment of principal of and interest on the Notes as they would have become due if the Notes had not been declared due and payable, and the Indenture Trustee obtains the consent of Holders of not less than 66-2/3% Percentage Interests of the Outstanding Notes. In determining such sufficiency or insufficiency with respect to clause (B) and (C) of this subsection (a)(iv), the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

(b) If the Indenture Trustee collects any money or property pursuant to this Article V, it shall pay out the money or property in the following order:

FIRST: in the following order of priority: (a) to the Indenture Trustee, an amount equal to all unreimbursed Indenture Trustee Fees and indemnities and any other amounts payable to the Indenture Trustee pursuant to the Basic Documents and to the Indenture Trustee or Sale Agents, as applicable, all reasonable fees and expenses incurred by them and their agents and representatives in connection with the enforcement of the remedies provided for in this Article V, (b) to the Custodian, an amount equal to all unpaid Custodian Fees and indemnities and any other amounts payable to the Custodian pursuant to the Basic Documents, (g) to the Servicer, an amount equal to (i) all unreimbursed Servicing Compensation and (ii) all unreimbursed Nonrecoverable Servicing Advances, and (d) to the Servicer, in trust for the Owner Trustee, an amount equal to the Owner Trustee Fee and all unpaid Owner Trustee Fees;

SECOND: the Hedge Funding Requirement to the appropriate Hedging Counterparties;

THIRD: to the Noteholders pro rata, all amounts in respect of interest due and owing under the Notes;

FOURTH: to the Noteholders pro rata, all amounts in respect of unpaid principal of the Notes;

FIFTH: to the Swap Counterparty, all amounts required to be paid by the Issuer under the Swap Agreement;

SIXTH: to the Purchaser or any other Indemnified Party (as each such term is defined in the Note Purchase Agreement), amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and to the Initial Noteholder, amounts in respect of Due Diligence Fees (as set forth in Section 11.15 of the Sale and Servicing Agreement) until such amounts are paid in full;

SEVENTH: to the Owner Trustee, for any amounts to be distributed pro rata to the holders of the Trust Certificates pursuant to the Trust Agreement.

The Indenture Trustee may fix a record date and payment date for any payment to be made to the Noteholders pursuant to this Section 5.04. At least 15 days before such record date, the Indenture Trustee shall mail to each Noteholder and the Issuer a notice that states the record date, the payment date and the amount to be paid.

Section 5.05. Optional Preservation of the Collateral. If the Notes have been declared to be due and payable under Section 5.02 hereof following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee may, but need not, elect to maintain possession of the Collateral. It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and the Indenture Trustee shall take such desire into account when determining whether or not to maintain possession of the Collateral. In determining whether to maintain possession of the Collateral, the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

Section 5.06. Limitation of Suits. No Noteholder shall have any right to institute any Proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Noteholder has previously given written notice to the Indenture Trustee of a continuing Event of Default;

(b) the Noteholders evidencing not less than 25% Percentage Interests of the Outstanding Notes have made written request to the Indenture Trustee to institute such Proceeding in respect of such Event of Default in its own name as Indenture Trustee hereunder;

(c) such Noteholder or Noteholders have offered to the Indenture Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request;

(d) the Indenture Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceeding; and

(e) no direction inconsistent with such written request has been given to the Indenture Trustee during such 30-day period by the Majority Noteholders.

It is understood and intended that no one or more Noteholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Noteholders or to obtain or to seek to obtain priority or preference over any other Noteholders or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Indenture Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Noteholders,

neither of which evidences Percentage Interests of the Outstanding Notes greater than 50%, the Indenture Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture and shall have no obligation or liability to any such group of Noteholders for such action or inaction.

Section 5.07. Unconditional Rights of Noteholders to Receive Principal and/or Interest. Notwithstanding any other provisions in this Indenture, any Noteholder shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest, if any, on such Note on or after the applicable Maturity Date thereof expressed in such Note or in this Indenture (or, in the case of redemption, on or after the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Noteholder.

Section 5.08. Restoration of Rights and Remedies. If the Indenture Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Indenture Trustee or to such Noteholder, then and in every such case the Issuer, the Indenture Trustee and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 5.09. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.10. Delay or Omission Not a Waiver. No delay or omission of the Indenture Trustee or any Noteholder to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or

Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Indenture Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee or by the Noteholders, as the case may be.

Section 5.11. Control by Noteholders. The Majority Noteholders shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee with respect to the Notes or exercising any trust or power conferred on the Indenture Trustee; provided, however, that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture;

(b) subject to the express terms of Section 5.04(a)(iv) hereof, any direction to the Indenture Trustee to sell or liquidate the Collateral shall be by Holders of Notes representing Percentage Interests of the Outstanding Notes of not less than 100%;

(c) if the conditions set forth in Section 5.05 hereof have been satisfied and the Indenture Trustee elects to retain the Collateral pursuant to such Section, then any direction to the Indenture Trustee by Holders of Notes representing Percentage Interests of the Outstanding Notes of less than 100% to sell or liquidate the Collateral shall be of no force and effect; and

(d) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee that is not inconsistent with such direction.

In connection with any sale of the Collateral in accordance with paragraph (c) above, the Majority Noteholders may, in their sole discretion appoint agents to effect the sale of the Collateral (such agents, "Sale Agents"), which Sale Agents may be Affiliates of any Noteholder. The Sale Agents shall be entitled to reasonable compensation in connection with such activities from the proceeds of such sale.

Notwithstanding the rights of the Noteholders set forth in this Section 5.11, subject to Section 6.01 hereof, the Indenture Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Noteholders not consenting to such action.

Section 5.12. Waiver of Past Defaults. The Majority Noteholders may waive any past Default or Event of Default and its consequences, except a Default (a) in the payment of principal of or interest on any of the Notes or (b) in respect of a covenant or provision hereof that cannot be modified or amended without the consent of each Noteholder. In the case of any such waiver, the Issuer, the Indenture Trustee and Noteholders shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have

been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Section 5.13. Undertaking for Costs. All parties to this Indenture agree, and each Noteholder by such Noteholder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.13 shall not apply to (a) any suit instituted by the Indenture Trustee, (b) any suit instituted by any Noteholder, or group of Noteholders, in each case holding in the aggregate Percentage Interests of the Outstanding Notes of more than 10% or (c) any suit instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note on or after the respective due dates expressed in such Note and in this Indenture (or, in the case of redemption, on or after the Redemption Date).

Section 5.14. Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.15. Action on Notes. The Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected

by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Indenture Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer. Any money or property collected by the Indenture Trustee shall be applied in accordance with Section 5.04(b) hereof.

Section 5.16. Performance and Enforcement of Certain Obligations.

(a) Promptly following a request from the Indenture Trustee to do so and at the Administrator's expense, the Issuer shall take all such lawful action as the Indenture Trustee may request to compel or secure the performance and observance by the Loan Originator and the Servicer, as applicable, of each of their obligations to the Issuer under or in connection with the Sale and Servicing Agreement or the Loan Purchase Agreement, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale and Servicing Agreement to the extent and in the manner directed by the Indenture Trustee, including the transmission of notices of default on the part of the Loan Originator or the Servicer thereunder

and the institution of legal or administrative actions or proceedings to compel or secure performance by the Loan Originator or the Servicer of each of their obligations under the Sale and Servicing Agreement and the Loan Purchase Agreement.

(b) If an Event of Default has occurred and is continuing, the Indenture Trustee may, and at the direction (which direction shall be in writing or by telephone, confirmed in writing promptly thereafter) of the Majority Noteholders shall, subject to Section 5.06(c) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Loan Originator or the Servicer under or in connection with the Sale and Servicing Agreement or the Loan Purchase Agreement, including the right or power to take any action to compel or secure performance or observance by the Loan Originator or the Servicer, as the case may be, of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension, or waiver under the Sale and Servicing Agreement, and any right of the Issuer to take such action shall be suspended.

ARTICLE VI

THE INDENTURE TRUSTEE

Section 6.01. Duties of Indenture Trustee, (a) If an Event of Default has occurred and is continuing, the Indenture Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Indenture Trustee shall undertake to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture; provided, however, that the Indenture Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture to the extent specifically set forth herein.

(c) The Indenture Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 6.01;

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) the Indenture Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.11 hereof; and

(iv) Reserved.

(d) Reserved.

(e) The Indenture Trustee shall not be liable for interest on any money received by it and held in a Trust Account except as may be provided in the Sale and Servicing Agreement or as the Indenture Trustee may agree in writing with the Issuer.

(f) Money held in trust by the Indenture Trustee shall be segregated from other funds except to the extent permitted by law or the terms of this Indenture or the Sale and Servicing Agreement.

(g) No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; provided, however, that the Indenture Trustee shall not refuse or fail to perform any of its duties hereunder solely as a result of nonpayment of its normal fees and expenses and provided, further, that nothing in this Section 6.01(g) shall be construed to limit the exercise by the Indenture Trustee of any right or remedy permitted under this Indenture or otherwise in the event of the Issuer's failure to pay the Indenture Trustee's fees and expenses pursuant to Section 6.07 hereof.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of this Section 6.01.

(i) The Indenture Trustee shall not be required to take notice or be deemed to have notice or knowledge of any Event of Default (other than an Event of Default pursuant to Section 5.01(a) or (b) hereof) unless a Responsible Officer of the Indenture Trustee shall have received written notice thereof or otherwise shall have actual knowledge thereof. In the absence of receipt of notice or such knowledge, the Indenture Trustee may conclusively assume that there is no Event of Default.

Section 6.02. Rights of Indenture Trustee. (a) The Indenture Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Indenture Trustee need not investigate any fact or matter stated in the document.

(b) Before the Indenture Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officer's Certificate or Opinion of Counsel.

(c) The Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee.

(d) The Indenture Trustee shall not be liable for (i) any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that such action or omission by the Indenture Trustee does not constitute willful misconduct, negligence or bad faith; or (ii) any action or inaction on the part of the Custodian.

(e) The Indenture Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

Section 6.03. Individual Rights of Indenture Trustee. The Indenture Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Indenture Trustee. Any Paying Agent, Note Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Indenture Trustee must comply with Section 6.11 hereof.

Section 6.04. Indenture Trustee's Disclaimer. The Indenture Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, shall not be accountable for the Issuer's use of the proceeds from the Notes, or responsible for any statement of the Issuer in the Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Indenture Trustee's certificate of authentication.

Section 6.05. Notices of Default. If a Default occurs and is continuing and if it is actually known to a Responsible Officer of the Indenture Trustee, the Indenture Trustee shall mail to each Noteholder and each party to the Master Disposition Confirmation Agreement notice of the Default within two Business Days after it receives actual notice of such occurrence.

Section 6.06. Reports by Indenture Trustee to Holders. The Indenture Trustee shall deliver to each Noteholder such information specifically requested by each Noteholder and in the Indenture Trustee's possession and as may be reasonably required to enable such Noteholder to prepare its federal and state income tax returns.

Section 6.07. Compensation and Indemnity. As compensation for its services hereunder, the Indenture Trustee shall be entitled to receive, on each Payment Date, the Indenture Trustee's Fee pursuant to Section 8.02(c) hereof (which compensation shall not be limited by any law on compensation of a trustee of an express trust) and shall be entitled to reimbursement by the Servicer for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Indenture Trustee's agents, counsel, accountants and experts. The Issuer agrees to cause the Servicer to indemnify the Indenture Trustee, the Paying Agent and their officers, directors, employees and agents against any and all loss, liability or expense (including reasonable attorneys' fees) incurred by it or them in

connection with the administration of this trust and the performance of its or their duties under the Basic Documents. The Indenture Trustee shall notify the Issuer and the Servicer promptly of any claim for which it may seek indemnity. Failure by the Indenture Trustee so to notify the Issuer and the Servicer shall not relieve the Issuer or the Servicer of its or their obligations hereunder. The Issuer shall, or shall cause the Servicer to, defend any such claim; provided, however, that if the defendants with respect to any such claim include

the Issuer and/or the Servicer and the Indenture Trustee, and the Indenture Trustee shall have reasonably concluded that there may be legal defenses available to it which are different from or in addition to those defenses available to the Issuer or the Servicer, as the case may be, the Indenture Trustee shall have the right, at the expense of the Servicer, to select separate counsel to assert such legal defenses and to otherwise defend itself against such claim. Neither the Issuer nor the Servicer need reimburse any expense or indemnify against any loss, liability or expense incurred by the Indenture Trustee through the Indenture Trustee's own willful misconduct, negligence or bad faith.

The Issuer's payment obligations to the Indenture Trustee pursuant to this Section 6.07 shall survive the discharge of this Indenture and the termination or resignation of the Indenture Trustee. When the Indenture Trustee incurs expenses after the occurrence of a Default specified in Section 5.01 (f) or (g) hereof with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or similar law.

Notwithstanding anything in this Section 6.07 to the contrary, all amounts due the Indenture Trustee hereunder shall be payable in the first instance by the Servicer and, if not paid by the Servicer within 60 days after payment is requested from the Servicer by the Indenture Trustee, in accordance with the priorities set forth in Section 5.01 of the Sale and Servicing Agreement.

Section 6.08. Replacement of Indenture Trustee. No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee shall become effective until the acceptance of appointment by the successor Indenture Trustee pursuant to this Section 6.08. The Indenture Trustee may resign at any time by so notifying the Issuer. The Majority Noteholders may remove the Indenture Trustee (with the consent of the Majority Certificateholders, not to be unreasonably withheld) by so notifying the Indenture Trustee and may appoint a successor Indenture Trustee; provided, that all of the reasonable costs and expenses incurred by the Indenture Trustee in connection with such removal shall be reimbursed to it prior to the effectiveness of such removal. The Issuer shall remove the Indenture Trustee if:

(a) the Indenture Trustee fails to comply with Section 6.11 hereof;

(b) the Indenture Trustee is adjudged a bankrupt or insolvent;

(c) a receiver or other public officer takes charge of the Indenture Trustee or its property; or

(d) the Indenture Trustee otherwise becomes incapable of acting.

If the Indenture Trustee resigns or is removed or if a vacancy exists in the office of Indenture Trustee for any reason (the Indenture Trustee in such event being referred to herein as the retiring Indenture Trustee), the Issuer shall promptly appoint a successor Indenture Trustee.

A successor Indenture Trustee shall deliver a written acceptance of its appointment to the retiring Indenture Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Indenture Trustee shall become effective, and the successor Indenture Trustee shall have all the rights, powers and duties of the Indenture Trustee under this Indenture. The successor Indenture Trustee shall mail a notice of its succession to Noteholders. The retiring Indenture Trustee shall promptly transfer all property held by it as Indenture Trustee to the successor Indenture Trustee.

If a successor Indenture Trustee does not take office within 60 days after the retiring Indenture Trustee resigns or is removed, the retiring Indenture Trustee, the Issuer or the Majority Noteholders may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

If the Indenture Trustee fails to comply with Section 6.11 hereof, any Noteholder may petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

Notwithstanding the replacement of the Indenture Trustee pursuant to this Section 6.08. the Issuer's and the Administrator's obligations under Section 6.07 hereof shall continue for the benefit of the retiring Indenture Trustee.

Section 6.09. Successor Indenture Trustee by Merger. If the Indenture Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Indenture Trustee; provided, however, that such corporation or banking association shall otherwise be qualified and eligible under Section 6.11 hereof. The Indenture Trustee shall provide the Majority Noteholders prior written notice of any such transaction.

In case at the time such successor or successors by merger, conversion or consolidation to the Indenture Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Indenture Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Indenture Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Indenture Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Indenture Trustee shall have.

Section 6.10. Appointment of Co-Indenture Trustee or Separate Indenture Trustee.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Collateral may

at the time be located, the Indenture Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust, and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders, such title to the Collateral, or any part hereof, and, subject to the other provisions of this Section 6.10. such powers, duties, obligations, rights and trusts as the Indenture Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 hereof and no notice to Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08 hereof.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Indenture Trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Indenture Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Indenture Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such

separate trustee or co-trustee, but solely at the direction of the Indenture Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Indenture Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee,

(c) Any notice, request or other writing given to the Indenture Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred; shall be vested with the estates or property specified in its instrument of appointment, jointly with the Indenture Trustee, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Indenture Trustee. Every such instrument shall be filed with the Indenture Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Indenture Trustee its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Indenture Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 6.11. Eligibility. The Indenture Trustee shall (i) have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition or (ii) otherwise be acceptable in writing to the Majority Noteholders.

ARTICLE VII

NOTEHOLDERS' LISTS AND REPORTS

Section 7.01. Issuer to Furnish Indenture Trustee Names and Addresses of Noteholders. The Issuer will furnish or cause to be furnished to the Indenture Trustee (a) not more than five days after the earlier of (i) each Record Date and (ii) three months after the last Record Date, a list, in such form as the Indenture Trustee may reasonably require, of the names and addresses of the Noteholders as of such Record Date, (b) at such other times as the Indenture Trustee may request in writing, within 30 days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than 10 days prior to the time such list is furnished; provided, however, that so long as the Indenture Trustee is the Note Registrar, no such list shall be required to be furnished.

Section 7.02. Preservation of Information. The Indenture Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Noteholders contained in the most recent list furnished to the Indenture Trustee as provided in Section 7.01 hereof and the names and addresses of Noteholders received by the Indenture Trustee in its capacity as Note Registrar. The Indenture Trustee may destroy any list furnished to it as provided in such Section 7.01 upon receipt of a new list so furnished.

Section 7.03. 144A Information. The Indenture Trustee, to the extent it has any such information in its possession, shall provide to any Noteholder and any prospective transferee designated by any such Noteholder information regarding the Notes and the Loans and such other information as shall be necessary to satisfy the condition to eligibility set forth in Rule 144A(d)(4) under the Securities Act for transfer of any such Note without registration

thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A under the Securities Act.

ARTICLE VIII

ACCOUNTS, DISBURSEMENTS AND RELEASES

Section 8.01. Collection of Money. General. Except as otherwise expressly provided herein, the Indenture Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any intermediary, all money and other property payable to or receivable by the Indenture Trustee pursuant to this Indenture. The Indenture Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Collateral, the Indenture Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice

to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V hereof.

Section 8.02. Trust Accounts: Distributions, (a) On or prior to the Closing Date, the Issuer shall cause the Servicer to establish and maintain, in the name of the Indenture Trustee for the benefit of the Noteholders, or on behalf of the Owner Trustee for the benefit of the Securityholders, the Trust Accounts as provided in the Sale and Servicing Agreement. The Servicer shall deposit amounts into each of the Trust Accounts in accordance with the terms hereof, the Sale and Servicing Agreement and the Payment Statements.

(b) Collection Account. With respect to the Collection Account, the Paying Agent shall make such withdrawals and distributions as specified in Section 5.01(c)(1) of the Sale and Servicing Agreement in accordance with the terms thereof.

(c) Distribution Account. With respect to the Distribution Account, the Paying Agent shall make (i) such deposits as specified in Sections 5.01(c)(2)(A), 5.01(c)(2)(B), 5.05(e), 5.05(f), 5.05(g), and 5.05(h) of the Sale and Servicing Agreement and (ii) such withdrawals and distributions as specified in Section 5.01 (c)(3) of the Sale and Servicing Agreement in accordance with the terms thereof.

(d) Transfer Obligation Account. With respect to the Transfer Obligation Account, the Paying Agent shall make (i) such deposits as specified in Section 5.01(c)(3)(viii) of the Sale and Servicing Agreement and (ii) such withdrawals and distributions as specified in Sections 5.05(d), 5.05(e), 5.05(f), 5,05(g), 5.05(h), and 5.05(i) of the Sale and Servicing Agreement in accordance with the terms thereof.

(e) Reserved.

(f) Advance Account. With respect to the Advance Account, the Issuer shall cause the Servicer to make such withdrawals specified in Section 2.06 of the Sale and Servicing Agreement.

Section 8.03. General Provisions Regarding Trust Accounts, (a) All or a portion of the funds in the Collection Account and the Transfer Obligation Account shall be invested in Permitted Investments in accordance with the provisions of Section 5.03(b) of the Sale and Servicing Agreement. The Indenture Trustee will not make any investment of any funds or sell any investment held in the Collection Account or the Transfer Obligation Account (other than in Permitted Investments in accordance with Section 5.03(b) of the Sale and Servicing Agreement) unless the security interest Granted and perfected in such account will continue to be perfected in such investment or the proceeds of such

sale, in either case without any further action by any Person, as evidenced by an Opinion of Counsel delivered to the Indenture Trustee by the Initial Noteholder or the Servicer, as the case may be.

(b) Subject to Section 6.01(c) hereof, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in the Collection Account or the Transfer Obligation Account resulting from any loss on any Eligible Investment included therein.

(c) If (i) the Initial Noteholder or the Servicer, as the case may be, shall have failed to give investment directions for any funds on deposit in the Collection Account or the Transfer Obligation Account to the Indenture Trustee by 2:00 p.m. New York City time (or such other time as may be agreed by the Issuer and Indenture Trustee) on any Business Day or (ii) a Default or Event of Default shall have occurred and be continuing with respect to the Notes but the Notes shall not have been declared due and payable pursuant to Section 5.02 hereof or (iii) if such Notes shall have been declared due and payable following an Event of Default, amounts collected or receivable from the Collateral are being applied in accordance with Section 5.05 hereof as if there had not been such a declaration, then the Indenture Trustee shall, to the fullest extent practicable, invest and reinvest funds in the Collection Account and the Transfer Obligation Account in one or more Permitted Investments specified in item (3) in the definition thereof.

Section 8.04. The Paying Agent. The initial Paying Agent shall be the Servicer. The Paying Agent may be removed by the Initial Noteholder in its sole discretion at any time. Upon removal of the Paying Agent, the Initial Noteholder will appoint a successor Paying Agent within 30 days; provided that the Indenture Trustee will be the Paying Agent until such successor is appointed. Upon receiving written notice from the Initial Noteholder that the Paying Agent has been terminated, the Indenture Trustee will immediately terminate the Paying Agent's access to any and all Trust Accounts.

Section 8.05. Release of Collateral, (a) Subject to the payment of its reasonable fees and expenses pursuant to Section 6.07 hereof, the Indenture Trustee may, and when required by the provisions of this Indenture shall, execute instruments acceptable to it and prepared and delivered to it by the Issuer to release property from the lien of this Indenture, or convey the Indenture Trustee's interest in the same, without recourse, representation or warranty in a manner as provided in the Custodial Agreement and under circumstances that are not inconsistent with the provisions of this Indenture and the other Basic Documents. No party relying upon an instrument executed by the Indenture Trustee as provided in this Article VIII shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(b) The Indenture Trustee shall, at such time as there are no Notes Outstanding and all sums due to the Noteholders (and their Affiliates), the Initial Noteholder, the Sales Agents, the Indenture Trustee, the Owner Trustee and the Custodian under the Basic Documents have been paid, release any remaining portion of the Collateral that secured the Notes from the lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds then on deposit in the Trust Accounts. The Indenture Trustee shall release property from the lien of this Indenture pursuant to this subsection (b) only upon receipt of an Issuer Request accompanied by an Officer's Certificate and an Opinion of Counsel meeting the applicable requirements of Section 11.01 hereof.

Section 8.06. Opinion of Counsel. Except to the extent specifically permitted by the terms of the Basic Documents, the Indenture Trustee shall receive at least seven Business Days' prior notice when requested by the Issuer to take any action pursuant to Section 8.05(a) hereof, accompanied by copies of any instruments involved, and the Indenture Trustee may also require, as a condition to such action, an Opinion of Counsel, in form and substance satisfactory to the Indenture Trustee, from the Issuer concluding that all conditions precedent to the taking of such action have

been complied with and such action will not materially and adversely impair the security for the Notes or the rights of the Noteholders in contravention of the provisions of this Indenture; provided, however, that such Opinion of Counsel shall not be required to express an opinion as to the fair value of the Collateral. Counsel rendering any such opinion may rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to the Indenture Trustee in connection with any such action.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures Without the Consent of the Noteholders. Without the consent of any Noteholder but with prior notice to the Majority Noteholders, the Issuer and the Indenture Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another Person to the Issuer, and the assumption by any such successor of the covenants of the Issuer herein and in the Notes contained;

(iii) to add to the covenants of the Issuer, for the benefit of the Noteholders, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein or in any supplemental indenture that may be inconsistent with any other provision herein or in any supplemental indenture or to make any other provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture; provided, however, that such action shall not adversely affect the interests of the Noteholders; or

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor trustee with respect to the Notes and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Article VI hereof.

The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

Section 9.02. Supplemental Indentures with Consent of Noteholders. The Issuer and the Indenture Trustee, when authorized by an Issuer Order, also may, with the consent of the Majority Noteholders, by Act of such Noteholders delivered to the Issuer and the Indenture Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of any Noteholder under this Indenture;

provided, however, that no such supplemental indenture shall, without the consent of each Noteholder affected thereby:

(a) change the date of payment of any installment of principal of or interest on any Note, or reduce the principal balance thereof, the interest rate thereon or the Termination Price with respect thereto, change the provisions of this Indenture relating to the application of collections on, or the proceeds of the sale of, the Collateral to payment of principal of or interest on the Notes, or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of the provisions of this Indenture requiring the application of funds available therefor, as provided in Article V hereof, to the payment of any such amount due on the Notes on or after the respective due dates thereof (or, in the case of redemption, on or after the Redemption Date);

(b) reduce the Percentage Interest, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture;

(c) modify or alter the provisions of the definition of the term "Outstanding" or "Percentage Interest";

(d) reduce the Percentage Interest of the Outstanding Notes, the consent of the Holders of which is required to direct the Indenture Trustee to direct the Issuer to sell or liquidate the Collateral pursuant to Section 5.04 hereof;

(e) modify any provision of this Section 9.02 except to increase any percentage specified herein or to provide that certain additional provisions of this Indenture or the Basic Documents cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby;

(f) modify any of the provisions of this Indenture in such manner as to affect the calculation of the amount of any payment of interest or principal due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation) or to adversely affect the rights of the Noteholders to the benefit of any provisions for the mandatory redemption of the Notes contained herein; or

(g) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Collateral or, except as otherwise permitted or contemplated herein, terminate the lien of this Indenture on any property at any time subject hereto or deprive any Noteholder of the security provided by the lien of this Indenture.

The Indenture Trustee may in its discretion determine whether or not any Notes would be affected by any supplemental indenture and any such determination shall be conclusive upon each Noteholder, whether theretofore or thereafter authenticated and delivered hereunder. The Indenture Trustee shall not be liable for any such determination made in good faith.

In connection with requesting the consent of the Noteholders pursuant to this Section 9.02, the Indenture Trustee shall mail to the Holders of the Notes to which such amendment or supplemental indenture relates a notice prepared by the Issuer setting forth in general terms the substance of such supplemental indenture. It shall not be necessary for any Act of Noteholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.03. Execution of Supplemental Indentures. In executing, or permitting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modification thereby of the trusts created

by this Indenture, the Indenture Trustee shall be entitled to receive, and subject to Sections 6.01 and 6.02 hereof, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Indenture Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

Section 9.04. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and shall be deemed to be modified and amended in accordance therewith with respect to the Notes affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Indenture Trustee, the Issuer and the Holders of the Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.05. Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and if required by the Indenture Trustee shall, bear a notation in form approved by the Indenture Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Indenture Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Indenture Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Indenture Trustee in exchange for Outstanding Notes.

ARTICLE X

REDEMPTION OF NOTES; PUT OPTION

Section 10.01. Redemption. The Servicer may, at its option, effect an early redemption of the Notes on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination in the manner specified in and subject to the provisions of Section 10.02 of the Sale and Servicing Agreement.

The Servicer shall furnish the Indenture Trustee with notice of any such redemption in order to facilitate the Indenture Trustee's compliance with its obligation to notify the Noteholders of such redemption in accordance with Section 10.02 hereof.

Section 10.02. Form of Redemption Notice. Notice of redemption under Section 10.01 hereof shall be by first-class mail, postage prepaid, or by facsimile mailed or transmitted not later than 10 days prior to the applicable Redemption Date to each Noteholder, as of the close of business on the Record Date preceding the applicable Redemption Date, at such Noteholder's address or facsimile number appearing in the Note Register.

All notices of redemption shall state:

(i) the Redemption Date;

(ii) that on the Redemption Date Noteholders shall receive the Note Redemption Amount; and

(iii) the place where such Notes are to be surrendered for payment of the Termination Price (which shall be the office or agency of the Issuer to be maintained as provided in Section 3.02 hereof).

Notice of redemption of the Notes shall be given by the Indenture Trustee in the name of the Issuer and at the expense of the Servicer. Failure to give to any Noteholder notice of redemption, or any defect therein, shall not

impair or affect the validity of the redemption of any other Note.

Section 10.03. Notes Payable on Redemption Date. The Notes to be redeemed shall, following notice of redemption as required by Section 10.02 hereof (in the case of redemption pursuant to Section 10.01) hereof, on the Redemption Date become due and payable at the Note Redemption Amount and (unless the Issuer shall default in the payment of the Note Redemption Amount) no interest shall accrue thereon for any period after the date to which accrued interest is calculated for purposes of calculating the Note Redemption Amount. The Issuer may not redeem the Notes unless all outstanding obligations under the Notes have been paid in full.

Section 10.04. Put: Required Principal Payments. The Issuer shall pay any Required Principal Payments in the manner specified in and subject to the provisions of Section 10.04 of the Sale and Servicing Agreement.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Compliance Certificates and Opinions, etc. Upon any application or request by the Issuer to the Indenture Trustee to take any action under any provision of this Indenture

(except with respect to the Servicer's servicing activity in the ordinary course of its business), the Issuer shall furnish to the Indenture Trustee (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and (ii) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

Section 11.02. Form of Documents Delivered to Indenture Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or

opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such officer's certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Servicer, the Loan Originator, the Issuer or the Administrator, stating that the information with respect to such factual matters is in the possession of the Servicer, the Loan Originator, the Issuer or the Administrator, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Indenture Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Indenture Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI hereof.

Section 11.03. Acts of Noteholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01 hereof) conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Section 11.03.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Indenture Trustee deems sufficient.

(c) The ownership of Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Noteholder shall bind the Holder of every Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Indenture Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 11.04. Notices, etc., to Indenture Trustee and Issuer. Any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by this Indenture shall be in writing and if such request, demand, authorization, direction, notice, consent, waiver or act of Noteholders is to be made upon, given or furnished to or filed with:

(i) the Indenture Trustee by any Noteholder or by the Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing (including by facsimile) to or with the Indenture Trustee at its Corporate Trust Office, or

(ii) the Issuer by the Indenture Trustee or by any Noteholder shall be sufficient for every purpose hereunder if in writing and made, given, furnished, filed or transmitted via facsimile to the Issuer at: Option One Owner Trust 2001 - 1B, c/o Wilmington Trust Company as Owner Trustee, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Department, telecopy number: (302) 651-8882, telephone number: (302) 651-1000, or at any other address or facsimile number previously furnished in writing to the Indenture Trustee by the Issuer or the Administrator. The Issuer shall promptly transmit any notice received by it from the Noteholders to the Indenture Trustee.

Section 11.05. Notices to Noteholders; Waiver. Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid to each Noteholder affected by such event, at his address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have duly been given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Section 11.06. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 11.07. Successors and Assigns. All covenants and agreements in this Indenture and the Notes by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Indenture Trustee in this Indenture shall bind its successors, co-trustees and agents.

Section 11.08. Separability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.09. Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Noteholders, and any other party secured hereunder, and any other Person with an ownership interest in any part of the Collateral, any benefit or any legal or equitable right,

remedy or claim under this Indenture.

Section 11.10. Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

Section 11.11. GOVERNING LAW. THIS INDENTURE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 11.12. Counterparts. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.13. Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Issuer and at its expense accompanied by an Opinion of Counsel (which may be counsel to the Indenture Trustee or any other counsel reasonably acceptable to the Indenture Trustee; provided, however, that the expense of such Opinion of Counsel shall in no event be an expense of the Indenture Trustee) to the effect that such recording is necessary either for the protection of the Noteholders or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Indenture Trustee under this Indenture.

Section 11.14. Trust Obligation. No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer, the Owner Trustee or the Indenture Trustee on the Notes or, except as expressly provided for in Article VI hereof, under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee, agent or "control person" within the meaning of the Securities Act and the Exchange Act, of the Indenture Trustee or the Owner Trustee in its individual capacity, any holder of a beneficial interest in the Issuer, the Owner Trustee or the Indenture Trustee or of any successor or assign of the Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may expressly have agreed (it being understood that the Indenture Trustee and the Owner Trustee have no such obligations in their individual capacity) and except that any such partner, owner or beneficiary of the Issuer shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity. For all purposes of this Indenture, in the performance of any duties or obligations of the Issuer hereunder, the Owner Trustee

shall be subject to, and entitled to the benefits of, the terms and provisions of Articles VI, VII and VIII of the Trust Agreement.

Section 11.15. No Petition. The Indenture Trustee, by entering into this Indenture, and each Noteholder, by accepting a Note, hereby covenant and agree that they will not at any time institute against the Depositor or the Issuer, or join in any institution against the Depositor or the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law, in connection with any obligations relating to the Notes, this Indenture or any of the Basic Documents.

Section 11.16. Inspection. The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Indenture Trustee, during

the Issuer's normal business hours, to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited by Independent certified public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees, and Independent certified public accountants, all at such reasonable times and as often as may reasonably be requested and at the expense of the Servicer. The Indenture Trustee shall and shall cause its representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Indenture Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder.

Section 11.17. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Indenture is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-1B, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Indenture or any other related documents.

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Indenture to be duly executed by their respective officers, thereunto duly authorized and duly attested, all as of the day and year first above written.

OPTION ONE OWNER TRUST 2001-1B

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

BY: /s/ Mary Kay Pupillo

Name: Mary Kay Pupillo
Title: Senior Financial Services Officer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Amy Doyle

Name: Amy Doyle
Title:

STATE OF Maryland)
)ss.:
COUNTY OF_____)

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Amy Doyle, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, and that such person executed the same as the act of said

corporation for the purpose and consideration therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 18 day of April, 2001.

/s/ Joan M. Clark

Notary Public

(Seal)

Joan M. Clark
NOTARY PUBLIC
BALTIMORE CITY, MARYLAND
COMM. Exp. August 10, 2004

My commission expires:
_____

STATE OF DELAWARE)
)ss.:
COUNTY OF NEW CASTLE)

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Mary Kay Pupillo, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee on behalf of OPTION ONE OWNER TRUST 2001 - 1B, a Delaware business trust, and that such person executed the same as the act of said business trust for the purpose and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 17th day of April, 2001.

/s/ Susanne M. Gula

Notary Public

SUSANNE M. GULA
NOTARY PUBLIC
My Commission Expires November 21, 2001

(Seal)

My commission expires:
_____

EXHIBIT A

FORM OF NOTES

THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE MAXIMUM NOTE PRINCIPAL BALANCE SHOWN ON THE FACE HEREOF. ANY PURCHASER OF THIS NOTE MAY ASCERTAIN THE OUTSTANDING PRINCIPAL AMOUNT HEREOF BY INQUIRY OF THE INDENTURE TRUSTEE.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (B) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE 1933 ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR"

WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE 1933 ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE 1933 ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

THIS NOTE MAY NOT BE TRANSFERRED UNLESS THE INDENTURE TRUSTEE HAS RECEIVED A CERTIFICATE FROM THE TRANSFEREE TO THE EFFECT THAT EITHER (I) THE TRANSFEREE IS NOT AN EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN OR (II) IF THE TRANSFEREE IS A PLAN OR IS ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN, THE CONDITIONS FOR EXEMPTIVE RELIEF UNDER AT LEAST ONE OF THE FOLLOWING PROHIBITED TRANSACTION CLASS EXEMPTIONS HAVE BEEN SATISFIED: PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (RELATING TO TRANSACTIONS EFFECTED BY AN "IN-HOUSE ASSET

MANAGER"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) AND PTCE 84-14 (RELATING TO TRANSACTIONS EFFECTED BY A "QUALIFIED PROFESSIONAL ASSET MANAGER").

Maximum Note Principal Balance: $_____
Initial Percentage Interest: _____%
No.____

OPTION ONE OWNER TRUST 2001-1B

MORTGAGE-BACKED NOTES

OPTION ONE OWNER TRUST 2001-1B, a Delaware business trust (the "Issuer"), for value received, hereby promises to pay to_____, or registered assigns (the "Noteholder"), the principal sum of _____($_____) or so much thereof as may be advanced and outstanding hereunder and to pay interest on such principal sum or such part thereof as shall remain unpaid from time to time, at the rate and at the times provided in the Sale and Servicing Agreement and the Indenture. Principal of this Note is payable on each Payment Date in an amount equal to the result obtained by multiplying (i) the Percentage Interest of this Note by (ii) the principal amount distributed in respect of such Payment Date.

The Outstanding Note Principal Balance of this Note bears interest at the Note Interest Rate. On each Payment Date amounts in respect of interest on this Note will be paid in an amount equal to the result obtained by multiplying (i) the Percentage Interest of this Note by (ii) the aggregate amount paid in respect of interest on the Notes with respect to such Payment Date.

Capitalized terms used but not defined herein have the meanings set forth in the Indenture (the "Indenture"), dated as of April 1, 2001 between the Issuer and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee (the "Indenture Trustee") or, if not defined therein, the Sale and Servicing Agreement (the "Sale and Servicing Agreement"), dated as of April 1, 2001 among the Issuer, the Depositor, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders.

In the event of an advance of Additional Note Principal Balance by the Noteholders as provided in Section 2.01(c) of the Sale and Servicing Agreement, each Noteholder shall, and is hereby authorized to, record on the

schedule attached to its Note the date and amount of any Additional Note Principal Balance advanced by it, and each repayment thereof; provided that failure to make any such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Additional Note Principal Balance and its right to receive interest payments in respect of the Additional Note Principal Balance held by such Noteholder.

Absent manifest error, the Note Principal Balance of each Note as set forth in the notations made by the related Noteholder on such Note shall be binding upon the Indenture Trustee and the Issuer; provided that failure by a Noteholder to make such recordation on its Note or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive principal and interest payments in respect thereof.

The Servicer may, at its option, effect an early redemption of the Notes for an amount equal to the Note Redemption Amount on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans at a purchase price, payable in cash, equal to the Termination Price.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

The statements in the legend set forth above are an integral part of the terms of this Note and by acceptance hereof each Holder of this Note agrees to be subject to and bound by the terms and provisions set forth in such legend.

Unless the Certificate of authentication hereon shall have been executed by an authorized officer of the Indenture Trustee, by manual signature, this Note shall not entitle the Noteholder hereof to any benefit under the Indenture or the Sale and Servicing Agreement and/or be valid for any purpose.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK AND WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PROVISIONS THEREOF.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer, as of the date set forth below.

Date: April ____, 2001

OPTION ONE OWNER TRUST 2001-1B

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

By: _____
Authorized Signatory

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes designated above and referred to in the within-mentioned Indenture.

Date: April _____, 2001

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual capacity but solely as Indenture Trustee

By: _____
Authorized Signatory

[Reverse of Note]

This Note is one of the duly authorized Notes of the Issuer, designated as its Mortgage-Backed Notes (herein called the "Notes"), all issued under the Indenture. Reference is hereby made to the Indenture and all indentures supplemental thereto, and the Sale and Servicing Agreement for a statement of the respective rights and obligations thereunder of the Issuer, the Indenture Trustee and the Holders of the Notes. To the extent that any provision of this Note contradicts or is inconsistent with the provisions of the Indenture or the Sale and Servicing Agreement, the provisions of the Indenture or the Sale and Servicing Agreement, as applicable, shall control and supersede such contradictory or inconsistent provision herein. The Notes are subject to all terms of the Indenture and the Sale and Servicing Agreement.

The principal of and interest on this Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Note shall be applied in accordance with the Indenture and the Sale and Servicing Agreement.

The entire unpaid principal amount of this Note shall be due and payable on the earlier of the Maturity Date and the Redemption Date. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable on the date on which an Event of Default shall have occurred and be continuing and the Indenture Trustee, at the direction or upon the prior written consent of the Majority Noteholders, has declared the Notes to be immediately due and payable in the manner provided in Section 5.02 of the Indenture. All principal payments on the Notes shall be made pro rata to the Holders of the Notes entitled thereto.

The Collateral secures this Note and all other Notes equally and ratably without prejudice, priority or distinction between any Note and any other Note. The Notes are non-recourse obligations of the Issuer and are limited in right of payment to amounts available from the Collateral, provided in the Indenture. The Issuer shall not otherwise be liable for payments on the Notes, and none of the owners, agents, officers, directors, employees, or successors or assigns of the Issuer shall be personally liable for any amounts payable, or performance due, under the Notes or the Indenture.

Any installment of interest or principal on this Note shall be paid on the applicable Payment Date to the Person in whose name this Note (or one or more Predecessor Notes) is registered in the Note Register as of the close of business on the related Record Date by wire transfer in immediately available funds to the account specified in writing by the related Noteholder to the extent provided by the Indenture and otherwise by check mailed to the Noteholder.

Any reduction in the principal amount of this Note (or any one or more Predecessor Notes) effected by any payments made on any Payment Date shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon. Any increase in the principal amount of this Note (or any one or more Predecessor Notes) effected by payments to the Issuer of Additional Note Principal Balances shall be binding upon the Issuer and shall inure to the benefit of all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register upon surrender of this Note for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by a written instrument of transfer in the form attached hereto duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Securities Transfer Agent's Medallion Program ("STAMP"), and thereupon one or more new Notes of authorized denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Note, but the Issuer may require the Noteholder to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange.

Each Noteholder, by acceptance of a Note or a beneficial interest in a Note, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer, the Owner Trustee or the Indenture Trustee on the Notes or under the Indenture or any certificate or other writing delivered in connection therewith, against (i) the Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director employee or "control person" within the meaning of the 1933 Act and the Exchange Act of the Indenture Trustee or the Owner Trustee in its individual capacity, any holder of a beneficial interest in the Issuer, the Owner Trustee or the Indenture Trustee or of any successor or assign of the Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may have expressly agreed and except that any such partner, owner or beneficiary shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity.

Each Noteholder, by acceptance of a Note or a beneficial interest in a Note, covenants and agrees by accepting the benefits of the Indenture that such Noteholder will not at any time institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Notes or the Basic Documents.

The Issuer has entered into the Indenture and this Note is issued with the intention that, for federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness of the Issuer secured by the Collateral. Each Noteholder, by acceptance of a Note, agrees to treat the Notes for federal, state and local income, single business and franchise tax purposes as indebtedness of the Issuer. Each Noteholder, by its acceptance of a Note, represents and warrants that the number of ICA Owners with respect to all of its Notes shall not exceed four.

Prior to the due presentment for registration of transfer of this Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name this Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Note be overdue,

and none of the Issuer, the Indenture Trustee or any such agent shall be affected by notice to the contrary.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the

Issuer and the rights of the Holders of the Notes under the Indenture at any time by the Issuer with the consent of the Majority Noteholders. The Indenture also contains provisions permitting the Holders of Notes representing specified Percentage Interests of the Outstanding Notes, on behalf of all of the Noteholders, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note (or any one or more Predecessor Notes) shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Note. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of any Noteholder.

The term "Issuer" as used in this Note includes any successor to the Issuer under the Indenture.

The Notes are issuable only in registered form in denominations as provided in the Indenture, subject to certain limitations therein set forth.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency herein prescribed.

Anything herein to the contrary notwithstanding, except as expressly provided in the Basic Documents, none of the Issuer in its individual capacity, the Owner Trustee in its individual capacity, any owner of a beneficial interest in the Issuer, or any of their respective partners, beneficiaries, agents, officers, directors, employees or successors or assigns shall be personally liable for, nor shall recourse be had to any of them for, the payment of principal of or interest on this Note or performance of, or omission to perform, any of the covenants, obligations or indemnifications contained in the Indenture. The Holder of this Note by its acceptance hereof agrees that, except as expressly provided in the Basic Documents, in the case of an Event of Default under the Indenture, the Holder shall have no claim against any of the foregoing for any deficiency, loss or claim therefrom; provided, however, that nothing contained herein shall be taken to prevent recourse to, and enforcement against, the assets of the Issuer for any and all liabilities, obligations and undertakings contained in the Indenture or in this Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee:

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

_____

(name and address of assignee)

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints, attorney, to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

*/

_____

Signature Guaranteed:

*/

_____

---

*/NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular, without alteration, enlargement or any change whatever. Such signature must be guaranteed by an "eligible guarantor institution" meeting the requirements of STAMP.

Schedule to Note
dated as of April____, 2001
of OPTION ONE OWNER TRUST 2001-1B

Date of advance of Additional Note Principal Balance	Amount of advance of Additional Note Principal Balance	Percentage Interest	Aggregate Note Principal Balance	Note Principal Balance of Note
		100%		

EXHIBIT B-1

FORM OF RULE 144A TRANSFEROR CERTIFICATE

Wells Fargo Bank Minnesota, National Association
11000 Broken Land Parkway
Columbia, Maryland 21044

Re: Option One Owner Trust 2001-1B

Reference is hereby made to the Indenture dated as of April 1, 2001 (the "INDENTURE") between Option One Owner Trust 2001-1B (the "TRUST") and Wells Fargo Bank Minnesota, National Association (the "INDENTURE TRUSTEE"). Capitalized terms used but not defined herein shall have the meanings given to them in the Sale and Servicing Agreement dated as of April 1, 2001 among the Trust, Option One Loan Warehouse Corporation (the "DEPOSITOR"), Option One Mortgage Corporation (the "SERVICER" and the "LOAN ORIGINATOR") and the Indenture Trustee.

The undersigned (the "TRANSFEROR") has requested a transfer of $_____ current principal balance Notes to [insert name of transferee].

In connection with such request, and in respect of such Notes, the Transferor hereby certifies that such Notes are being transferred in accordance with (i) the transfer restrictions set forth in the Indenture and the Notes and (ii) Rule 144A under the Securities Act of 1933, as amended to a purchaser that the Transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A purchasing for its own account or for the account of a "qualified institutional buyer," which purchaser is aware that the sale to it is being made in reliance upon Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction.

This certificate and the statements contained herein are made for your benefit and the benefit of the Depositor.

_____
[Name of Transferor]

By: _____
Name:
Title:

Dated:_____, _____

EXHIBIT B-2

FORM OF TRANSFEREE CERTIFICATE FOR
INSTITUTIONAL ACCREDITED INVESTOR

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services - Option One Owner Trust 2001-1B

Re: Option One Owner Trust 2001-1B

In connection with our proposed purchase of $ _____ Note Principal Balance Mortgage-Backed Notes (the "OFFERED NOTES") issued by Option One Owner Trust 2001-1B, we confirm that:

(1) We understand that the Offered Notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "1933 ACT") or any state securities laws, and may not be sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell any Offered Notes we will do so only (A) pursuant to a registration statement which has been declared effective under the 1933 Act, (B) for so long as the Offered Notes are eligible for resale pursuant to Rule 144A under the 1933 Act, to a Person we reasonably believe is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (C) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the 1933 Act (an "INSTITUTIONAL ACCREDITED INVESTOR") that is acquiring the Offered Notes for its own account, or for the account of such an Institutional Accredited Investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act, in each case in compliance with the requirements of the Indenture dated as of April 1, 2001 between Option One Owner Trust 2001-1B and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, and applicable state securities laws; and we further agree, in the capacities stated above, to provide to any person purchasing any of the Offered Notes from us a notice advising such purchaser that resales of the Offered Notes are restricted as stated herein.

(2) We understand that, in connection with any proposed resale of any Offered Notes to an Institutional Accredited Investor, we will be required to furnish to the Indenture Trustee and the Depositor a certification from such transferee as provided in Section 2.12 of the Indenture to confirm that the proposed sale is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and applicable state securities laws. We further understand that the Offered Notes purchased by us will bear a legend to the foregoing effect.

(3) We are acquiring the Offered Notes for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Offered Notes, and we and any account for which we are acting are each able to bear the economic risk of such investment.

(4) We are an Institutional Accredited Investor and we are acquiring the Offered Notes purchased by us for our own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which we exercise sole investment discretion.

(5) We have received such information as we deem necessary in order to make our investment decision.

(6) We either (i) are not, and are not acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA or Section 4975 of the Code, or (b) are, or are acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA of Section 4975 of the Code and the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts), and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

Terms used in this letter which are not otherwise defined herein have the respective meanings assigned thereto in the Indenture.

You and the Depositor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

_____
[Name of Transferor]

By: _____
Name:
Title:

Dated:_____, _____

EXHIBIT B-3

FORM OF RULE 144A TRANSFEREE CERTIFICATE

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services - Option One Owner Trust 2001-1B

Re: Option One Owner Trust 2001-1B

1. The undersigned is the _____ of _____ (the "INVESTOR"), a [corporation duly organized] and existing under the laws of _____ on behalf of which he makes this affidavit.

2. The Investor either (i) is not, and is not acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA or Section 4975 of the Code, or (b) is, or is acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA of Section 4975 of the Code and the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts), and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

3. The Investor understands that the Offered Notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "1933 ACT") or any state securities laws, and may not be sold except as permitted in the following sentence. The Investor agrees, on its own behalf and on behalf of any accounts for which it is acting as hereinafter stated, that if it should sell any Offered Notes it will do so only (A) pursuant to a registration statement which has been declared effective under the 1933 Act, (B) for so long as the Offered Notes are eligible for resale pursuant to Rule 144A under the 1933 Act, to a Person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (C) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the 1933 Act (an "INSTITUTIONAL ACCREDITED INVESTOR") that is acquiring the Offered Notes for its own account, or for the account of such an Institutional Accredited Investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act, in each case in compliance with the requirements of the Indenture dated as of April 1, 2001 between Option One Owner Trust 2001-1B and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, and applicable state securities laws; and the Investor further agrees, in the capacities stated above, to provide to any person purchasing

any of the Offered Notes from it a notice advising such purchaser that resales of the Offered Notes are restricted as stated herein.

[FOR TRANSFERS IN RELIANCE UPON RULE 144A]

4. The Investor is a "qualified institutional buyer" (as such term is defined under Rule 144A under the Securities Act of 1933, as amended (the "1933 ACT"), and is acquiring the Offered Notes for its own account or as a fiduciary or agent for others (which others also are "qualified institutional buyers"). The Investor is familiar with Rule 144A under the 1933 Act, and is aware that the transferor of the Offered Notes and other parties intend to rely on the statements made herein and the exemption from the registration requirements of the 1933 Act provided by Rule 144A.

_____
[Name of Transferor]

By: _____
Name:
Title:

Dated:_____, _____

EXHIBIT C

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (B) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE 1933 ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE 1933 ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE 1933 ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

THIS NOTE MAY NOT BE TRANSFERRED UNLESS THE INDENTURE TRUSTEE HAS RECEIVED A CERTIFICATE FROM THE TRANSFEREE TO THE EFFECT THAT EITHER (I) THE TRANSFEREE IS NOT AN EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN OR (II) IF THE TRANSFEREE IS A PLAN, OR IS ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN, THE CONDITIONS FOR EXEMPTIVE RELIEF UNDER AT LEAST ONE OF THE FOLLOWING PROHIBITED TRANSACTION CLASS EXEMPTIONS HAVE BEEN SATISFIED: PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (RELATING TO TRANSACTIONS EFFECTED BY AN "IN-HOUSE ASSET MANAGER"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) AND PTCE 84-14 (RELATING TO TRANSACTIONS EFFECTED BY A "QUALIFIED PROFESSIONAL ASSET MANAGER").

EXHIBIT 10.57

AMENDMENT NUMBER FIVE
to the
INDENTURE,
dated as of April 1, 2001, and as amended and restated
through and including November 25, 2003
between
OPTION ONE OWNER TRUST 2001-1B
and
WELLS FARGO BANK, N.A.

This AMENDMENT NUMBER FIVE (this "Amendment") is made and is effective as of this 16th day of April, 2004, between Option One Owner Trust 2001-1B (the "Issuer") and Wells Fargo Bank, N.A. (formerly known as Wells Fargo Bank Minnesota, National Association), as Indenture Trustee (the "Indenture Trustee"), to the Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003 (the "Indenture"), between the Issuer and the Indenture Trustee.

RECITALS

WHEREAS, the parties hereto desire to amend the Indenture subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Indenture.

SECTION 2. Amendment. Section 1.01 of the Indenture is hereby amended by deleting in its entirety the definition of "Maturity Date" and replacing it with the following:

(a) The Granting Clause of the Indenture is hereby amended by deleting it in its entirety and replacing it with the following:

"GRANTING CLAUSE

Subject to the terms of this Indenture, the Issuer hereby Grants on the Closing Date, to the Indenture Trustee, as Indenture Trustee for the benefit of the Noteholders, all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in and to: (i) such Loans as from time to time are subject to the Sale and Servicing Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan and Residual Security received on or after the related

Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments; (ix) all right, title and interest of each of the Depositor, the Loan Originator and the

Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement, the Master Disposition Confirmation Agreement and the Residual Securities Transfer Agreement, and all proceeds of any of the foregoing, (x) all right, title and interest of the Issuer in and to the Sale and Servicing Agreement, including the Issuer's right to cause the Loan Originator to repurchase Loans and Residual Securities from the Issuer under certain circumstances described therein), (xi) all right, title and interest (but none of the obligations) of the Trust in, to and under the Advance Note and all Additional Note Balances thereunder, (xii) all right, title and interest (but none of the obligations) of the Trust in, to and under the Advance Documents, (xiii) such Residual Securities as from time to time are subject to this Agreement as listed in the Residual Securities Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Residual Securities and Unqualified Residual Securities and by the addition of Qualified Substitute Residual Securities, together with the Loan Documents relating thereto and all proceeds thereof, (xiv) all right, title and interest of the Trust (but none of the obligations) in and to the Swap Agreement, (xv) all other Property of the Trust from time to time and (xvi) all present and future claims, demands, causes of action and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Collateral").

The foregoing Grant is made in trust to secure the payment of principal of and interest on, and any other amounts owing in respect of, the Notes, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture.

The Indenture Trustee, as Indenture Trustee on behalf of the Noteholders, acknowledges such Grant, accepts the trusts hereunder and agrees to perform its duties required in this Indenture to the best of its ability to the end that the interests of the Noteholders may adequately and effectively be protected."

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

"Residual Security" Any security sold to the Trust hereunder and pledged to the Indenture Trustee, which security must be (i) a mortgage-backed security issued by Option One Mortgage Acceptance Corp. and evidencing an interest in a securitization trust backed by residential mortgage loans, which mortgage loans are serviced by Option One Mortgage Corporation (in such capacity, "Option One") (including, without limitation, securities designated as class C certificates

and class P certificates that meet the foregoing criteria) or (ii) a net interest margin security issued by a trust sponsored by Option One and backed by class C certificates and/or Class P certificates, which certificates are in turn backed by residential mortgage loans serviced by Option One."

(c) Section 1.01 of the Indenture is hereby amended by deleting the definition of "Maturity Date" in its entirety and replacing it with the following definition:

"Maturity Date: means, with respect to the Notes, April 30, 2004."

(d) Section 2.08(e)(ii) of the Indenture is hereby amended by deleting such subsection it in its entirety and replacing it with the following:

"(ii) the Issuer is the owner of all of the Loans and the Residual Securities, has not assigned any interest or participation in the Loans or the Residual Securities (or, if any such interest or participation has been assigned, it has been released) and has the right to Grant all of the Loans and Residual Securities to the Indenture Trustee;"

(e) Section 3.08 of the Indenture is hereby amended by deleting such section in its entirety and replacing it with the following:

"Section 3.08. Assignment of Rights. The Issuer grants and assigns to the Initial Noteholder for the benefit of the Secured Parties all rights of the Issuer to enforce the covenants and conditions set forth in the Advance Note, the Advance Documents, the Residual Securities and the Loan Documents relating to the Residual Securities and all voting rights and rights of the Issuer to give any waivers or consents required or allowed under the Advance Note, the Advance Documents and the Loan Documents relating to the Residual Securities, and such waivers and consents shall be binding upon the Issuer as if the Issuer had given the same. The Issuer hereby constitutes and irrevocably appoints the Initial Noteholder, with full power of substitution and revocation, as the Issuer's true and lawful agent and attorney-in-fact, with the power to the full extent permitted by law, to affix to any certificates and documents representing the Advance Note or any Residual Security the endorsements delivered with respect thereto, and to transfer or cause the transfer of the Advance Note and each Residual Security, or any part thereof, on the books of the Advance Trust or the issuer of such Residual Security, as applicable, to the name of the Indenture Trustee on behalf of the Secured Parties or any nominee of hereof, and thereafter to exercise with respect to such Advance Note or Residual Security, all the rights, powers and remedies of an owner. The power of attorney granted pursuant to this Indenture and all authority hereby conferred are granted and conferred solely to protect the Secured Parties respective interest in the Collateral and shall not impose any duty upon the Initial Noteholder to exercise any power. The Issuer shall execute any documentation including, without limitation, any powers of attorney and/or irrevocable proxies, requested by the Initial Noteholder to effectuate such assignment. The Issuer shall, or shall cause the Receivables Seller and the Loan Originator (as applicable) to, provide the Initial Noteholder with copies of all reports, notices, statements and certificates delivered under the Advance Documents or the Loan Documents relating to the Residual Securities, and any other information that the Initial Noteholder shall reasonably request. Delivery of such reports, notices, information and documents to the Initial Noteholder under this section is for informational purposes only and the Initial Noteholders's receipt of such shall not constitute constructive notice of any information contained therein or determinable

from information contained therein, including the Issuer's compliance with any of its covenants. The foregoing grant and assignment are powers coupled with an interest and are irrevocable."

(f) Section 7.03 of the Indenture is hereby amended by deleting such section in its entirety and replacing it with the following:

"Section 7.03. 144A Information. The Indenture Trustee, to the extent it has any such information in its possession, shall provide to any Noteholder and any prospective transferee designated by any such Noteholder information regarding the Notes, the Loans, the Residual Securities and such other information as shall be necessary to satisfy the condition to eligibility set forth in Rule 144A(d)(4) under the Securities Act for transfer of any such Note without registration thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A under the Securities Act."

(g) The sixth paragraph of Exhibit A to the Indenture is hereby amended by deleting such paragraph in its entirety and replacing it with the following:

"The Servicer may, at its option, effect an early redemption of the

Notes for an amount equal to the Note Redemption Amount on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans and the Residual Securities at a purchase price, payable in cash, equal to the Termination Price."

SECTION 3. Representations. In order to induce the parties hereto to execute and deliver this Amendment, the Issuer hereby represents to the Indenture Trustee 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 Indenture 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 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 herewith, 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. Fees and Expenses. The Issuer covenants 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 and (ii) all reasonable fees and expenses of the Indenture Trustee and its counsel.

SECTION 6. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

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

[signature page follows]

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 2001-1B

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

By: /s/ Rachel L. Simpson

Name: RACHEL L. SIMPSON
Title: Financial Services Officer

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

By: /s/ Reid Denny

Name: REID DENNY
Title: VICE PRESIDENT

EXHIBIT 10.58

AMENDMENT NUMBER SIX
to the
INDENTURE,
dated as of April 1, 2001, and as amended and restated
through and including November 25, 2003
between
OPTION ONE OWNER TRUST 2001-1B
and
WELLS FARGO BANK, N.A.

This AMENDMENT NUMBER SIX (this "Amendment") is made and is effective as of this 30th day of April, 2004, between Option One Owner Trust 2001-1B (the "Issuer") and Wells Fargo Bank, N.A. (formerly known as Wells Fargo Bank Minnesota, National Association), as Indenture Trustee (the "Indenture Trustee"), to the Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003 (the "Indenture"), between the Issuer and the Indenture Trustee.

RECITALS

WHEREAS, the parties hereto desire to amend the Indenture subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Indenture.

SECTION 2. Amendment. Section 1.01 of the Indenture is hereby amended by deleting in its entirety the definition of "Maturity Date" and replacing it with the following:

(a) Section 1.01 of the Indenture is hereby amended by deleting the definition of "Maturity Date" in its entirety and replacing it with the following definition:

"Maturity Date: means, with respect to the Notes, April 29, 2005.

SECTION 3. Representations. In order to induce the parties hereto to execute and deliver this Amendment, the Issuer hereby represents to the Indenture Trustee 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 Indenture 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 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 herewith, 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. Fees and Expenses. The Issuer covenants 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 and (ii) all reasonable fees and expenses of the Indenture Trustee and its counsel.

SECTION 6. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND

CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

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

[signature page follows]

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 2001-1B

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

By: /s/ Mary Kay Pupillo

Name: Mary Kay Pupillo
Title: Senior Financial Services Officer

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

By: /s/ Amy Doyle

Name: Amy Doyle
Title:

Exhibit 10.59

AMENDMENT NUMBER SIX
to the
AMENDED AND RESTATED INDENTURE,
dated as of November 25, 2003,
between
OPTION ONE OWNER TRUST 2001-1B and
WELLS FARGO BANK, N.A.

This AMENDMENT NUMBER SIX (this "Amendment") is made and is effective as of this 29th day of April, 2005, between Option One Owner Trust 2001-1B (the "Issuer") and Wells Fargo Bank, N.A., as Indenture Trustee (the "Indenture Trustee"), to the Amended and Restated Indenture, dated as of November 25, 2003 (the "Indenture"), between the Issuer and the Indenture Trustee.

RECITALS

WHEREAS, the parties hereto desire to amend the Indenture subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Any terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Indenture.

SECTION 2. Amendment. Effective as of April 29, 2005, Section 1.01 of the Indenture is hereby amended by deleting in its entirety the definition of "Maturity Date" and replacing it with the following:

"Maturity Date" means, with respect to the Notes, April 28, 2006.

SECTION 3. Representations. In order to induce the parties hereto to execute and deliver this Amendment, the Issuer hereby represents to the Indenture Trustee 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 Indenture 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 Indenture and the other Basic Documents.

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 herewith, 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. Fees and Expenses. The Issuer covenants 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 and (ii) all reasonable fees and expenses of the Indenture Trustee and its counsel.

SECTION 6. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE.

SECTION 7. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

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

[signature page follows]

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 2001-1B

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

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

By: /s/ Darron C. Woodus

Name: Darron C. Woodus
Title: Assistant Vice President

EXHIBIT 10.60

==========

AMENDED AND RESTATED NOTE PURCHASE AGREEMENT

among

OPTION ONE OWNER TRUST 2001-1B
as Issuer

and

OPTION ONE LOAN WAREHOUSE CORPORATION
as Depositor

and

STEAMBOAT FUNDING CORPORATION
as Purchaser

Dated as of April 16, 2004

OPTION ONE OWNER TRUST 2001-1B
MORTGAGE-BACKED NOTES

==========

TABLE OF CONTENTS

ARTICLE VI

REPRESENTATIONS AND WARRANTIES
WITH

RESPECT TO THE PURCHASER

ARTICLE VII

COVENANTS OF THE ISSUER AND THE DEPOSITOR

ARTICLE VIII

ADDITIONAL COVENANTS

ARTICLE IX

INDEMNIFICATION

ARTICLE X

MISCELLANEOUS

NOTE PURCHASE AGREEMENT

AMENDED AND RESTATED NOTE PURCHASE AGREEMENT, dated and effective as of April 16, 2004 (the "Note Purchase Agreement"), among OPTION ONE OWNER TRUST 2001-1B (the "Issuer"), OPTION ONE LOAN WAREHOUSE CORPORATION (the "Depositor"), and STEAMBOAT FUNDING CORPORATION ("Steamboat," and in its capacity as Purchaser hereunder, the "Purchaser").

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Certain Defined Terms. Capitalized terms used herein without definition shall have the meanings set forth in the Indenture and the Sale and Servicing Agreement (as defined below). Additionally, the following terms shall have the following meanings:

"Closing" shall have the meaning set forth in Section 2.01.

"Closing Date" shall have the meaning set forth in Section 2.01.

"Confidential Information" means all marketing information, financial information, terms sheets and other information concerning the transactions contemplated thereby, prepared by the Purchaser and its Affiliates.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Governmental Actions" means any and all consents, approvals, permits, orders, authorizations, waivers, exceptions, variances, exemptions or licenses of, or registrations, declarations or filings with, any Governmental Authority required under any Governmental Rules.

"Governmental Authority" means the United States of America, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and having jurisdiction over the applicable Person.

"Governmental Rules" means any and all laws, statutes, codes, rules, regulations, ordinances, orders, writs, decrees and injunctions, of any Governmental Authority and any and all legally binding conditions, standards, prohibitions, requirements and judgments of any Governmental Authority.

"Indemnified Party" means the Purchaser and any of its officers, directors, employees, agents, representatives, assignees and Affiliates and any Person who controls the Purchaser or its Affiliates within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act.

"Indenture" means the Indenture dated as of April 1, 2001, and as amended and restated through and including November 25, 2003, between the Issuer as Issuer and Wells Fargo Bank Minnesota, National Association as Indenture Trustee, as the same may be further amended or supplemented from time to time.

"Investment Company Act" shall have the meaning provided in Section

5.01(i).

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

"Loan Originator" means Option One Mortgage Corporation, a California corporation.

"Maximum Note Principal Balance" means an amount equal to (i) on any date through and including December 30, 2003 and on or after January 1, 2004, $2,000,000,000 or (ii) on December 31, 2003, $1,500,000,000, in each case less (i) any reductions pursuant to Section 2.06(a) of the Sale and Servicing Agreement, less (ii) the aggregate outstanding principal balance of the Option One Owner Trust 2001-1A Mortgage-Backed Note issued by the Option One Owner Trust 2001-1 A, and less (iii) the aggregate amount outstanding from time to time under any secured loan or repurchase facility entered into by Steamboat, or its Affiliates, and Option One Mortgage Corporation, or its Subsidiaries.

"Purchaser" means the Purchaser and its permitted successors and assigns.

"Purchased Note" means the Option One Owner Trust 2001-1B Mortgage-Backed Note issued by the Issuer pursuant to the Indenture.

"Residual Security" Any security sold to the Trust hereunder and pledged to the Indenture Trustee, which security must be (i) a mortgage-backed security issued by Option One Mortgage Acceptance Corp. and evidencing an interest in a securitization trust backed by residential mortgage loans, which mortgage loans are serviced by Option One Mortgage Corporation (in such capacity, "Option One") (including, without limitation, securities designated as class C certificates and class P certificates that meet the foregoing criteria) or (ii) a net interest margin security issued by a trust sponsored by Option One and backed by class C certificates and/or Class P certificates, which certificates are in turn backed by residential mortgage loans serviced by Option One.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement dated as of April 1, 2001, and as amended and restated through and including April 16, 2004, among the Issuer, the Depositor, the Loan Originator, the Servicer and Wells Fargo Bank Minnesota, National Association as the Indenture Trustee, as the same may be further amended or supplemented from time to time.

"Secured Loan Facility" means the secured loan facility entered into by Option One Mortgage Corporation and Greenwich Capital Financial Products, Inc., as evidence by the Master Loan and Security Agreement, dated May 2, 2002, between Option One Mortgage Corporation and

Greenwich Capital Financial Products, Inc., as amended or restated from time to time, and the promissory note of Option One Mortgage Corporation in favor of Greenwich Capital Financial Products, Inc. entered into in connection therewith.

"Servicer" means Option One Mortgage Corporation or its permitted successors and assigns.

SECTION 1.02 Other Definitional Provisions.

(a) All terms defined in this Note Purchase Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) As used herein and in any certificate or other document made or

delivered pursuant hereto or thereto, accounting terms not defined in Section 1.01, and accounting terms partially defined in Section 1.01 to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms herein are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained herein shall control.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Note Purchase Agreement shall refer to this Note Purchase Agreement as a whole and not to any particular provision of this Note Purchase Agreement; and Section, subsection, Schedule and Exhibit references contained in this Note Purchase Agreement are references to Sections, subsections, and Exhibits in or to this Note Purchase Agreement unless otherwise specified.

ARTICLE II

CLOSING AND PURCHASES OF ADDITIONAL NOTE PRINCIPAL BALANCES

SECTION 2.01 Closing. The closing (the "Closing") of the execution of the Basic Documents shall take place at 10:00 a.m. at the offices of Thacher Proffitt & Wood, 2 World Trade Center, New York, New York 10048 on April 27, 2001, or if the conditions to closing set forth in Article IV of this Note Purchase Agreement shall not have been satisfied or waived by such date, as soon as practicable after such conditions shall have been satisfied or waived, or at such other time, date and place as the parties shall agree upon (the date of the Closing being referred to herein as the "Closing Date").

SECTION 2.02 Requests for Purchase of Additional Note Principal Balances; Collateral Value Increase Dates.

(a) At any time during the Revolving Period at least two Business Days prior to a proposed Transfer Date or Funding Date, to the extent that the aggregate outstanding Note Principal Balance of the Purchased Note (after giving effect to the proposed purchase) is less than the

Maximum Note Principal Balance, and subject to the terms and conditions hereof and in accordance with the other Basic Documents, the Issuer may request that the Purchaser purchase Additional Note Principal Balances (each such request, a Purchase Request"). Each Purchase Request shall identify (i) with respect to each Transfer Date, the proposed Transfer Date and an estimate of the number of Loans or Residual Securities and aggregate Principal Balance of such Loans and aggregate Principal Balance of such Residual Securities to be purchased by the Issuer on such Transfer Date and (ii) with respect to each Funding Date, the proposed Funding Date and the aggregate Receivables Balance of the Receivables to be purchased by the Advance Trust on such Funding Date. On the identified Transfer Date or Funding Date, the Purchaser may (in the exercise of its sole and absolute discretion) purchase the Additional Note Principal Balances requested in the Purchase Request, subject to the terms and conditions and in reliance upon the covenants, representations and warranties set forth herein and in the other Basic Documents.

(b) On any Collateral Value Increase Date during the Revolving Period, to the extent that the Note Principal Balance (after giving effect to the proposed increase in the Note Principal Balance) is less than the Maximum Note Principal Balance, and subject to the terms and conditions hereof and in accordance with the other Basic Documents, the Issuer may request that the Purchaser purchase Additional Note Principal Balances equal to the related increase in the Collateral Value of the related Mortgage Loans. The Purchaser may in its sole discretion agree to purchase such Additional Note Principal Balances.

ARTICLE III

TRANSFER DATES AND FUNDING DATES

SECTION 3.01 Transfer Dates.

(a) Subject to the conditions and terms set forth herein and in Section 2.06(a) of the Sale and Servicing Agreement with respect to each Transfer Date, the Purchaser's purchase of Additional Note Principal Balances shall be subject to the satisfaction, as of the applicable Transfer Date, of each of the following additional conditions:

(i) With respect to each Transfer Date, each condition set forth in Section 2.06(a) of the Sale and Servicing Agreement shall have been satisfied;

(ii) Each of the representations and warranties of the Issuer, the Servicer, the Loan Originator and the Depositor made in the Basic Documents shall be true and correct as of such date (except to the extent they expressly relate to an earlier or later time);

(iii) The Issuer, the Servicer, the Loan Originator and the Depositor shall be in compliance with all of their respective covenants contained in the Basic Documents and the Purchased Note;

(iv) No Event of Default and no Default shall have occurred or shall be occurring; and

(v) With respect to each Transfer Date, the Purchaser shall have received evidence reasonably satisfactory to it of the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignments required to be effected on such Transfer Date in accordance with the Sale and Servicing Agreement and the Residual Securities Transfer Agreement, including, without limitation, the assignment of the Loans and the Residual Securities and the proceeds thereof required to be assigned pursuant to the related LPA Assignment, RSTA Assignment, S&SA Assignment and the Indenture.

(b) The Purchaser shall determine in its reasonable discretion whether each of the above conditions have been met in accordance with the Sale and Servicing Agreement and its determination shall be binding on the parties hereto.

(c) The price paid by the Purchaser on each Transfer Date for the Additional Note Principal Balance purchased on such Transfer Date shall be equal to the amount of such Additional Note Principal Balance, and shall be remitted not later than 4:00 p.m. New York City time on the Transfer Date by wire transfer of immediately available funds to the Advance Account.

(d) The Purchaser shall record on the schedule attached to the Purchased Note, the date and amount of any Additional Note Principal Balance purchased by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect the Purchaser's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance actually held. Absent manifest error, the Note Principal Balance of the Purchased Note as set forth in the Purchaser's records shall be binding upon the parties hereto, notwithstanding any notation or record made or kept by any other party hereto.

SECTION 3.02 Funding Dates.

(a) Subject to the conditions and terms set forth herein and in Section 2.06 of the Sale and Servicing Agreement with respect to each Funding Date, the Purchaser's purchase of Additional Note Principal Balances shall be subject to the satisfaction, as of the applicable Funding Date, of each of the following additional conditions:

(i) With respect to each Funding Date, each condition set forth in Section 2.06 of the Sale and Servicing Agreement shall have been satisfied;

(ii) Each of the representations and warranties of the Issuer, the Servicer, the Loan Originator and the Depositor made in the Basic Documents shall be true and correct as of such date (except to the extent they expressly relate to an earlier or later time);

(iii) The Issuer, the Servicer, the Loan Originator and the Depositor shall be in compliance with all of their respective covenants contained in the Basic Documents and the Purchased Note;

(iv) No Event of Default and no Default shall have occurred or shall be occurring; and

(v) With respect to each Funding Date, the Purchaser shall have received evidence reasonably satisfactory to it of the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the Indenture Trustee's security interest in the Advance Note and the proceeds thereof.

ARTICLE IV

CONDITIONS PRECEDENT

SECTION 4.01 Closing Subject to Conditions Precedent. The Closing of the Basic Documents is subject to the satisfaction at the time of the Closing of the following conditions (any or all of which may be waived by the Purchaser in its sole discretion):

(a) Performance by the Issuer, the Depositor, the Servicer and the Loan Originator. All the terms, covenants, agreements and conditions of the Basic Documents to be complied with and performed by the Issuer, the Depositor, the Servicer and the Loan Originator on or before the Closing Date shall have been complied with and performed in all material respects.

(b) Representations and Warranties. Each of the representations and warranties of the Issuer, the Depositor, the Servicer and the Loan Originator made in the Basic Documents shall be true and correct in all material respects as of the Closing Date (except to the extent they expressly relate to an earlier or later time).

(c) Officer's Certificate. The Purchaser shall have received in form and substance reasonably satisfactory to the Purchaser an Officer's Certificate from the Loan Originator, the Depositor and the Servicer and a certificate of an Authorized Officer of the Issuer, dated the Closing Date, certifying to the satisfaction of the conditions set forth in the preceding paragraphs (a) and (b).

(d) Opinions of Counsel to the Issuer, the Loan Originator, the Servicer and the Depositor. Counsel to the Issuer, the Loan Originator, the Servicer and the Depositor shall have delivered to the Purchaser favorable opinions, dated as of the Closing Date and satisfactory in form and substance to the Purchaser and its counsel. In addition to the foregoing, the Loan Originator shall have caused its counsel to deliver to the Purchaser a favorable opinion to the effect that the Issuer will not be treated as an association (or publicly traded partnership) taxable as a corporation or as a taxable mortgage pool, for federal income tax purposes.

(e) Opinions of Counsel to the Indenture Trustee. Counsel to the Indenture Trustee shall have delivered to the Purchaser a favorable opinion,

dated as of the Closing Date and reasonably satisfactory in form and substance to the Purchaser and its counsel.

(f) Opinions of Counsel to the Owner Trustee. Delaware counsel to the Owner Trustee of the Issuer and the Depositor shall have delivered to the Purchaser favorable opinions regarding the formation, existence and standing of the Issuer and the Depositor and of the Issuer's and the Depositor's execution, authorization and delivery of each of the Basic Documents to which it is a party and such other matters as the Purchaser may reasonably request, dated as of the Closing Date and reasonably satisfactory in form and substance to the Purchaser and its counsel.

(g) Filings and Recordations. The Purchaser shall have received evidence reasonably satisfactory to it of (i) the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignment by the Loan Originator to the Depositor of the Loan Originator's ownership interest in

the Trust Estate including, without limitation, the Loans conveyed pursuant to the Loan Purchase Agreement and the proceeds thereof and the Residual Securities conveyed pursuant to the Residual Securities Transfer Agreement and the proceeds thereof, (ii) the completion of all recordings, registrations and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the assignment by the Depositor to the Issuer of the Depositor's ownership interest in the Trust Estate including, without limitation, the Loans and the Residual Securities and the proceeds thereof and (iii) the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of the Purchaser, desirable to perfect or evidence the grant of a first priority perfected security interest in the Issuer's ownership interest in the Trust Estate including, without limitation, the Loans and the Residual Securities, in favor of the Indenture Trustee, subject to no Liens prior to the Lien of the Indenture.

(h) Documents. The Purchaser shall have received a duly executed counterpart of each of the Basic Documents, in form acceptable to the Purchaser, the Purchased Note and each and every document or certification delivered by any party in connection with any of the Basic Documents or the Purchased Note, and each such document shall be in full force and effect.

(i) Actions or Proceedings. No action, suit, proceeding or investigation by or before any Governmental Authority shall have been instituted to restrain or prohibit the consummation of, or to invalidate, any of the transactions contemplated by the Basic Documents, the Purchased Note and the documents related thereto in any material respect.

(j) Approvals and Consents. All Governmental Actions of all Governmental Authorities required with respect to the transactions contemplated by the Basic Documents, the Purchased Note and the documents related thereto shall have been obtained or made.

(k) Accounts. The Purchaser shall have received evidence reasonably satisfactory to it that each Trust Account has each been established in accordance with the terms of the Sale and Servicing Agreement.

(l) Fees and Expenses. The fees and expenses payable by the Issuer and the Depositor pursuant to Section 8.02(b) shall have been paid.

(m) Other Documents. The Issuer, the Loan Originator, the Depositor and the Servicer shall have furnished to the Purchaser such other opinions, information, certificates and documents as the Purchaser may reasonably request.

(n) Proceedings in Contemplation of Sale of Purchased Note. All actions and proceedings undertaken by the Issuer, the Loan Originator, the Depositor and the Servicer in connection with the issuance and sale of the Purchased Note as herein contemplated shall be satisfactory in all respects to

the Purchaser and its counsel.

(o) Financial Covenants. The Loan Originator and the Servicer shall be in compliance with the financial covenants set forth in Section 7.02 of the Sale and Servicing Agreement.

(p) Trust Accounts Control Agreements. The Purchaser shall have received control agreements relating to the Trust Accounts satisfactory to the Purchaser.

If any condition specified in this Section 4.01 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Purchaser by notice to the Loan Originator at any time at or prior to the Closing Date, and the Purchaser shall incur no liability as a result of such termination.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE ISSUER AND THE DEPOSITOR

The Issuer and the Depositor hereby jointly and severally make the following representations and warranties to the Purchaser, as of the Closing Date, and as of each Transfer Date and each Funding Date, and the Purchaser shall be deemed to have relied on such representations and warranties in making purchases of Additional Note Principal Balances on each Transfer Date and each Funding Date:

SECTION 5.01 Issuer.

(a) The Issuer has been duly organized and is validly existing and in good standing as a statutory trust under the laws of the State of Delaware, with requisite trust power and authority to own its properties and to transact the business in which it is now engaged, and is duly qualified to do business and is in good standing (or is exempt from such requirements) in each State of the United States where the nature of its business requires it to be so qualified and the failure to be so qualified and in good standing would have a material adverse effect on the Issuer or any adverse effect on the interests of the Purchaser.

(b) The issuance, sale, assignment and conveyance of the Purchased Note and the Additional Note Principal Balances, the performance of the Issuer's obligations under each Basic Document to which it is a party and the consummation of the transactions therein contemplated will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than any Lien created by the Basic Documents), charge or encumbrance upon any of the property or assets of the Issuer or any of its Affiliates pursuant to the terms of, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it or any of its Affiliates is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of its organizational documents or any Governmental Rule applicable to the Issuer, in each case which could be expected to have a material adverse effect on the transactions contemplated therein.

(c) No Governmental Action which has not been obtained is required by or with respect to the Issuer in connection with the execution and delivery to the Purchaser of the Purchased Note. No Governmental Action which has not been obtained is required by or with respect to the Issuer in connection with the execution and delivery of any of the Basic Documents to which the Issuer is a party or the consummation by the Issuer of the transactions contemplated thereby except

for any requirements under state securities or "blue sky" laws in connection with any transfer of the Purchased Note.

(d) The Issuer possesses all material licenses, certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by it, and has not received any notice of proceedings relating to the revocation or modification of any such license, certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect its condition, financial or otherwise, or its earnings, business affairs or business prospects.

(e) Each of the Basic Documents to which the Issuer is a party has been duly authorized, executed and delivered by the Issuer and is a valid and legally binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to enforcement of bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

(f) The execution, delivery and performance by the Issuer of each of its obligations under each of the Basic Documents to which it is a party will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any agreement or instrument to which the Issuer is a party or by which the Issuer is bound or to which any of its properties are subject or of any statute, order or regulation applicable to the Issuer of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Issuer or any of its properties, in each case which could be expected to have a material adverse effect on any of the transactions contemplated therein.

(g) The Issuer is not in violation of its organizational documents or in default under any agreement, indenture or instrument the effect of which violation or default would be material to the Issuer or the transactions contemplated by the Basic Documents. The Issuer is not a party to, bound by or in breach or violation of any indenture or other agreement or instrument, or subject to or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Issuer that materially and adversely affects, or may in the future materially and adversely affect (i) the ability of the Issuer to perform its obligations under any of the Basic Documents to which it is a party or (ii) the business, operations, financial condition, properties, assets or prospects of the Issuer.

(h) There are no actions or proceedings against, or investigations of, the Issuer pending, or, to the knowledge of the Issuer threatened, before any Governmental Authority, court, arbitrator, administrative agency or other tribunal (i) asserting the invalidity of any of the Basic Documents, or (ii) seeking to prevent the issuance of the Purchased Note or the consummation of any of the transactions contemplated by the Basic Documents or the Purchased Note, or (iii) that, if adversely determined, could materially and adversely affect the business, operations, financial condition, properties, assets or prospects of the Issuer or the validity or enforceability of, or the performance by the Issuer of its respective obligations under, any of the Basic Documents to which it is a party or (iv) seeking to affect adversely the income tax attributes of the Purchased Note.

(i) The Issuer is not, and neither the issuance and sale of the Purchased Note to the Purchaser nor the activities of the Issuer pursuant to the Basic Documents, shall render the Issuer an "investment company" or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

(j) It is not necessary to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

(k) The Issuer is solvent and has adequate capital for its business and undertakings.

(l) The chief executive offices of the Issuer are located at Option One Owner Trust 2001-1B, c/o Wilmington Trust Company, as Owner Trustee, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, or, with the consent of the Purchaser, such other address as shall be designated by the Issuer in a written notice to the other parties hereto.

(m) There are no contracts, agreements or understandings between the Issuer and any Person granting such Person the right to require the filing at any time of a registration statement under the Act with respect to the Purchased Note.

SECTION 5.02 Securities Act. Assuming the accuracy of the representations and warranties of and compliance with the covenants of the Purchaser, contained herein, the sale of the Purchased Note and the sale of Additional Note Principal Balances pursuant to this Agreement are each exempt from the registration and prospectus delivery requirements of the Act. In the case of the offer or sale of the Purchased Note, no form of general solicitation or general advertising was used by the Issuer, any Affiliates of the Issuer or any person acting on its or their behalf, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. Neither the Issuer, any Affiliates of the Issuer nor any Person acting on its or their behalf has offered or sold, nor will the Issuer or any Person acting on its behalf offer or sell directly or indirectly, the Purchased Note or any other security in any manner that, assuming the accuracy of the representations and warranties and the performance of the covenants given by the Purchaser and compliance with the applicable provisions of the Indenture with respect to each transfer of the Purchased Note, would render the issuance and sale of the Purchased Note as contemplated hereby a violation of Section 5 of the Securities Act or the registration or qualification requirements of any state securities laws, nor has any such Person authorized, nor will it authorize, any Person to act in such manner.

SECTION 5.03 No Fee. Neither the Issuer, nor the Depositor, nor any of their Affiliates has paid or agreed to pay to any Person any compensation for soliciting another to purchase the Purchased Note.

SECTION 5.04 Information. The information provided pursuant to Section 7.01 (a) hereof will, at the date thereof, be true and correct in all material respects.

SECTION 5.05 The Purchased Note. The Purchased Note has been duly and validly authorized, and, when executed and authenticated in accordance with the terms of the Indenture, and delivered to and paid for in accordance with this Note Purchase Agreement, will be duly and validly issued and outstanding and will be entitled to the benefits of the Indenture.

SECTION 5.06 Use of Proceeds. No proceeds of a purchase hereunder will be used (i) for a purpose that violates or would be inconsistent with Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction in violation of Section 13 or 14 of the Exchange Act.

SECTION 5.07 The Depositor. The Depositor hereby makes to the Purchaser each of the representations, warranties and covenants set forth in Section 3.01 of the Sale and Servicing Agreement as of the Closing Date and as of each Transfer Date (except to the extent that any such representation, warranty or covenant is expressly made as of another date).

SECTION 5.08 Taxes, etc. Any taxes, fees and other charges of

Governmental Authorities applicable to the Issuer and the Depositor, except for franchise or income taxes, in connection with the execution, delivery and performance by the Issuer and the Depositor of each Basic Document to which they are parties, the issuance of the Purchased Note or otherwise applicable to the Issuer or the Depositor in connection with the Trust Estate have been paid or will be paid by the Issuer or the Depositor, as applicable, at or prior to the Closing Date or Transfer Date, to the extent then due.

SECTION 5.09 Financial Condition. On the date hereof and on each Transfer Date and each Funding Date, neither the Issuer nor the Depositor is or will be insolvent or the subject of any voluntary or involuntary bankruptcy proceeding.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE PURCHASER

The Purchaser hereby makes the following representations and warranties, as to itself, to the Issuer and the Depositor on which the same are relying in entering into this Note Purchase Agreement.

SECTION 6.01 Organization. The Purchaser has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization with power and authority to own its properties and to transact the business in which it is now engaged.

SECTION 6.02 Authority, etc. The Purchaser has all requisite power and authority to enter into and perform its obligations under this Note Purchase Agreement and to consummate the transactions herein contemplated. The execution and delivery by the Purchaser of this Note Purchase Agreement and the consummation by the Purchaser of the transactions contemplated hereby have been duly and validly authorized by all necessary organizational action on the part of the Purchaser. This Note Purchase Agreement has been duly and validly executed and delivered by

the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject as to enforcement to bankruptcy, reorganization, insolvency, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity. Neither the execution and delivery by the Purchaser of this Note Purchase Agreement nor the consummation by the Purchaser of any of the transactions contemplated hereby, nor the fulfillment by the Purchaser of the terms hereof, will conflict with, or violate, result in a breach of or constitute a default under any term or provision of the Purchaser's organizational documents or any Governmental Rule applicable to the Purchaser.

SECTION 6.03 Securities Act. The Purchaser will acquire the Purchased Note pursuant to this Note Purchase Agreement without a view to any public distribution thereof, and will not offer to sell or otherwise dispose of the Purchased Note (or any interest therein) in violation of any of the registration requirements of the Act or any applicable state or other securities laws, or by means of any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) and will comply with the requirements of the Indenture. The Purchaser acknowledges that it has no right to require the Issuer or any other Person to register the Purchased Note under the Securities Act or any other securities law.

SECTION 6.04 Conflicts With Law. The execution, delivery and performance by the Purchaser of its obligations under this Note Purchase Agreement will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Purchaser is a party or by which the Purchaser is bound or of any statute, order or regulation applicable to the Purchaser of any court,

regulatory body, administrative agency or governmental body having jurisdiction over the Purchaser, in each case which could be expected to have a material adverse effect on the transactions contemplated therein.

SECTION 6.05 Conflicts With Agreements, etc. The Purchaser is not in violation of its organizational documents or in default under any agreement, indenture or instrument the effect of which violation or default would be materially adverse to the Purchaser in the performance of its obligations or duties under any of the Basic Documents to which it is a party. The Purchaser is not a party to, bound by or in breach or violation of any indenture or other agreement or instrument, or subject to or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Purchaser that materially and adversely affects, or which could be expected in the future to materially and adversely affect the ability of the Purchaser to perform its obligations under this Note Purchase Agreement.

ARTICLE VII

COVENANTS OF THE ISSUER AND THE DEPOSITOR

SECTION 7.01 Information from the Issuer. So long as the Purchased Note remains outstanding, the Issuer and the Depositor shall each furnish to the Purchaser:

(a) such information (including financial information), documents, records or reports with respect to the Trust Estate, the Loans, the Residual Securities, the Advance Note, the

Issuer, the Loan Originator, the Servicer or the Depositor as the Purchaser may from time to time reasonably request;

(b) as soon as possible and in any event within five (5) Business Days after the occurrence thereof, notice of each Event of Default under the Sale and Servicing Agreement or the Indenture, and each Default; and

(c) promptly and in any event within 30 days after the occurrence thereof, written notice of a change in address of the chief executive office of the Issuer, the Loan Originator or the Depositor.

SECTION 7.02 Access to Information. So long as the Purchased Note remains outstanding, each of the Issuer and the Depositor shall, at any time and from time to time during regular business hours, or at such other reasonable times upon reasonable notice to the Issuer or the Depositor, as applicable, permit the Purchaser, or their agents or representatives to:

(a) examine all books, records and documents (including computer tapes and disks) in the possession or under the control of the Issuer or the Depositor relating to the Loans, the Residual Securities or the Basic Documents as may be requested, and

(b) visit the offices and property of the Issuer and the Depositor for the purpose of examining such materials described in clause (a) above.

Except as provided in Section 10.05, information obtained by the Purchaser pursuant to this Section 7.02 and Section 7.01 herein shall be held in confidence in accordance with and to the extent provided in Sections 11.15 and 11.17 of the Sale and Servicing Agreement.

SECTION 7.03 Ownership and Security Interests; Further Assurances. The Depositor will take all action necessary to maintain the Issuer's ownership interest in the Loans, the Residual Securities and he other items sold pursuant to Article II of the Sale and Servicing Agreement. The Issuer will take all action necessary to maintain the Indenture Trustee's security interest in the Loans, the Residual Securities and the other items pledged to the Indenture

Trustee pursuant to the Indenture.

The Issuer and the Depositor agree to take any and all acts and to execute any and all further instruments reasonably necessary or requested by the Purchaser to more fully effect the purposes of this Note Purchase Agreement.

SECTION 7.04 Covenants. The Issuer and the Depositor shall each duly observe and perform each of their respective covenants set forth in each of the Basic Documents to which they are parties.

SECTION 7.05 Amendments. Neither the Issuer nor the Depositor shall make, or permit any Person to make, any amendment, modification or change to, or provide any waiver under any Basic Document to which the Issuer or the Depositor, as applicable, is a party without the prior written consent of the Purchaser.

SECTION 7.06 With Respect to the Exempt Status of the Purchased Note.

(a) Neither the Issuer nor the Depositor, nor any of their respective Affiliates, nor any Person acting on their behalf will, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Purchased Note under the Securities Act.

(b) Neither the Issuer nor the Depositor, nor any of their Affiliates, nor any Person acting on their behalf will engage in any form of general solicitation or general advertising (within the meaning of Regulation D promulgated under the Securities Act) in connection with any offer or sale of the Purchased Note.

(c) On or prior to any Transfer Date or Funding Date, the Issuer and the Depositor will furnish or cause to be furnished to the Purchaser and any subsequent purchaser therefrom of Additional Note Principal Balance, if the Purchaser or such subsequent purchaser so requests, a letter from each Person furnishing a certificate or opinion on the Closing Date as described in Section 4.01 hereof or on or before any such Transfer Date or Funding Date in which such Person shall state that such subsequent purchaser may rely upon such original certificate or opinion as though delivered and addressed to such subsequent purchaser and made on and as of the Closing Date or such Transfer Date or Funding Date, as the case may be, except for such exceptions set forth in such letter as are attributable to events occurring after the Closing Date or such Transfer Date or Funding Date.

ARTICLE VIII

ADDITIONAL COVENANTS

SECTION 8.01 Legal Conditions to Closing. The parties hereto will take all reasonable action necessary to obtain (and will cooperate with one another in obtaining) any consent, authorization, permit, license, franchise, order or approval of, or any exemption by, any Governmental Authority or any other Person, required to be obtained or made by it in connection with any of the transactions contemplated by this Note Purchase Agreement.

SECTION 8.02 Expenses.

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

(b) The Issuer and the Depositor jointly and severally covenant to pay as and when billed by the Purchaser all of the reasonable out-of-pocket

costs and expenses incurred in connection with the consummation and administration of the transactions contemplated hereby and in the other Basic Documents including, without limitation, (i) all reasonable fees, disbursements and expenses of counsel to the Purchaser, (ii) all reasonable fees and expenses of the Indenture

Trustee and the Owner Trustee and their counsel and (iii) all reasonable fees and expenses of the Custodian and its counsel.

SECTION 8.03 Mutual Obligations. On and after the Closing, each party hereto will do, execute and perform all such other acts, deeds and documents as the other party may from time to time reasonably require in order to carry out the intent of this Note Purchase Agreement.

SECTION 8.04 Restrictions on Transfer. The Purchaser agrees that it will comply with the restrictions on transfer of the Purchased Note set forth in the Indenture and resell the Purchased Note only in compliance with such restrictions.

SECTION 8.05 Confidentiality. Each of the Purchaser, the Issuer and the Depositor shall hold in confidence all Confidential Information and shall not, at any time hereafter, use, disclose or divulge any such information, knowledge or data to any Person except:

(a) Information which at the time of disclosure is a part of the public knowledge or literature and readily accessible;

(b) Information as required to be disclosed by a Governmental Authority;

(c) Disclosure to a Person that has entered into a confidentiality agreement, acceptable to the Purchaser, the Issuer and the Depositor; or

(d) Information that is deemed by the Purchaser reasonably necessary to disclose in connection with its exercise of any rights or remedies under the Basic Documents.

SECTION 8.06 Information Provided by the Purchaser. The Purchaser hereby covenants to determine One-Month LIBOR in accordance with the definition thereof in the Basic Documents and shall give notice to the Indenture Trustee, the Issuer and the Depositor of the Interest Payment Amount on each Determination Date. The Purchaser shall cause the Market Value Agent to give notice to the Indenture Trustee, the Issuer and the Depositor of any Hedge Funding Requirement on or before the Determination Date related to any Payment Date. In addition, on each Determination Date, the Purchaser hereby covenants to give notice to the Indenture Trustee, the Issuer and the Depositor of (i) the Issuer/Depositor Indemnities (as defined in the Trust Agreement), (ii) Due Diligence Fees and (iii) the Collateral Value for each Loan and each Residual Security for the related Payment Date.

ARTICLE IX

INDEMNIFICATION

SECTION 9.01 Indemnification of Purchaser. Each of the Issuer and the Depositor hereby agree to, jointly and severally, indemnify and hold harmless each Indemnified Party against any and all losses, claims, damages, liabilities, expenses or judgments (including accounting fees and reasonable legal fees and other expenses incurred in connection with this Note Purchase

Agreement or any other Basic Document and any action, suit or proceeding or any

claim asserted) (collectively, "Losses"), as incurred (payable promptly upon written request), for or on account of or arising from or in connection with any information prepared by and furnished or to be furnished by any of the Issuer, the Loan Originator, the Depositor, the Advance Trust, the Advance Depositor or the Receivables Seller pursuant to or in connection with the transactions contemplated hereby including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the business, operations, financial condition of the Issuer, the Loan Originator, the Depositor, the Advance Trust, the Advance Depositor or the Receivables Seller or with respect to the Loans, the Residual Securities or the Advance Note, to the extent such information contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained therein in the light of the circumstances under which such statements were made not misleading, except with respect to any such information used by such Indemnified Party in violation of the Basic Documents which results in such Losses. The indemnities contained in this Section 9.01 will be in addition to any liability which the Issuer or the Depositor may otherwise have pursuant to this Note Purchase Agreement and any other Basic Document.

ARTICLE X

MISCELLANEOUS

SECTION 10.01 Amendments. No amendment or waiver of any provision of this Note Purchase Agreement shall in any event be effective unless the same shall be in writing and signed by all of the parties hereto, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 10.02 Notices. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including telecopies) and mailed, telecopied (with a copy delivered by overnight courier) or delivered, as to each party hereto, at its address as set forth in Schedule I hereto or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be deemed effective upon receipt thereof, and in the case of telecopies, when receipt is confirmed by telephone.

SECTION 10.03 No Waiver; Remedies. No failure on the part of any party hereto to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10.04 Binding Effect: Assignability.

(a) This Note Purchase Agreement shall be binding upon and inure to the benefit of the Issuer, the Depositor and the Purchaser and their respective permitted successors and assigns (including any subsequent holders of the Purchased Note); provided, however, neither the Issuer nor the Depositor shall have any right to assign their respective rights hereunder or interest herein (by operation of law or otherwise) without the prior written consent of the Purchaser.

(b) The Purchaser may, in the ordinary course of its business and in accordance with the Basic Documents and applicable law, including applicable securities laws, at any time sell to one or more Persons (each, a "Participant"), participating interests in all or a portion of its rights and obligations under this Note Purchase Agreement. Notwithstanding any such sale by the Purchaser of participating interests to a Participant, the Purchaser's rights and obligations under this Note Purchase Agreement shall remain unchanged, the Purchaser shall remain solely responsible for the performance thereof, and the Issuer and the Depositor shall continue to deal solely and

directly with the Purchaser and shall have no obligations to deal with any Participant in connection with the Purchaser's rights and obligations under this Note Purchase Agreement.

(c) This Note Purchase Agreement shall create and constitute the continuing obligation of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time as all amounts payable with respect to the Purchased Note shall have been paid in full.

SECTION 10.05 Provision of Documents and Information. Each of the Issuer and the Depositor acknowledges and agrees that the Purchaser is permitted to provide to any subsequent Purchaser, permitted assignees and Participants, opinions, certificates, documents and other information relating to the Issuer, the Depositor and the Loans and the Residual Securities delivered to the Purchaser pursuant to this Note Purchase Agreement provided that with respect to Confidential Information, such subsequent Purchaser, permitted assignees and Participants agree to be bound by Section 8.05 hereof.

SECTION 10.06 GOVERNING LAW; JURISDICTION. THIS NOTE PURCHASE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS. EACH OF THE PARTIES TO THIS NOTE PURCHASE AGREEMENT HEREBY AGREES TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENTS THEREOF. EACH OF THE PARTIES HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION 10.07 No Proceedings. Until the date that is one year and one day after the last day on which any amount is outstanding under this Note Purchase Agreement, the Depositor and the Purchaser hereby covenant and agree that they will not institute against the Issuer or the Depositor, or join in any institution against the Issuer or the Depositor of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law.

SECTION 10.08 Execution in Counterparts. This Note Purchase Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

SECTION 10.09 No Recourse - Purchaser and Depositor.

(a) The obligations of the Purchaser under this Note Purchase Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by the Purchaser or any officer thereof are solely the partnership or corporate obligations of the Purchaser, as the case may be. No recourse shall be had for payment of any fee or other obligation or claim arising out of or relating to this Note Purchase Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Purchaser or any officer thereof in connection therewith, against any stockholder, limited partner, employee, officer, director or incorporator of the Purchaser.

(b) The obligations of the Depositor under this Note Purchase Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by the Depositor or any officer thereof are solely the partnership or corporate obligations of the Depositor, as the case may be. No recourse shall be had for payment of any fee or other obligation or claim arising out of or relating to this Note Purchase Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Purchaser or any officer thereof in connection therewith, against any stockholder, limited partner, employee, officer, director or incorporator of the

Depositor.

(c) The Purchaser, by accepting the Purchased Note, acknowledges that such Purchased Note represents an obligation of the Issuer and does not represent an interest in or an obligation of the Loan Originator, the Servicer, the Depositor, the Administrator, the Owner Trustee, the Indenture Trustee or any Affiliate thereof and no recourse may be had against such parties or their assets, except as may be expressly set forth or contemplated in this Agreement, the Purchased Note or the Basic Documents.

SECTION 10.10 Survival. All representations, warranties, covenants, guaranties and indemnifications contained in this Note Purchase Agreement and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the sale, transfer or repayment of the Purchased Note.

SECTION 10.11 Tax Characterization. Each party to this Note Purchase Agreement (a) acknowledges and agrees that it is the intent of the parties to this Note Purchase Agreement that for all purposes, including federal, state and local income, single business and franchise tax purposes, the Purchased Note will be treated as evidence of indebtedness secured by the Loans and the Residual Securities and the proceeds thereof and the trust created under the Indenture will not be characterized as an association (or publicly traded partnership) taxable as a corporation, (b) agrees to treat the Purchased Note for federal, state and local income and franchise tax purposes as indebtedness and (c) agrees that the provisions of all Basic Documents shall be construed to further these intentions of the parties.

SECTION 10.12 Conflicts. Notwithstanding anything contained herein to the contrary, in the event of the conflict between the terms of the Sale and Servicing Agreement and this Note Purchase Agreement, the terms of the Sale and Servicing Agreement shall control.

SECTION 10.13 Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Note Purchase Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2001-1B, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Note Purchase Agreement or any other related documents.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Note Purchase Agreement to be executed by their respective officers hereunto duly authorized, as of the date first above written.

OPTION ONE OWNER TRUST 2001-1B
By: Wilmington Trust Company
not in its individual capacity but
Solely as owner trustee

By: /s/ Rachel L. Simpson

Name: Rachel L. Simpson
Title: Financial Services Officer

OPTION ONE LOAN WAREHOUSE CORPORATION

By: /s/ Charles R. Fulton

Name: Charles R. Fulton
Title: Assistant Secretary

STEAMBOAT FUNDING CORPORATION

By: /s/ ANDY YAN

Name: ANDY YAN
Title: VICE PRESIDENT

SCHEDULE I
INFORMATION FOR NOTICES

1. if to the Issuer:

Option One Owner Trust 2001-1B
c/o Wilmington Trust Company
as Owner Trustee
One Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration
Telecopy: (302) 636-4144
Telephone: (302) 651-1000

with a copy to:

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

2. if to the Depositor:

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

3. if to the Purchaser:

Steamboat Funding Corporation
c/o Lord Securities Corporation
48 Wall Street
New York, New York 10005
Attention: Andy Yan
Telecopy number: (212) 346-9012
Telephone number: (212) 346-9007

with a copy to:

The Bank of New York
32 Old Slip-15th Floor

New York, New York 10286
Attention: Robert Brady
Attention: Wilson C. Mastrandrea
Telecopy number: (212) 495-1012
Telephone number: (212) 804-2187

with a copy to:

Greenwich Capital Financial Products, Inc.
600 Steamboat Road
Greenwich, Connecticut 06830
Attn: Legal Department
Telecopy: (203)618-2132
Telephone: (203)618-2700

Exhibit 10.61

AMENDMENT NO. 1 TO
AMENDED AND RESTATED NOTE PURCHASE AGREEMENT

This Amendment No. 1 (this "Amendment"), dated as of April 29, 2005 amends the Amended and Restated Note Purchase Agreement, dated as of April 16, 2004 (the "Agreement"), among Option One Owner Trust 2001-1B, a Delaware statutory trust (the "Company"), Steamboat Funding Corporation. a Delaware corporation (the "Purchaser") and 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:

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.

2. Amendment to Section 1.1 of the Agreement. The following defined term in Section 1.1 of the Agreement are hereby deleted in their entirety and substituted therefor the following:

"Maximum Note Principal Balance" means an amount equal to (i) the Maximum Note Principal Balance as defined in the Pricing Side Letter (including only such portion thereof that is included at the sole discretion of the Initial Noteholder as is actually advanced and then outstanding), less (i) any reductions pursuant to Section 2.06 of the Sale and Servicing Agreement, less (ii) the aggregate outstanding principal balance of the Option One Owner Trust 2001-1A Mortgage-Backed Note issued by the Option One Owner Trust 2001-1A and less (iii) the aggregate amount outstanding from time to time under any secured loan or repurchase facility entered into by Steamboat, or its Affiliates, and Option One Mortgage Corporation, or its Subsidiaries.

3. Amendment to Section 4.01(o) of the Agreement. Subsection (o) of Section 4.01 of the Agreement is hereby deleted in its entirety and substituted therefor with the following:

(o) Financial Covenants. The Loan Originator and the Servicer shall be in compliance with the Financial Covenants.

For the avoidance of doubt, this Amendment shall not affect the obligation of the Loan Originator to pay at least $1,250,000 in release fees earned during the period from July 8, 2002 to July 7, 2003.

4. Amendment to Section 5.01(g) of the Agreement. Subsection (g) of Section 5.01 of the Agreement is hereby deleted in its entirety and substituted therefor with the following:

(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 materially adverse to the Issuer or the transactions contemplated by the Basic Documents. The Issuer is not a party to, bound by or in breach or violation of any indenture or other agreement or instrument, or subject to or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having

jurisdiction over the Issuer that materially and adversely affects, or may in the future materially and adversely affect (i) the ability of the Issuer to perform its obligations under any of the Basic Documents to which it is a party or (ii) the business, operations, financial condition, properties, assets or prospects of the Issuer.

5. Amendment to Section 5.01(h) of the Agreement. Subsection (h) of Section 5.01 of the Agreement is hereby deleted in its entirety and substituted therefor with the following:

(h) There are no actions or proceedings against, or investigations of, the Issuer pending, or, to the knowledge of the Issuer threatened, before any Governmental Authority, court, arbitrator, administrative agency or other tribunal (i) asserting the invalidity of any of the Basic Documents, or (ii) seeking to prevent the issuance of the Purchased Note or the consummation of any of the transactions contemplated by the Basic Documents or the Purchased Note, or (iii) that, if adversely determined, could materially and adversely affect the validity or enforceability of, or the performance by the Issuer of its respective obligations under, any of the Basic Documents to which it is a party or (iv) seeking to affect adversely the income tax attributes of the Purchased Note.

5. Amendment to Section 8.05 of the Agreement. Section 8.05 of the Agreement is hereby deleted in its entirety and substituted therefor with the following:

SECTION 8.05. Confidentiality. Each of the Purchaser, the Issuer and the Depositor shall hold in confidence all Confidential Information and shall not, at any time hereafter, use, disclose or divulge any such information, knowledge or data to any Person except:

(a) Information which at the time of disclosure is a part of the public knowledge or literature and readily accessible;

(b) Information as required to be disclosed by a Governmental Authority;

(c) Disclosure to a Person that has entered into a confidentiality agreement, acceptable to the Purchaser, the Issuer and the Depositor; or

(d) Information that is deemed by the Purchaser reasonably necessary to disclose in connection with its exercise of any rights or remedies under the Basic Documents.

Nothing herein shall, however, prevent the ultimate corporate parent of the Depositor, for so long as it shall be a company whose securities are registered under the Securities Act, from disclosing the terms of, and filing with the Securities and Exchange Commission copies of, and disseminating to other Persons following such filing, the Basic Documents. All such disclosures are expressly approved by all parties hereto.

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

7. 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.

8. 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.

9. 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.

10. 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.

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 2001-1B,
as Company

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

STEAMBOAT FUNDING CORPORATION,
as the Purchaser

By: /s/ Andy Yan

Name: Andy Yan
Title: Vice President

OPTION ONE LOAN WAREHOUSE CORPORATION
as the Depositor

By: _____
Name:
Title:

EXHIBIT 10.62

==========

SALE AND SERVICING AGREEMENT

among

OPTION ONE OWNER TRUST 2003-4

as Issuer

and

OPTION ONE LOAN WAREHOUSE CORPORATION

as Depositor

and

OPTION ONE MORTGAGE CORPORATION
as Loan Originator and Servicer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
as Indenture Trustee

Dated as of August 8, 2003

OPTION ONE OWNER TRUST 2003-4
MORTGAGE-BACKED NOTES

==========

TABLE OF CONTENTS

SALE AND SERVICING AGREEMENT

This Sale and Servicing Agreement is entered into effective as of August 8, 2003, among OPTION ONE OWNER TRUST 2003-4, a Delaware business trust (the "Issuer" or the "Trust"), OPTION ONE LOAN WAREHOUSE CORPORATION, a Delaware corporation, as Depositor (in such capacity, the "Depositor"), OPTION ONE MORTGAGE CORPORATION, a California corporation ("Option One"), as Loan Originator (in such capacity, the "Loan Originator") and as Servicer (in such capacity, the "Servicer"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association, as Indenture Trustee on behalf of the Noteholders (in such capacity, the "Indenture Trustee").

WITNESSETH:

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

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

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

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

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

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

Additional LIBOR Margin: As defined in the Note Purchase Agreement.

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

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

Administration Agreement: The Administration Agreement, dated as of August 8, 2003, among the Issuer and the Administrator.

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

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

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

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

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

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

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

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

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

Assignment: An LPA Assignment or S&SA Assignment.

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

Balloon Loan: Any Loan for which the related monthly payments, other than the monthly payment due on the maturity date stated in the Promissory Note, are computed on the basis of a period to full amortization ending on a date that is later than such maturity date.

Basic Documents: This Agreement, the Administration Agreement, the Custodial Agreement, the Indenture, the Loan Purchase and Contribution Agreement, the Master Disposition Confirmation Agreement, the Fee letter, the

Note Purchase Agreement, the Guaranty, the Trust Agreement, each Hedging Instrument and, as and when required to be executed and delivered, the Assignments.

Blocked Account Agreements: Those Blocked Account Agreements, each dated as of August 8, 2003, by and among the Trust, Option One, the Indenture Trustee and Mellon Bank, N. A. and relating to the Trust Accounts, each as in effect from time to time, and any substitutes or replacements therefor.

Borrower: The obligor or obligors on a Promissory Note.

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

Certificateholder: A holder of a Trust Certificate.

Change of Control: As defined in the Indenture.

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

Closing Date: August 8, 2003.

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

Collateral Percentage: With respect to each Loan and any Business Day, a percentage determined as follows:

(a) with respect to all Loans other than Scratch & Dent Loans, 98% or, upon the occurrence of a Performance Trigger, 95%; and

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

Collateral Value: With respect to each Loan and each Business Day, an amount equal to the positive difference, if any, between (a) the lesser of (1) the Collateral Percentage of the Market Value of such Loan, and (2)(A) 100% of the Principal Balance of each Loan that is not a Scratch & Dent Loan and (B) 75% of the Principal Balance of each Scratch & Dent Loan, each as of such Business Day, less (b) the aggregate unreimbursed Servicing Advances attributable to such Loan as of the most recent Determination Date; provided, however, that the Collateral Value shall be zero with respect to each Loan (1) that the Loan Originator is required to repurchase pursuant to Section 2.05 or Section 3.06 hereof or (2) which is a Loan of the type specified in subparagraphs (i)-(xi) hereof and which is in excess of the limits permitted under subparagraphs (i)-(xi) hereof, or (3) which remains pledged to the Indenture Trustee later than 120 days after its related Transfer Date, or (4) which has been released from the possession of the Custodian to the Servicer or the Loan Originator for a period in excess of 14 days, or (5) that is a Loan which is 90 or more days Delinquent or a Foreclosed Loan, or (6) that is a Loan which has a Loan-to-Value Ratio greater than 95%, or (7) that is not a Wet Funded Loan and for which the Custodian is not in possession of a complete Custodial Loan File, or (8) that is a Wet Funded Loan for which the related Custodial Loan File has not been delivered to the Custodian on or before the later of the 15th Business Day and the 20th calendar day following the related Transfer Date of such Wet Funded Loan, (9) that breaches any representation or warranty set forth in Exhibit E with respect to such Loan, (10) which is not denominated and payable only in United States dollars in the United States, (11) under which the Borrower is not a resident of the United States or is a government or a governmental subdivision

or agency, (12) which by its terms is not due and payable on or within 360 months of the original funding date thereof or which has had its payment terms extended, (13) which has had any of its terms, conditions or provisions modified or waived other than in compliance with Loan Originator's Underwriting Guidelines, or (14) which would be deemed part of a "predatory lending" bucket as defined within the state of the United States in which the related Mortgaged Property is located; provided, further, that (A):

(i) the aggregate Collateral Value of Loans which are Second Lien Loans may not exceed 10% of the aggregate Principal Balance of all Loans that are not Scratch & Dent Loans;

(ii) the aggregate Collateral Value of Loans which are 60 to 89 days Delinquent as of the related Determination Date may not exceed 2% of the aggregate Principal Balance of all Loans that are not Scratch & Dent Loans;

(iii) the aggregate Collateral Value of Loans with respect to which the related Borrower's Credit Score is below 525 may not exceed 15% of the aggregate Principal Balance of all Loans;

(iv) the aggregate Collateral Value of Loans which have a Loan-to-Value Ratio or CLTV, as applicable, greater than 90% must be less than 10% of the aggregate Principal Balance of all Loans;

(v) the aggregate Collateral Value of Loans which have a Loan-to-Value Ratio or CLTV, as applicable, greater than 85% must be less than 25% of the aggregate Principal Balance of all Loans;

(vi) the aggregate Collateral Value of Loans which have a Loan-to-Value Ratio or CLTV, as applicable, greater than 80% must be less than 30% of the aggregate Principal Balance of all Loans;

(vii) the aggregate Collateral Value of Loans that are Scratch & Dent Loans may not exceed $50,000,000; provided that the foregoing limit shall be reduced by the aggregate principal balance of Scratch & Dent Loans subject to any other secured loan, repurchase or credit facility entered into by the Loan Originator and the Note Agent or any Affiliate thereof;

(viii) the aggregate Collateral Value of "prime" or "A-quality" Loans originated by H&R Block Mortgage Corp. may not exceed $50,000,000; provided that the foregoing limit shall be reduced by the aggregate principal balance of "prime" or "A-quality" Loans subject to any other secured loan, repurchase or credit facility entered into by the Loan Originator and the Note Agent or any Affiliate thereof;

(ix) the aggregate Collateral Value of Loans that are Wet Funded Loans may not exceed the greater of (A) $100,000,000.00 and (B) 25% of the aggregate Principal Balance of all Loans; provided, however, that the foregoing amount in clause (B) shall not exceed $300,000,000.00; provided, further, that each of the foregoing limits shall be reduced by the aggregate principal balance of Wet Funded Loans subject to any other note purchase, secured loan, repurchase or credit facility entered into by the Loan Originator and the Note Agent or any Affiliate thereof;

(x) the aggregate Collateral Value of Loans originated by the Loan Originator more than 90 days prior to such Loans' related Transfer Date may not exceed the lesser of $50,000,000.00 or 15% of the aggregate Principal Balance of all Loans, or such greater amount as the Market Value Agent may determine from time to time, in its sole discretion; provided, further, that each of the foregoing limits shall be reduced by the aggregate principal balance of Loans originated by the Loan Originator more than 90 days prior to such Loans' related Transfer Date and subject to any other secured loan, repurchase or credit facility entered into by the Loan Originator and the Note Agent or any Affiliate thereof; and

(xi) the aggregate Collateral Value of Loans with Lost Note Affidavits may not exceed the lesser of $5,000,000.00 or 5% of the aggregate Principal Balance of all Loans; provided, further, that each of the foregoing limits shall be reduced by the aggregate principal balance of Loans with Lost Note Affidavits subject to any other secured loan, repurchase or credit facility entered into by the Loan Originator and the Note Agent or any Affiliate thereof; and

(xii) each Loan shall be counted in each applicable category in (A) above and may be counted in 2 or more categories in (A) above at the same time; provided that

once the Collateral Value of any Loan equals zero, it shall not be counted in any category listed in (A) above.

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

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

Commission: The Securities and Exchange Commission.

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

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

Custodial Agreement: The custodial agreement dated as of August 8, 2003, among the Issuer, the Servicer, the Indenture Trustee and the Custodian, providing for the retention of the Custodial Loan Files by the Custodian on behalf of the Indenture Trustee.

Custodial Loan File: As defined in the Custodial Agreement.

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

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

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

Daily Interest Accrual Amount: With respect to each day and the related Accrual Period, interest accrued at the Note Interest Rate with respect to such

Accrual Period on the Note Principal Balance as of the preceding Business Day after giving effect to all changes to the Note Principal Balance on or prior to such preceding Business Day.

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

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

Defaulted Loan: With respect to any Determination Date, any Loan, including, without limitation, any Liquidated Loan with respect to which (i) any Monthly Payment due thereon remains unpaid for more than 120 days past the original due date therefor, or (ii) any of the following has occurred as of the end of the related Remittance Period: (a) foreclosure or similar proceedings have been commenced; or (b) the Servicer or any Subservicer has determined in good faith and in accordance with the servicing standard set forth in Section 4.01 of the Servicing Addendum that such Loan is in default or imminent default.

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

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

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

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

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

Intermediary by the amount of such certificated security and the making by such Securities Intermediary of appropriate entries in its records identifying such certificated securities as credited to the related Trust Account (all of the

Trust Account Property described in Subsections (a) and (b), "Physical Property");

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

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

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

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

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

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

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

Disposition Agent: Bank One, NA (Main Office Chicago) and its successors and assigns acting at the direction, and as agent, of the Majority Noteholders.

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

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

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

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

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

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

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

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

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

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

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

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

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

Fee Letter: The Fee Letter, dated August 8, 2003, by and among the Trust, Option One and the Note Agent, as the same is in effect from time to time.

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

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

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

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

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

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

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

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

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

Guaranty: The Guaranty made by H&R Block, Inc. in favor of the Indenture Trustee and the Noteholders.

Hedge Funding Requirement: With respect to any day, all amounts required to be paid or delivered by the Issuer under any Hedging Instrument, whether in respect of payments thereunder or in order to meet margin, collateral or other requirements thereof. Such amounts shall be calculated by the Market Value Agent and the Indenture Trustee shall be notified of such amount by the Market Value Agent.

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

Hedging Counterparty: A Person (i) (A) the long-term and commercial paper or short-term deposit ratings of which are acceptable to the Majority

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

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

Indenture: The Indenture dated as of August 8, 2003, between the Issuer and the Indenture Trustee and any amendments thereto.

Indenture Trustee: Wells Fargo Bank Minnesota, National Association, a national banking association, as Indenture Trustee under the Indenture, or any successor indenture trustee under the Indenture.

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

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

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

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

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

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

LIBO Rate. As defined in the Note Purchase Agreement.

LIBOR Business Day: As defined in the Note Purchase Agreement.

LIBOR Determination Date: As defined in the Note Purchase Agreement.

LIBOR Margin: As defined in the Note Purchase Agreement.

Lien: With respect to any asset, (a) any mortgage, lien, pledge, charge, security interest, hypothecation, option or encumbrance of any kind in respect

of such asset or (b) the interest of a vendor or lessor under any conditional sale agreement, financing lease or other title retention agreement relating to such asset.

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

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

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

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

Liquidation Proceeds: With respect to a Liquidated Loan, any cash amounts received in connection with the liquidation of such Liquidated Loan, whether through trustee's sale, foreclosure sale or other disposition, any cash amounts received in connection with the management of the Mortgaged Property from Defaulted Loans, any proceeds from Primary Insurance Policies and any other amounts required to be deposited in the Collection Account pursuant to Section 5.01(b) hereof, in each case including Mortgage Insurance Proceeds and Released Mortgaged Property Proceeds.

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

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

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

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

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

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

Loan Purchase and Contribution Agreement: The First Amended and Restated Loan Purchase and Contribution Agreement, between Option One, as seller and the Depositor, as purchaser, dated as of August 8, 2003 and all supplements and amendments thereto.

Loan Schedule: The schedule of Loans conveyed to the Issuer on the Closing Date and on each Transfer Date and delivered to the Note Agent and the Custodian in the form of a computer-readable transmission specifying the information set

forth on Exhibit D hereto and, with respect to Wet Funded Loans, Exhibit C to the Custodial Agreement.

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

Lock-Box Clearing Custodial Account: The bank account maintained at Mellon Bank, N.A. into which Option One initially deposits (or causes to be deposited) all Monthly Payments it receives as well as any replacement or substitute account therefore.

Lost Note Affidavit: With respect to any Loan as to which the original Promissory Note has been permanently lost or destroyed and has not been replaced, an affidavit from the Loan Originator certifying that the original Promissory Note has been lost, misplaced or destroyed (together with a copy of the related Promissory Note and indemnifying the Issuer against any loss, cost or liability resulting from the failure to deliver the original Promissory Note) in the form of Exhibit L attached to the Custodial Agreement.

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

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

Majority Noteholders: The Note Agent. In the event of the release of the Lien of the Indenture in accordance with the terms thereof, the Majority Noteholders shall mean the Majority Certificateholders.

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

Market Value Agent: Bank One, NA or an Affiliate thereof designated by Bank One, NA in writing to the parties hereto and, in either case, its successors in interest.

Master Disposition Confirmation Agreement: The Second Amended and Restated Master Disposition Confirmation Agreement, dated as of August 8, 2003, by and among Option One, the Depositor, Option One Owner Trust 2001-1A, Option One Owner Trust 2001-1B, Option One Owner Trust 2001-2, Option One Owner Trust 2002-3, Option One Owner Trust 2003-4, Wells Fargo Bank Minnesota, National Association, Bank of America, N.A., Greenwich Capital Financial Products, Inc., UBS Warburg Real Estate Securities, Inc., Steamboat Funding Corporation and the Note Agent, as the same may be amended or restated from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Nonrecoverable Servicing Advance: With respect to any Loan or any Foreclosure Property, (a) any Servicing Advance previously made and not reimbursed from late collections, condemnation proceeds, Liquidation Proceeds, Mortgage Insurance Proceeds or the Released Mortgaged Property Proceeds on the related Loan or Foreclosure Property or (b) a Servicing Advance proposed to be made in respect of a Loan or Foreclosure Property either of which, in the good faith business judgment of the Servicer, as evidenced by an Officer's Certificate of a Servicing Officer delivered to the Note Agent, would not be ultimately recoverable.

Nonutilization Fee: A fee payable by the Issuer to the Note Agent on each Payment Date in an amount equal to (a) 0.175% times (b) the average daily amount

for the immediately preceding month of (1) $1,020,000,000 less (2) the Note Principal Balance divided by (c) 360 and multiplied by (d) the actual number of calendar days that have elapsed since the immediately preceding Payment Date (or, with respect to the first Payment Date, the Closing Date).

Note: The meaning assigned thereto in the Indenture.

Note Agent: Bank One, NA (Main Office Chicago), acting in its capacity as agent on behalf of the Purchasers under the Note Purchase Agreement.

Noteholder: The meaning assigned thereto in the Indenture.

Note Interest Rate: The meaning assigned thereto in the Note Purchase Agreement.

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

Note Purchase Agreement: The Note Purchase Agreement among the Note Agent, the Issuer and the Depositor, dated as of August 8, 2003.

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

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

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

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

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

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

Owner Trustee Fee: The annual fee of $4,000 payable in equal monthly installments to the Servicer pursuant to Section 5.01(c)(3)(i) which shall in turn pay such amount annually to the Owner Trustee on the anniversary of the

Closing Date occurring each year during the term of this Agreement.

Paying Agent: The meaning assigned thereto in the Indenture.

Payment Date: Each of, (i) the 10th day of each calendar month commencing on the first such 10th day to occur after the first Transfer Date, or if any such day is not a Business Day, the first Business Day immediately following such day, (ii) any day a Loan is sold pursuant to the terms hereof, (iii) a Put Date as specified by the Majority Noteholder pursuant to Section 10.05 of the Indenture, and (iv) an additional Payment Date pursuant to Section 5.01(c)(4)(i) and 5.01(c)(4)(iii). From time to time, the Majority Noteholders and the Issuer may agree, upon written notice to the Owner Trustee and the Indenture Trustee, to additional Payment Dates in accordance with Section 5.01(c)(4)(ii).

Payment Statement: As defined in Section 6.01(b) hereof.

Percentage Interest: As defined in the Trust Agreement.

Performance Trigger: Shall exist, as of any Determination Date, if the aggregate Principal Balance of all Loans that are not Scratch & Dent Loans and that are Delinquent greater than 59 days (including Defaulted Loans and Foreclosed Loans) as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 2%, provided, however, that a Performance Trigger shall not occur if such percentage is reduced to

less than 2% within 5 Business Days of such Determination Date as the result of the exercise of a Servicer Call. A Performance Trigger shall continue to exist until Deemed Cured.

Periodic Cap: With respect to each ARM Loan and any Rate Change Date therefor, the annual percentage set forth in the related Promissory Note, which is the maximum annual percentage by which the Loan Interest Rate for such Loan may increase or decrease (subject to the Lifetime Cap or the Lifetime Floor) on such Rate Change Date from the Loan Interest Rate in effect immediately prior to such Rate Change Date.

Permitted Investments: Each of the following:

(a) Direct general obligations of the United States or the obligations of any agency or instrumentality of the United States fully and unconditionally guaranteed, the timely payment or the guarantee of which constitutes a full faith and credit obligation of the United States.

(b) Federal Housing Administration debentures rated Aa2 or higher by Moody's and AA or better by S&P.

(c) Freddie Mac senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(d) Federal Home Loan Banks' consolidated senior debt obligations rated Aa2 or higher by Moody's and AA or better by S&P.

(e) Fannie Mae senior debt obligations rated Aa2 or higher by Moody's.

(f) Federal funds, certificates or deposit, time and demand deposits, and bankers' acceptances (having original maturities of not more than 365 days) of any domestic bank, the short-term debt obligations of which have been rated A-1 or better by S&P and P-1 or better by Moody's.

(g) Investment agreements approved by the Note Agent provided:

(1) The agreement is with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated Aa2 or better by Moody's and AA or better by S&P, and

(2) Monies invested thereunder may be withdrawn without any penalty, premium or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

(3) The agreement is not subordinated to any other obligations of such insurance company or bank, and

(4) The same guaranteed interest rate will be paid on any future deposits made pursuant to such agreement, and

(5) The Indenture Trustee and the Note Agent receive an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

(h) Commercial paper (having original maturities of not more than 365 days) rated A-1 or better by S&P and P-1 or better by Moody's.

(i) Investments in money market funds rated AAAM or AAAM-G by S&P and Aaa or P-1 by Moody's.

(j) Investments approved in writing by the Note Agent;

provided that no instrument described above is permitted to evidence either the right to receive (a) only interest with respect to obligations underlying such instrument or (b) both principal and interest payments derived from obligations underlying such instrument and the interest and principal payments with respect to such instrument provided a yield to maturity at par greater than 120% of the yield to maturity at par of the underlying obligations; and provided, further, that no instrument described above may be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to stated maturity; and provided, further, that, with respect to any instrument described above, such instrument qualifies as a "permitted investment" within the meaning of Section 860G(a)(5) of the Code and the regulations thereunder.

Each reference in this definition to the Rating Agency shall be construed, as a reference to each of S&P and Moody's.

Person: Any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, national banking association, unincorporated organization or government or any agency or political subdivision thereof.

Physical Property: As defined in clause (b) of the definition of "Delivery" above.

Pool Principal Balance: With respect to any Determination Date, the aggregate Principal Balances of the Loans as of such Determination Date.

Prepaid Installment: With respect to any Loan, any installment of principal thereof and interest thereon received prior to the scheduled Due Date for such installment, intended by the Borrower as an early payment thereof and not as a Prepayment with respect to such Loan.

Prepayment: Any payment of principal of a Loan which is received by the Servicer in advance of the scheduled due date for the payment of such principal (other than the principal portion of any Prepaid Installment), and the proceeds of any Mortgage Insurance Policy which are to be applied as a payment of principal on the related Loan shall be deemed to be Prepayments for all purposes of this Agreement.

Preservation Expenses: Expenditures made by the Servicer in connection with a foreclosed Loan prior to the liquidation thereof, including, without limitation, expenditures for real estate property taxes, hazard insurance

premiums, property restoration or preservation.

Primary Insurance Policy: A policy of primary mortgage guaranty insurance issued by a Qualified Insurer pursuant to Section 4.06 of the Servicing Addendum.

Principal Balance: With respect to any Loan or related Foreclosure Property, (i) at the Transfer Cut-off Date, the Transfer Cut-off Date Principal Balance and (ii) with respect to any other date of determination, the outstanding unpaid principal balance of the Loan as of the end of the preceding Remittance Period (after giving effect to all payments received thereon and the allocation of any Net Loan Losses with respect thereto for a Defaulted Loan prior to the end of such Remittance Period); provided, however, that any Liquidated Loan shall be deemed to have a Principal Balance of zero.

Proceeding: Means any suit in equity, action at law or other judicial or administrative proceeding.

Promissory Note: With respect to a Loan, the original executed promissory note or other evidence of the indebtedness of the related Borrower or Borrowers.

Put/Call Loan: Any (i) non-Scratch & Dent Loan that has become 30 or more days (but less than 60 days) Delinquent, (ii) non-Scratch & Dent Loan that has become 60 or more days (but less than 90 days) Delinquent, (iii) non-Scratch & Dent Loan that has become 90 or more days Delinquent, (iv) non-Scratch & Dent Loan that is a Defaulted Loan, (v) non-Scratch & Dent Loan that has been in default for a period of 30 days or more (other than a Loan referred to in clause (i), (ii), (iii) or (iv) hereof), (vi) non-Scratch & Dent Loan that does not meet criteria established by independent rating agencies or surety agency conditions for Dispositions which criteria have been established at the related Transfer Date and may be modified only to match changed criteria of independent rating agencies or surety agents, or (vii) non-Scratch & Dent Loan that is inconsistent with the intended tax status of a Securitization.

Put Date: Any date on which all or a portion of the Notes are to be purchased by the Issuer as a result of the exercise of the Put Option.

Put Option: The right of the Majority Noteholders to require the Issuer to repurchase all or a portion of the Notes in accordance with Section 10.04 of the Indenture.

QSPE Affiliate: Option One Owner Trust 2001-1A, Option One Owner Trust 2001-1B, Option One Owner Trust 2002-2, Option One Owner Trust 2002-3 or any other Affiliate which is a "qualified special purpose entity" in accordance with Financial Accounting Standards Board's Statement No. 140 or 125, as they may be amended from time to time.

Qualified Insurer: An insurance company duly qualified as such under the laws of the states in which the Mortgaged Property is located, duly authorized and licensed in such states to transact the applicable insurance business and to write the insurance provided and that meets the requirements of Fannie Mae and Freddie Mac.

Qualified Substitute Loan: A Loan or Loans substituted for a Deleted Loan pursuant to Section 3.06 hereof, which (i) has or have been approved in writing by the Majority Noteholders and (ii) complies or comply as of the date of substitution with each representation and warranty

set forth in Exhibit E and is or are not 30 or more days Delinquent as of the date of substitution for such Deleted Loan or Loans.

Rapid Amortization Trigger: Shall exist, as of any Determination Date, if

the aggregate Principal Balance of all Loans that are not Scratch & Dent Loans and that are Delinquent greater than 59 days (including Defaulted Loans and Foreclosed Loans) as of such Determination Date divided by the Pool Principal Balance as of such Determination Date is greater than 3%; provided, however, that a Rapid Amortization Trigger shall not occur if such percentage is reduced to less than 3% within 5 Business Days of such Determination Date as a result of the exercise of a Servicer Call.

Rate Change Date: The date on which the Loan Interest Rate of each ARM is subject to adjustment in accordance with the related Promissory Note.

Rating Agencies: S&P and Moody's or such other nationally recognized credit rating agencies as may from time to time be designated in writing by the Majority Noteholders in their sole discretion.

Record Date: With respect to each Payment Date, the close of business of the immediately preceding Business Day.

Reference Banks: Bankers Trust Company, Barclay's Bank PLC, The Tokyo Mitsubishi Bank and National Westminster Bank PLC and their successors in interest; provided, however, that if the Note Agent determines that any of the foregoing banks are not suitable to serve as a Reference Bank, then any leading banks selected by the Note Agent with the approval of the Issuer, which approval shall not be unreasonably withheld, which are engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London and (ii) which have been designated as such by the Note Agent with the approval of the Issuer, which approval shall not be unreasonably withheld.

Refinanced Loan: A Loan the proceeds of which were not used to purchase the related Mortgaged Property.

Released Mortgaged Property Proceeds: With respect to any Loan, proceeds received by the Servicer in connection with (i) a taking of an entire Mortgaged Property by exercise of the power of eminent domain or condemnation or (ii) any release of part of the Mortgaged Property from the lien of the related Mortgage, whether by partial condemnation, sale or otherwise; which proceeds in either case are not released to the Borrower in accordance with applicable law and/or Accepted Servicing Practices.

Remittance Date: The Business Day immediately preceding each Payment Date.

Remittance Period: With respect to any Payment Date, the period commencing immediately following the Determination Date for the preceding Payment Date (or, in the case of the initial Payment Date, commencing immediately following the initial Transfer Cut-off Date) and ending on and including the related Determination Date.

Repurchase Price: With respect to a Loan the sum of (i), the Principal Balance thereof as of the date of purchase or repurchase, plus (ii) all accrued and unpaid interest on such Loan to the date of purchase or repurchase computed at the applicable Loan Interest Rate, plus (iii) the amount of any unreimbursed Servicing Advances made by the Servicer with respect to such Loan (after deducting therefrom any amounts received in respect of such purchased or repurchased Loan and being held in the Collection Account for future distribution to the extent such amounts represent recoveries of principal not yet applied to reduce the related Principal Balance or interest (net of the Servicing Fee) for the period from and after the date of repurchase). The Repurchase Price shall be (i) increased by the net negative value or (ii) decreased by the net positive value of all Hedging Instruments terminated with respect to the purchase of such Loan. To the extent the Servicer does not reimburse itself for amounts, if any, in respect of the Servicing Advance Reimbursement Amount pursuant to Section 5.01(c)(1) hereof, with respect to such Loan, the Repurchase Price shall be reduced by such amounts.

Reserve Interest Rate: With respect to any LIBOR Determination Date, the rate per annum that the Note Agent determines to be either (i) the arithmetic mean (rounded to the nearest whole multiple of 1/16%) of the one-month U.S. dollar lending rates which New York City banks selected by the Note Agent are quoting on the relevant LIBOR Determination Date to the principal London offices of leading banks in the London interbank market or (ii) in the event that the Note Agent can determine no such arithmetic mean, the lowest one-month U.S. dollar lending rate which New York City banks selected by the Note Agent are quoting on such LIBOR Determination Date to leading European banks.

Responsible Officer: When used with respect to the Indenture Trustee or Custodian, any officer within the corporate trust office of such Person, including any Vice President, Assistant Vice President, Secretary, Assistant Secretary or any other officer of such Person customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject. When used with respect to the Issuer, any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Owner Trustee to the Indenture Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Responsible Officers delivered by the Administrator to the Owner Trustee on the date hereof (as such list may be modified or supplemented from time to time thereafter). When used with respect to the Depositor, the Loan Originator or the Servicer, the President, any Vice President, or the Treasurer.

Retained Securities: With respect to a Securitization, any subordinated securities issued or expected to be issued, or excess collateral value retained or expected to be retained, in connection therewith to the extent the Depositor, the Loan Originator or an Affiliate thereof retains, instead of sell, such securities.

Retained Securities Value: With respect to any Business Day and a Retained Security, the market value thereof as determined by the Market Value Agent in accordance with Section 6.03(d) hereof.

Revolving Period: With respect to the Notes, the period commencing on the Closing Date and ending on the earlier of (i) 364 days after such date, and (ii) the date on which the Revolving Period is terminated pursuant to Section 2.07. The Revolving Period may be extended annually, in the sole discretion of the Note Agent, upon the request of the Depositor.

Sales Price: For any Transfer Date, the sum of the Collateral Values with respect to each Loan conveyed on such Transfer Date as of such Transfer Date.

S&SA Assignment: An Assignment, in the form of Exhibit C hereto, of Loans and other property from the Depositor to the Issuer pursuant to this Agreement.

Scratch & Dent Loan: Any Loan that does not meet the Underwriting Guidelines or with respect to which certain documentation is missing from the Custodial Loan File.

Second Lien Loan: A Loan secured by the lien on the Mortgaged Property, subject to one Senior Lien on such Mortgaged Property.

Securities: The Notes and the Trust Certificates.

Securities Intermediary: A "securities intermediary" as defined in Section 8-102(a)(14) of the UCC that is holding a Trust Account for the Indenture Trustee as the sole "entitlement holder" as defined in Section 8-102(a)(7) of

the UCC.

Securitization: A sale or transfer of Loans by the Issuer at the direction of the Majority Noteholders to any other Person in order to effect one or a series of structured-finance Securitization transactions, including but not limited to transactions involving the issuance of securities which may be treated for federal income tax purposes as indebtedness of Option One or one or more of its wholly-owned subsidiaries.

Securityholder: Any Noteholder or Certificateholder.

Senior Lien: With respect to any Second Lien Loan, the mortgage loan having a senior priority lien on the related Mortgaged Property.

Servicer: Option One, in its capacity as the servicer hereunder, or any successor appointed as herein provided.

Servicer Call: The optional repurchase by the Servicer of a Loan pursuant to Section 3.08(b) hereof.

Servicer Event of Default: As described in Section 9.01 hereof.

Servicer Put: The mandatory repurchase by the Servicer, at the option of the Majority Noteholders, of a Loan pursuant to Section 3.08(a) hereof.

Servicer's Fiscal Year: May 1st of each year through April 30th of the following year.

Servicer's Loan File: With respect to each Loan, the file held by the Servicer, consisting of all documents (or electronic images thereof) relating to such Loan, including, without limitation, copies of all of the Loan Documents included in the related Custodial Loan File.

Servicer's Remittance Report: A report prepared and computed by the Servicer in substantially the form of Exhibit B attached hereto.

Servicing Addendum: The terms and provisions set forth in Exhibit F attached hereto relating to the administration and servicing of the Loans.

Servicing Advance Reimbursement Amount: With respect to any Determination Date, the amount of any Servicing Advances that have not been reimbursed as of such date, including Nonrecoverable Servicing Advances.

Servicing Advances: As defined in Section 4.14(b) of the Servicing Addendum.

Servicing Compensation: The Servicing Fee and other amounts to which the Servicer is entitled pursuant to Section 4.15 of the Servicing Addendum.

Servicing Fee: As to each Loan (including any Loan that has been foreclosed and for which the related Mortgaged Property has become a Foreclosure Property, but excluding any Liquidated Loan), the fee payable monthly to the Servicer, which shall be the product of 0.50% (50 basis points), or such other lower amount as shall be mutually agreed to in writing by the Majority Noteholders and the Servicer, and the Principal Balance of such Loan as of the beginning of the related Remittance Period, divided by 12. The Servicing Fee shall only be payable to the extent interest is collected on a Loan.

Servicing Officer: Any officer of the Servicer or Subservicer involved in, or responsible for, the administration and servicing of the Loans whose name and specimen signature appears on a list of servicing officers annexed to an Officer's Certificate furnished by the Servicer or the Subservicer, respectively, on the date hereof to the Issuer and the Indenture Trustee, on behalf of the Noteholders, as such list may from time to time be amended.

S&P: Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

State: Means any one of the states of the United States of America or the District of Columbia.

Subservicer: Any Person with which the Servicer has entered into a Subservicing Agreement and which is an Eligible Servicer and satisfies any requirements set forth in Section 4.22 of the Servicing Addendum in respect of the qualifications of a Subservicer.

Subservicing Account: An account established by a Subservicer pursuant to a Subservicing Agreement, which account must be an Eligible Account.

Subservicing Agreement: Any agreement between the Servicer and any Subservicer relating to subservicing and/or administration of any or all Loans as provided in Section 4.22 in the Servicing Addendum.

Subsidiary: With respect to any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

Substitution Adjustment: As to any date on which a substitution occurs pursuant to Section 2.05 or Section 3.06 hereof, the amount, if any, by which (a) the aggregate principal balance of any Qualified Substitute Loans (after application of principal payments received on or before the related Transfer Cut-off Date) is less than (b) the aggregate of the Principal Balances of the related Deleted Loans as of the first day of the month in which such substitution occurs.

Tangible Net Worth: With respect to any Person, as of any date of determination, the consolidated Net Worth of such Person and its Subsidiaries, less the consolidated net book value of all assets of such Person and its Subsidiaries (to the extent reflected as an asset in the balance sheet of such Person or any Subsidiary at such date) which will be treated as intangibles under GAAP, including, without limitation, such items as deferred financing expenses, net leasehold improvements, good will, trademarks, trade names, service marks, copyrights, patents, licenses and unamortized debt discount and expense; provided, that residual securities issued by such Person or its Subsidiaries shall not be treated as intangibles for purposes of this definition.

Termination Price: As of any Determination Date, an amount without duplication equal to the greater of (A) the Note Redemption Amount and (B) the sum of (i) the Principal Balance of each Loan included in the Trust as of the end of the preceding Remittance Period; (ii) all unpaid interest accrued on the Principal Balance of each such Loan at the related Loan Interest Rate to the end of the preceding Remittance Period; and (iii) the aggregate fair market value of each Foreclosure Property included in the Trust as of the end of the preceding Remittance Period, as determined by an Independent appraiser acceptable to the Majority Noteholders as of a date not more than 30 days prior to such Payment Date.

Transfer Cut-off Date: With respect to each Loan, the first day of the month in which the Transfer Date with respect to such Loan occurs or if originated in such month, the date of origination.

Transfer Cut-off Date Principal Balance: As to each Loan, its Principal

Balance as of the opening of business on the Transfer Cut-off Date (after giving effect to any payments received on the Loan before the Transfer Cut-off Date).

Transfer Date: With respect to each Loan, the day such Loan is either (i) sold and conveyed to the Depositor by the Loan Originator pursuant to the Loan Purchase and Contribution Agreement and to the Issuer by the Depositor pursuant to Section 2.01 hereof or (ii) sold to the Issuer pursuant to the Master Disposition Confirmation Agreement, which results in an increase in the Note Principal Balance by the related Additional Note Principal Balance. With respect to any Qualified Substitute Loan, the Transfer Date shall be the day such Loan is conveyed to the Trust pursuant to Section 2.05 or 3.06.

Transfer Obligation: The obligation of the Loan Originator under Section 5.06 hereof to make certain payments in connection with Dispositions and other related matters.

Transfer Obligation Account: The account designated as such, established and maintained pursuant to Section 5.05 hereof.

Transfer Obligation Target Amount: With respect to any Payment Date, the cumulative total of all withdrawals pursuant to Section 5.05(e), 5.05(f), 5.05(g), and 5.05(h) hereof from the Transfer Obligation Account to but not including such Payment Date minus any amount withdrawn from the Transfer Obligation Account to return to the Loan Originator pursuant to Section 5.05(i)(i).

Trust: Option One Owner Trust 2003-4, the Delaware business trust created pursuant to the Trust Agreement.

Trust Agreement: The Trust Agreement dated as of August 8, 2003 among the Depositor and the Owner Trustee.

Trust Account Property: The Trust Accounts, all amounts and investments held from time to time in the Trust Accounts and all proceeds of the foregoing.

Trust Accounts: The Distribution Account, the Collection Account and the Transfer Obligation Account.

Trust Certificate: The meaning assigned thereto in the Trust Agreement.

Trust Estate: Shall mean the assets subject to this Agreement, the Trust Agreement and the Indenture and assigned to the Trust, which assets consist of: (i) such Loans as from time to time are subject to this Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) such assets and funds as are from time to time deposited in the Distribution Account, Collection Account and the Transfer Obligation Account, including, without limitation, amounts on deposit in such accounts that are invested in Permitted Investments, (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest of the Trust (but none of the

obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments and (ix) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan

Purchase and Contribution Agreement and/or the Master Disposition Confirmation Agreement, and all proceeds of any of the foregoing.

Trust Fees and Expenses: As of each Payment Date, an amount equal to the Servicing Compensation, the Owner Trustee Fee, the Indenture Trustee Fee and the Custodian Fee, if any, and any expenses of the Servicer, the Owner Trustee, the Indenture Trustee or the Custodian.

UCC: The Uniform Commercial Code as in effect from time to time in the State of New York.

UCC Assignment: A form "UCC2" or "UCC3" statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction to reflect an assignment of a secured party's interest in collateral.

UCC1 Financing Statement: A financing statement meeting the requirements of the Uniform Commercial Code of the relevant jurisdiction.

Underwriting Guidelines: The underwriting guidelines (including the loan origination guidelines) of the Loan Originator, as the same may be amended from time to time with notice to the Note Agent.

Unfunded Transfer Obligation: With respect to any date of determination, an amount equal to (x) the sum of (A) 10% of the aggregate Collateral Value (as of the related Transfer Date) of all Loans sold hereunder through and including such date, plus (B) any amounts withdrawn from the Transfer Obligation Account for return to the Loan Originator pursuant to Section 5.05(i)(i) hereof prior to such Payment Date, less (y) the sum of (i) the aggregate amount of payments theretofore actually made by the Loan Originator (or paid directly put of the Transfer Obligation Account) in respect of the Transfer Obligation pursuant to Section 5.06, (ii) the amount obtained by multiplying (a) as to each Disposition that has previously occurred, the Unfunded Transfer Obligation Percentage as of the date of such Disposition by (b) the aggregate Collateral Value of all Loans that were the subject of that Disposition and (iii) without duplication, the aggregate amount of the Repurchase Prices paid by the Servicer in respect of all Servicer Puts theretofore effected.

Unfunded Transfer Obligation Percentage: As of any date of determination, an amount equal to (x) the Unfunded Transfer Obligation as of such date (before any adjustment thereto made on such date), divided by (y) 100% of the aggregate Collateral Values as of the related Transfer Date of all Loans in the Loan Pool.

Unqualified Loan: As defined in Section 3.06(a) hereof.

Wet Funded Custodial File Delivery Date: With respect to a Wet Funded Loan, the later of the fifteenth Business Day and the twentieth calendar day after the related Transfer Date, provided that if a Default or Event of Default shall have occurred, the Wet Funded Custodial File

Delivery Date shall be the earlier of (x) such fifteenth Business Day or twentieth calendar day and (y) the fifth day after the occurrence of such event.

Wet Funded Loan: A Loan for which the related Custodial Loan File shall not have been delivered to the Custodian as of the related Transfer Date.

Whole Loan Sale: A Disposition of Loans pursuant to a whole-loan sale.

Section 1.02 Other Definitional Provisions.

(a) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement or in any such certificate or other document shall control.

(d) The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Article, Section, Schedule and Exhibit references contained in this Agreement are references to Articles, Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

ARTICLE II

CONVEYANCE OF THE TRUST ESTATE; ADDITIONAL NOTE PRINCIPAL BALANCES

Section 2.01 Conveyance of the Trust Estate; Additional Note Principal Balances.

(a) (i) On the terms and conditions of this Agreement, on each Transfer Date during the Revolving Period, the Depositor agrees to offer for sale and to sell a portion of each of the Loans and contribute to the capital of the Issuer the balance of each of the Loans and

deliver the related Loan Documents to or at the direction of the Issuer. To the extent the Issuer has or is able to obtain sufficient funds under the Note Purchase Agreement and the Notes for the purchase thereof, the Issuer agrees to purchase such Loans offered for sale by the Depositor. On the terms and conditions of this Agreement and the Master Disposition Confirmation Agreement, on each Transfer Date during the Revolving Period, the Issuer may acquire Loans from another QSPE Affiliate of the Loan Originator to the extent the Issuer has or is able to obtain sufficient funds for the purchase thereof.

(ii) In consideration of the payment of the Additional Note Principal Balance pursuant to Section 2.06 hereof and as a contribution to the assets of the Issuer, the Depositor as of the related Transfer Date and concurrently with the execution and delivery hereof, hereby sells, transfers, assigns, sets over and otherwise conveys to the Issuer, without recourse, but subject to the other terms and provisions of this Agreement, all of the right, title and interest of the Depositor in and to the Trust Estate.

(iii) During the Revolving Period, on each Transfer Date, subject to the conditions precedent set forth in Section 2.06 and in accordance with the procedures set forth in Section 2.01(c), the Depositor, pursuant to an S&SA Assignment, will assign to the Issuer without recourse all of its respective right, title and interest, in and to the Loans and all proceeds thereof listed on the Loan Schedule attached to such S&SA Assignment, including all interest and principal received by the Loan Originator, the Depositor or the Servicer on or with respect to the Loans on or after the related Transfer Cut-off Date, together with all right, title and interest in and to the proceeds of any related Mortgage Insurance Policies and all of the Depositor's rights,

title and interest in and to (but none of its obligations under) the Loan Purchase and Contribution Agreement and all proceeds of the foregoing.

(iv) The foregoing sales, transfers, assignments, set overs and conveyances do not, and are not intended to, result in a creation or an assumption by the Issuer of any of the obligations of the Depositor, the Loan Originator or any other Person in connection with the Trust Estate or under any agreement or instrument relating thereto except as specifically set forth herein.

(b) As of the Closing Date and as of each Transfer Date, the Issuer acknowledges (or will acknowledge pursuant to the S&SA Assignment) the conveyance to it of the Trust Estate, including all rights, title and interest of the Depositor and any QSPE Affiliate in and to the Trust Estate, receipt of which is hereby acknowledged by the Issuer. Concurrently with such delivery, as of the Closing Date and as of each Transfer Date, pursuant to the Indenture the Issuer pledges and grants a continuing first priority security interest in the Trust Estate to the Indenture Trustee. In addition, concurrently with such delivery and in exchange therefor, the Owner Trustee, pursuant to the instructions of the Depositor, has executed (not in its individual capacity, but solely as Owner Trustee on behalf of the Issuer) and caused the Trust Certificates to be authenticated and delivered to or at the direction of the Depositor.

(c) (i) Pursuant to and subject to the Note Purchase Agreement, the Trust may, at its sole option, from time to time request that the Note Agent advance on any Transfer Date Additional Note Principal Balances and the Note Agent shall remit on such Transfer Date, to the Advance Account, an amount equal to the Additional Note Principal Balance.

(ii) Notwithstanding anything to the contrary herein, in no event shall the Note Agent be required to advance Additional Note Principal Balances on a Transfer Date if the conditions precedent to a transfer of the Loans under Section 2.06 and the conditions precedent to the purchase of Additional Note Principal Balances set forth in Section 3.01 of the Note Purchase Agreement have not been fulfilled.

(iii) The Servicer shall appropriately note such Additional Note Principal Balance (and the increased Note Principal Balance) in the next succeeding Payment Statement; provided, however, that failure to make any such notation in such Payment Statement or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest and principal payments in respect of the Note Principal Balance held by such Noteholder. The Note Agent shall record on the schedule attached to such Noteholder's Note, the date and amount of any Additional Note Principal Balance advanced by it; provided, that failure to make such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive interest payments in respect of the Note Principal Balance held by such Noteholder.

(iv) Absent manifest error, the Note Principal Balance of each Note as set forth in the Note Agent's records shall be binding upon the Noteholders and the Trust, notwithstanding any notation made by the Servicer in its Payment Statement pursuant to the preceding paragraph.

Section 2.02 Ownership and Possession of Loan Files.

With respect to each Loan, as of the related Transfer Date the ownership of the related Promissory Note, the related Mortgage and the contents of the related Servicer's Loan File and Custodial Loan File shall be vested in the Trust for the benefit of the Securityholders, although possession of the Servicer's Loan File on behalf of and for the benefit of the Securityholders shall remain with the Servicer, and the Custodian shall take possession of the Custodial Loan Files as contemplated in Section 2.05 hereof.

Section 2.03 Books and Records; Intention of the Parties.

(a) As of each Transfer Date, the sale of each of the Loans conveyed by the Depositor on such Transfer Date shall be reflected on the balance sheets and other financial statements of the Depositor and the Loan Originator, as the case may be, as a sale of assets and a contribution to capital by the Loan Originator and the Depositor, as applicable, under GAAP. Each of the Servicer and the Custodian shall be responsible for maintaining, and shall maintain, a complete set of books and records for each Loan which shall be clearly marked to reflect the ownership of each Loan, as of the related Transfer Date, by the Issuer and for the benefit of the Securityholders.

(b) It is the intention of the parties hereto that, other than for federal, state and local income or franchise tax purposes, the transfers and assignments of the Trust Estate on the initial Closing Date, on each Transfer Date and as otherwise contemplated by the Basic Documents and the Assignments shall constitute a sale of the Trust Estate including, without

limitation, the Loans and all other property comprising the Trust Estate specified in Section 2.01 (a) hereof, from the Depositor to the Issuer and such property shall not be property of the Depositor. The parties hereto shall treat the Notes as indebtedness for federal, state and local income and franchise tax purposes.

(c) If any of the assignments and transfers of the Loans and the other property of the Trust Estate specified in Section 2.01 (a) hereof to the Issuer pursuant to this Agreement or the conveyance of the Loans or any of such other property of the Trust Estate to the Issuer, other than for federal, state and local income or franchise tax purposes, is held or deemed not to be a sale or is held or deemed to be a pledge of security for a loan, the Depositor intends that the rights and obligations of the parties shall be established pursuant to the terms of this Agreement and that, in such event, with respect to such property, (i) consisting of Loans and related property, the Depositor shall be deemed to have granted, as of the related Transfer Date, to the Issuer a first priority security interest in the entire right, title and interest of the Depositor in and to such Loans and proceeds and all other property conveyed to the Issuer as of such Transfer Date, (ii) consisting of any other property specified in Section 2.01 (a), the Depositor shall be deemed to have granted, as of the initial Closing Date, to the Issuer a first priority security interest in the entire right, title and interest of the Depositor in and to such property and the proceeds thereof. In such event, with respect to such property, this Agreement shall constitute a security agreement under applicable law.

(d) On the Closing Date, the Depositor shall, at such party's sole expense, cause to be filed a UCC1 Financing Statement naming the Issuer as "secured party" and describing the Trust Estate being sold by the Depositor to the Issuer with the office of the Secretary of State of the state in which the Depositor is located (pursuant to Section 9-307 of the UCC) and any other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate. In addition, on the Closing Date, the Loan Originator shall, at its expense, cause to be filed a UCC1 Financing Statement naming the Depositor as "secured party" and describing the Loans being sold by the Loan Originator to the Depositor with the office of the Secretary of the State in which the Loan Originator is located (pursuant to Section 9-307 of the UCC) and such other jurisdictions as shall be necessary to perfect a security interest in the Trust Estate.

Section 2.04 Delivery of Loan Documents.

(a) The Loan Originator shall, prior to the related Transfer Date (or, in the case of each Wet Funded Loan, the related Wet Funded Custodial File Delivery Date), in accordance with the terms and conditions set forth in the Custodial Agreement, deliver or cause to be delivered to the Custodian, as the designated agent of the Indenture Trustee, a Loan Schedule and each of the

documents constituting the Custodial Loan File with respect to each Loan. The Loan Originator shall assure that (i) in the event that any Wet Funded Loan is not closed and funded to the order of the appropriate Borrower on the day funds are provided to the Loan Originator by the Note Agent on behalf of the Issuer, such funds shall be promptly returned to the Note Agent on behalf of the Issuer and (ii) in the event that any Wet Funded Loan is subject to a recission, all funds received in connection with such recission shall be promptly returned to the Note Agent on behalf of the Issuer.

(b) The Loan Originator shall, on the related Transfer Date (or in the case of a Wet Funded Loan, on or before the related Wet Funded Custodial File Delivery Date), deliver or cause to be delivered to the Servicer the related Servicer's Loan File (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders.

(c) The Indenture Trustee shall cause the Custodian to take and maintain continuous physical possession of the Custodial Loan Files in the State of California (or upon prior written notice from the Custodian to the Loan Originator and the Note Agent and delivery of an Opinion of Counsel with respect to the continued perfection of the Indenture Trustee's security interest, in the State of Minnesota or Utah) and, in connection therewith, shall act solely as agent for the Noteholders in accordance with the terms hereof and not as agent for the Loan Originator, the Servicer or any other party.

Section 2.05 Acceptance by the Indenture Trustee of the Loans; Certain Substitutions and Repurchases; Certification by the Custodian.

(a) The Indenture Trustee declares that it will cause the Custodian to hold the Custodial Loan Files and any additions, amendments, replacements or supplements to the documents contained therein, as well as any other assets included in the Trust Estate and delivered to the Custodian, in trust, upon and subject to the conditions set forth herein. The Indenture Trustee further agrees to cause the Custodian to execute and deliver such certifications as are required under the Custodial Agreement and to otherwise direct the Custodian to perform all of its obligations with respect to the Custodial Loan Files in strict accordance with the terms of the Custodial Agreement.

(b) (i) With respect to any Loans which are set forth as exceptions in the Exceptions Report, the Loan Originator shall cure such exceptions by delivering such missing documents to the Custodian or otherwise curing the defect no later than, in the case of (x) a non-Wet Funded Loan, 5 Business Days, or (y) in the case of a Wet Funded Loan one Business Day after the Wet Funded Custodial File Delivery Date, in each case, following the receipt of the first Exceptions Report listing such exception with respect to such Loan.

(ii) In the event that, with respect to any Loan, the Loan Originator does not comply with the document delivery requirements of this Section 2.05 and such failure has a material adverse effect on the value or enforceability of any Loan or the interests of the Securityholders in any Loan, the Loan Originator shall repurchase such Loan within one Business Day of notice thereof from the Indenture Trustee or the Note Agent at the Repurchase Price thereof with respect to such Loan by depositing such Repurchase Price in the Collection Account. In lieu of such a repurchase, the Depositor and Loan Originator may comply with the substitution provisions of Section 3.06 hereof. The Loan Originator shall provide the Servicer, the Indenture Trustee, the Issuer and the Note Agent with a certification of a Responsible Officer on or prior to such repurchase or substitution indicating that the Loan Originator intends to repurchase or substitute such Loan.

(iii) It is understood and agreed that the obligation of the Loan Originator to repurchase or substitute any such Loan pursuant to this Section 2.05(b) shall constitute the sole remedy with respect to such failure to comply with the foregoing delivery requirements.

(c) In performing its reviews of the Custodial Loan Files pursuant to the Custodial Agreement, the Custodian shall have no responsibility to determine the genuineness of any document contained therein and any signature thereon. The Custodian shall not have any responsibility for determining whether any document is valid and binding, whether the text of any assignment or endorsement is in proper or recordable form, whether any document has been recorded in accordance with the requirements of any applicable jurisdiction, or whether a blanket assignment is permitted in any applicable jurisdiction.

(d) The Servicer's Loan File shall be held in the custody of the Servicer (i) for the benefit of, and as agent for, the Noteholders and (ii) for the benefit of the Indenture Trustee, on behalf of the Noteholders, for so long as the Notes are outstanding; after the Notes are not outstanding, the Servicer's Loan File shall be held in the custody of the Servicer for the benefit of, and as agent for, the Certificateholders. It is intended that, by the Servicer's agreement pursuant to this Section 2.05(d), the Indenture Trustee shall be deemed to have possession of the Servicer's Loan Files for purposes of Section 9-313 of the Uniform Commercial Code of the state in which such documents or instruments are located. The Servicer shall promptly report to the Indenture Trustee any failure by it to hold the Servicer's Loan File as herein provided and shall promptly take appropriate action to remedy any such failure. In acting as custodian of such documents and instruments, the Servicer agrees not to assert any legal or beneficial ownership interest in the Loans or such documents or instruments. Subject to Section 8.01(d), the Servicer agrees to indemnify the Securityholders and the Indenture Trustee, their officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended for any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever which may be imposed on, incurred by or asserted against the Securityholders or the Indenture Trustee as the result of the negligence or willful misfeasance by the Servicer relating to the maintenance and custody of such documents or instruments which have been delivered to the Servicer; provided, however, that the Servicer will not be liable for any portion of any such amount resulting from the negligence or willful misconduct of any Securityholders or the Indenture Trustee; and provided, further, that the Servicer will not be liable for any portion of any such amount resulting from the Servicer's compliance with any instructions or directions consistent with this Agreement issued to the Servicer by the Indenture Trustee or the Majority Noteholders. The Indenture Trustee shall have no duty to monitor or otherwise oversee the Servicer's performance as custodian of the Servicer Loan File hereunder.

Section 2.06 Conditions Precedent to Transfer Dates.

Two (2) Business Days prior to each Transfer Date, the Issuer shall give notice to the Note Agent of such upcoming Transfer Date and provide an estimate of the number of Loans and aggregate Principal Balance of such Loans to be transferred on such Transfer Date. On the Business Day prior to each Transfer Date, the Issuer shall provide the Note Agent a final Loan Schedule with respect to the Loans to be transferred on such Transfer Date. On each Transfer

Date, the Depositor or the applicable QSPE Affiliate shall convey to the Issuer, the Loans and the other property and rights related thereto described in the related S&SA Assignment, and the Issuer, only upon the satisfaction of each of the conditions set forth below on or prior to such Transfer Date, shall deposit or cause to be deposited cash in the amount of the Additional Note Principal Balance received from the Note Agent in the Advance Account in respect thereof, and the Servicer shall, promptly after such deposit, withdraw the amount deposited in respect of applicable Additional Note Principal Balance from the Advance Account, and distribute such amount to or at the direction of the

Depositor or the applicable QSPE Affiliate.

As of the Closing Date and each Transfer Date:

(i) the Depositor, the QSPE Affiliate and the Servicer, as applicable, shall have delivered to the Issuer and the Note Agent duly executed Assignments, which shall have attached thereto a Loan Schedule setting forth the appropriate information with respect to all Loans conveyed on such Transfer Date and shall have delivered to the Note Agent a computer readable transmission of such Loan Schedule;

(ii) the Depositor shall have deposited, or caused to be deposited, in the Collection Account all collections received with respect to each of the Loans on and after the applicable Transfer Cut-off Date or, in the case of purchases from a QSPE Affiliate, such QSPE Affiliate shall have deposited, or caused to be deposited, in the Collection Account all collections received with respect to each of the Loans and allocable to the period after the related Transfer Date;

(iii) as of such Transfer Date, none of the Loan Originator, the Depositor or the QSPE Affiliate, as applicable, shall (A) be insolvent, (B) be made insolvent by its respective sale of Loans or (C) have reason to believe that its insolvency is imminent;

(iv) the Revolving Period shall not have terminated;

(v) as of such Transfer Date (after giving effect to the sale of Loans on such Transfer Date), there shall be no Overcollateralization Shortfall;

(vi) in the case of non-Wet Funded Loans, the Issuer shall have delivered the Custodial Loan File to the Custodian in accordance with the Custodial Agreement and the Note Agent shall have received a copy of the Trust Receipt and Exceptions Report reflecting such delivery;

(vii) each of the representations and warranties made by the Loan Originator contained in Exhibit E with respect to the Loans shall be true and correct in all respects as of the related Transfer Date with the same effect as if then made and the proviso set forth in Section 3.05 with respect to Loans sold by a QSPE Affiliate shall not be applicable to any Loans, and the Depositor or the QSPE Affiliate, as applicable, shall have performed all obligations to be performed by it under the Basic Documents on or prior to such Transfer Date;

(viii) the Depositor or the QSPE Affiliate shall, at its own expense, within one Business Day following the Transfer Date, indicate in its computer files that the

Loans identified in each S&SA Assignment have been sold to the Issuer pursuant to this Agreement and the S&SA Assignment;

(ix) the Depositor or the QSPE Affiliate shall have taken any action requested by the Indenture Trustee, the Issuer or the Noteholders required to maintain the ownership interest of the Issuer in the Trust Estate;

(x) no selection procedures believed by the Depositor or the QSPE Affiliate to be adverse to the interests of the Noteholders shall have been utilized in selecting the Loans to be conveyed on such Transfer Date;

(xi) the Depositor shall have provided the Issuer, the Indenture Trustee and the Note Agent no later than two Business Days prior to such date a notice of Additional Note Principal Balance in the form of Exhibit A hereto;

(xii) after giving effect to the Additional Note Principal Balance associated therewith, the Note Principal Balance will not exceed the

Maximum Note Principal Balance;

(xiii) all conditions precedent to the Depositor's purchase of Loans pursuant to the Loan Purchase and Contribution Agreement shall have been fulfilled as of such Transfer Date and, in the case of purchases from a QSPE Affiliate, all conditions precedent to the Issuer's purchase of Loans pursuant to the Master Disposition Confirmation Agreement shall have been fulfilled as of such Transfer Date;

(xiv) all conditions precedent to the Noteholders' purchase of Additional Note Principal Balance pursuant to the Note Purchase Agreement shall have been fulfilled as of such Transfer Date;

(xv) with respect to each Loan acquired from any QSPE Affiliate that has a limited right of recourse to the Loan Originator under the terms of the applicable loan purchase agreement, the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of the related loan purchase contract providing for recourse by that QSPE Affiliate to the Loan Originator; and

(xvi) with respect to each Wet Funded Loan, there has been no material adverse change in the financial condition of H&R Block, Inc. and the Guaranty shall be in full force and effect.

Section 2.07 Termination of Revolving Period.

Upon the occurrence of (i) an Event of Default or Default or (ii) a Rapid Amortization Trigger or (iii) the Unfunded Transfer Obligation Percentage equals 4.0% or less or (iv) Option One or any of its Affiliates shall default under, or fail to perform as requested under, or shall otherwise materially breach the terms of any repurchase agreement, loan and security agreement or similar credit facility or agreement entered into by Option One or any of its Affiliates,

including the Sale and Servicing Agreement, dated as of April 1, 2001, among Option One Owner Trust 2001-1A, the Depositor, Option One and the Indenture Trustees the Sale and Servicing Agreement, dated as of April 1, 2001, among the Option One Owner Trust 2001 -1 B, 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, and the Sale and Servicing Agreement dated as of July 2, 2002, among Option One Owner Trust 2002-3, the Depositor, Option One and the Indenture Trustee, and such default, failure or breach shall entitle any counterparty to declare the Indebtedness thereunder to be due and payable prior to the maturity thereof, the Note Agent may, in any such case, in its sole discretion, terminate the Revolving Period.

Section 2.08 Correction of Errors.

The parties hereto who have relevant information shall cooperate to reconcile any errors in calculating the Sales Price from and after the Closing Date. In the event that an error in the Sales Price is discovered by either party, including without limitation, any error due to miscalculations of Market Value where insufficient information has been provided with respect to a Loan to make an accurate determination of Market Value as of any applicable Transfer Date, any miscalculations of Principal Balance, accrued interest, Overcollateralization Shortfall or aggregate unreimbursed Servicing Advances attributable to the applicable Loan, or any prepayments not properly credited, such party shall give prompt notice to the other parties hereto, and the party that shall have benefitted from such error shall promptly remit to the other, by wire transfer of immediately available funds, the amount of such error with no interest thereon.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Depositor.

The Depositor hereby represents, warrants and covenants to the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Depositor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has, and had at all relevant times, full power to own its property, to carry on its business as currently conducted, to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance of and compliance with all of the terms thereof will not violate the Depositor's organizational documents or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material contract, agreement or other instrument to which the Depositor is a party or which are applicable to the Depositor or any of its assets;

(c) The Depositor has the full power and authority to enter into and consummate the transactions contemplated by each Basic Document to which the Depositor is a

party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by the other party or parties thereto, constitutes a valid, legal and binding obligation of the Depositor, enforceable against it in accordance with the terms thereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Depositor is not in violation of, and the execution and delivery by the Depositor of each Basic Document to which the Depositor is a party and its performance and compliance with the terms of each Basic Document to which the Depositor is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Depositor or any of its properties or materially and adversely affect the performance of any of its duties hereunder;

(e) There are no actions or proceedings against, or investigations of, the Depositor currently pending with regard to which the Depositor has received service of process and no action or proceeding against, or investigation of, the Depositor is, to the knowledge of the Depositor, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Depositor, would prohibit its entering into any of the Basic Documents to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any of the Basic Documents to which it is a party or (C) if determined adversely to the Depositor, would prohibit or materially and adversely affect the performance by the Depositor of its obligations under, or the validity or enforceability of, any of the Basic Documents to which it is a party or the Securities;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and

performance by the Depositor of, or compliance by the Depositor with, any of the Basic Documents to which the Depositor is a party or the Securities, or for the consummation of the transactions contemplated by any of the Basic Documents to which the Depositor is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The Depositor is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations hereunder; it will not be rendered insolvent by the execution and delivery of any of the Basic Documents to which it is a party or the assumption of any of its obligations thereunder; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Depositor;

(h) The Depositor did not transfer the Loans sold thereon by the Depositor to the Trust with any intent to hinder, delay or defraud any of its creditors; nor will the Depositor be rendered insolvent as a result of such sale;

(i) The Depositor had good title to, and was the sole owner of, each Loan sold thereon by the Depositor free and clear of any lien other than any such lien released simultaneously with the sale contemplated herein, and, immediately upon each transfer and assignment herein contemplated, the Depositor will have delivered to the Trust good title to, and the Trust will be the sole owner of, each Loan transferred by the Depositor thereon free and clear of any lien;

(j) The Depositor acquired title to each of the Loans sold thereon by the Depositor in good faith, without notice of any adverse claim;

(k) None of the Basic Documents to which the Depositor is a party, nor any Officer's Certificate, statement, report or other document prepared by the Depositor and furnished or to be furnished by it pursuant to any of the Basic Documents to which it is a party or in connection with the transactions contemplated thereby contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading;

(l) The Depositor is not required to be registered as an "investment company" under the Investment Company Act of 1940, as amended;

(m) The transfer, assignment and conveyance of the Loans by the Depositor thereon pursuant to this Agreement is not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction;

(n) The Depositor's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto;

(o) The Depositor covenants that during the continuance of this Agreement it will comply in all respects with the provisions of its organizational documents in effect from time to time;

(p) The Depositor covenants that during the continuance of this Agreement it will comply in all respects with the restrictions on its activities referenced in Section A.2. of the non-consolidation opinion of Manatt, Phelps & Phillips, LLP, of even date herewith, with respect to the sale of Loans by the Depositor to the Issuer; and

(q) The representations and warranties set forth in (h), (i), (j) and (m) above were true and correct (with respect to the applicable QSPE Affiliate) with respect to each Loan transferred to the Trust by any QSPE Affiliate at the time such Loan was transferred to a QSPE Affiliate.

Section 3.02 Representations and Warranties of the Loan Originator.

The Loan Originator hereby represents and warrants to the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Loan Originator is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property related to a Loan sold by it is located and (ii) is in compliance with the laws of any such jurisdiction, in both cases, to the extent necessary to ensure the enforceability of such Loans in accordance with the terms thereof and had at all relevant times, full corporate power to originate such Loans, to own its property, to carry on its business as currently conducted and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Loan Originator of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Loan Originator's articles of organization or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under; or result in the breach or acceleration of, any contract, agreement or other instrument to which the Loan Originator is a party or which may be applicable to the Loan Originator or any of its assets;

(c) The Loan Originator has the full power and authority to enter into and consummate all transactions contemplated by the Basic Documents to be consummated by it, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party; each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Loan Originator, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Loan Originator is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Loan Originator and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Loan Originator or its properties or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations of, the Loan Originator currently pending with regard to which the Loan Originator has received service of process and no action or proceeding against, or investigation of, the Loan Originator is, to the knowledge of the Loan Originator, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Loan Originator, would prohibit its entering into any Basic Document to which it is a party or render the Securities invalid, (B) seek to prevent the issuance of the Securities or the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Loan Originator, would prohibit or materially and adversely affect the sale of the Loans to the Depositor, the performance by the Loan Originator of its obligations

under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for: (1) the execution, delivery and performance by the Loan Originator of, or compliance by the Loan Originator with, any Basic Document to which it is a party, (2) the issuance of the Securities, (3) the sale and contribution of the Loans, or (4) the consummation of the transactions required of it by any Basic Document to which it is a party, except such as shall have been obtained before such date;

(g) Immediately prior to the sale of any Loan to the Depositor, the Loan Originator had good title to the Loans sold by it on such date free and clear of any lien;

(h) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Loan Originator to the Note Agent in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Loan Originator to the Note Agent in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(i) The Loan Originator is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations under each Basic Document to which it is a party; it will not be rendered insolvent by the execution and delivery of this Agreement or by the performance of its obligations under each Basic Document to which it is a party; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Loan Originator prior to the date hereof;

(j) The Loan Originator has transferred the Loans transferred by it on or prior to such Transfer Date without any intent to hinder, delay or defraud any of its creditors;

(k) The Loan Originator has received fair consideration and reasonably equivalent value in exchange for the Loans sold by it on such Transfer Date to the Depositor;

(l) The Loan Originator has not dealt with any broker or agent or other Person who might be entitled to a fee, commission or compensation in connection with the transaction contemplated by this Agreement;

(m) The Loan Originator is in compliance with each of its financial covenants set forth in Section 7.02; and

(n) The Loan Originator's principal place of business and chief executive offices are located at Irvine, California or at such other address as shall be designated by such party in a written notice to the other parties hereto.

It is understood and agreed that the representations and warranties set forth in this Section 3.02 shall survive delivery of the respective Custodial Loan Files to the Custodian (as the agent of the Indenture Trustee) and shall inure to the benefit of the Securityholders, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee and the Issuer. Upon discovery by the Loan Originator, the Depositor, the Servicer, the Indenture Trustee, the Note Agent or the Trust of a breach of any of the foregoing representations and warranties

that materially and adversely affects the value of any Loan or the interests of the Securityholders in any Loan or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The obligations of the Loan Originator set forth in Sections 2.05 and 3.06 hereof to cure any breach or to substitute for or repurchase an affected Loan shall constitute the sole remedies available hereunder to the Securityholders, the Depositor, the Servicer, the Indenture Trustee or the Trust respecting a breach of the representations and warranties contained in this Section 3.02. The fact that the Note Agent has conducted or has failed to conduct any partial or complete due diligence investigation of the Loan Files shall not affect the Securityholders rights to demand repurchase or substitution as provided under this Agreement.

Section 3.03 Representations, Warranties and Covenants of the Servicer.

The Servicer hereby represents and warrants to and covenants with the other parties hereto and the Securityholders that as of the Closing Date and as of each Transfer Date:

(a) The Servicer is a corporation duly organized, validly existing and in good standing under the laws of the State of California and (i) is duly qualified, in good standing and licensed to carry on its business in each state where any Mortgaged Property is located, and (ii) is in compliance with the laws of any such state, in both cases, to the extent necessary to ensure the enforceability of the Loans in accordance with the terms thereof and to perform its duties under each Basic Document to which it is a party and had at all relevant times, full corporate power to own its property, to carry on its business as currently conducted, to service the Loans and to enter into and perform its obligations under each Basic Document to which it is a party;

(b) The execution and delivery by the Servicer of each Basic Document to which it is a party and its performance of and compliance with the terms thereof will not violate the Servicer's articles of incorporation or by-laws or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach or acceleration of, any material contract, agreement or other instrument to which the Servicer is a party or which are applicable to the Servicer or any of its assets;

(c) The Servicer has the full power and authority to enter into and consummate all transactions contemplated by each Basic Document to which it is a party, has duly authorized the execution, delivery and performance of each Basic Document to which it is a party and has duly executed and delivered each Basic Document to which it is a party. Each Basic Document to which it is a party, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a valid, legal and binding obligation of the Servicer, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar

laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) The Servicer is not in violation of, and the execution and delivery of each Basic Document to which it is a party by the Servicer and its performance and compliance with the terms of each Basic Document to which it is a party will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction, which violation would materially and adversely affect the condition (financial or otherwise) or operations of the Servicer or materially and adversely affect the performance of its duties under any Basic Document to which it is a party;

(e) There are no actions or proceedings against, or investigations

of, the Servicer currently pending with regard to which the Servicer has received service of process and no action or proceeding against, or investigation of, the Servicer is, to the knowledge of the Servicer, threatened or otherwise pending before any court, administrative agency or other tribunal that (A) if determined adversely to the Servicer, would prohibit its entering into any Basic Document to which it is a party, (B) seek to prevent the consummation of any of the transactions contemplated by any Basic Document to which it is a party or (C) if determined adversely to the Servicer, would prohibit or materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, any Basic Document to which it is a party or the Securities;

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Servicer of, or compliance by the Servicer with, any Basic Document to which it is a party or the Securities, or for the consummation of the transactions contemplated by any Basic Document to which it is a party, except for such consents, approvals, authorizations and orders, if any, that have been obtained prior to such date;

(g) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Servicer to the Note Agent in connection with the negotiation, preparation or delivery of the Basic Documents to which it is a party or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of the Servicer to the Note Agent in connection with the Basic Documents to which it is a party and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

(h) The Servicer is solvent and will not be rendered insolvent as a result of the performance of its obligations pursuant to under the Basic Documents to which it is a party;

(i) The Servicer acknowledges and agrees that the Servicing Compensation represents reasonable compensation for the performance of its services hereunder and that the

entire Servicing Compensation shall be treated by the Servicer, for accounting purposes, as compensation for the servicing and administration of the Loans pursuant to this Agreement;

(j) The Servicer is in compliance with each of its financial covenants set forth in Section 7.02; and

(k) The Servicer is an Eligible Servicer and covenants to remain an Eligible Servicer or, if not an Eligible Servicer, each Subservicer is an Eligible Servicer and the Servicer covenants to cause each Subservicer to be an Eligible Servicer; and

(l) The Servicer shall (1) remit to the Lock-Box Clearing Custodial Account, all Monthly Payments within one Business Day of the Servicer's receipt of such Monthly Payments and (2) transfer those Monthly Payments which relate to Loans owned by the Trust from the Lock-Box Clearing Custodial Account to the Collection Account within two Business Days of the Servicer's receipt of such Monthly Payments.

It is understood and agreed that the representations, warranties and covenants set forth in this Section 3.03 shall survive delivery of the respective Custodial Loan Files to the Indenture Trustee or the Custodian on its behalf and shall inure to the benefit of the Depositor, the Securityholders, the Note Agent, the Indenture Trustee and the Issuer. Upon discovery by the Loan

Originator, the Depositor, the Servicer, the Indenture Trustee, the Owner Trustee or the Issuer of a breach of any of the foregoing representations, warranties and covenants that materially and adversely affects the value of any Loan or the interests of the Securityholders therein or in the Securities, the party discovering such breach shall give prompt written notice (but in no event later than two Business Days following such discovery) to the other parties. The fact that the Note Agent has conducted or has failed to conduct any partial or complete due diligence investigation shall not affect the Securityholders, rights to exercise their remedies as provided under this Agreement.

Section 3.04 Reserved.

Section 3.05 Representations and Warranties Regarding Loans.

The Loan Originator makes each of the representations and warranties set forth on Exhibit E hereto with respect to each Loan, provided, however, that with respect to each Loan transferred to the Issuer by a QSPE Affiliate, to the extent that the Loan Originator has at the time of such transfer actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator shall notify the Note Agent of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty.

In addition, the Loan Originator represents and warrants with respect to each Loan sold by a QSPE Affiliate that the Loan Originator has not been required to pay any amount to or on behalf of such QSPE Affiliate that lowered the recourse to the Loan Originator available to such QSPE Affiliate below the maximum recourse to the Loan Originator available to such QSPE Affiliate under the terms of any loan purchase agreement providing for recourse by that QSPE Affiliate to the Loan Originator.

Section 3.06 Purchase and Substitution.

(a) It is understood and agreed that the representations and warranties set forth in Exhibit E hereto shall survive the conveyance of the Loans to the Indenture Trustee on behalf of the Issuer, and the delivery of the Securities to the Securityholders. Upon discovery by the Depositor, the Servicer, the Loan Originator, the Custodian, the Issuer, the Indenture Trustee, the Note Agent or any Securityholder of a breach of any of such representations and warranties or the representations and warranties of the Loan Originator set forth in Section 3.02 which materially and adversely affects the value or enforceability of any Loan or the interests of the Securityholders in any Loan (notwithstanding that such representation and warranty was made to the Loan Originator's best knowledge) or which constitutes a breach of the representations and warranties set forth in Exhibit E, the party discovering such breach shall give prompt written notice to the others. The Loan Originator shall within 5 Business Days of the earlier of the Loan Originator's discovery or the Loan Originator's receiving notice of any breach of a representation or warranty, promptly cure such breach in all material respects. If within 5 Business Days after the earlier of the Loan Originator's discovery of such breach or the Loan Originator's receiving notice thereof such breach has not been remedied by the Loan Originator and such breach materially and adversely affects the interests of the Securityholders in the related Loan (an "Unqualified Loan"), the Loan Originator shall promptly upon receipt of written instructions from the Majority Noteholders either (i) remove such Unqualified Loan from the Trust (in which case it shall become a Deleted Loan) and substitute one or more Qualified Substitute Loans in the manner and subject to the conditions set forth in this Section 3.06 or (ii) purchase such Unqualified Loan at a purchase price equal to the Repurchase Price with respect to such Unqualified Loan by depositing or causing to be deposited such Repurchase Price in the Collection Account.

Any substitution of Loans pursuant to this Section 3.06(a) shall be accompanied by payment by the Loan Originator of the Substitution Adjustment, if any, (x) if no Overcollateralization Shortfall exists on the date of such

substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i) or (y) otherwise to be deposited in the Collection Account pursuant to Section 5.01(b) hereof.

(b) As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Indenture Trustee and Note Agent a certification executed by a Responsible Officer of the Loan Originator to the effect that the Substitution Adjustment, if any, has been (x) if no Overcollateralization Shortfall exists on the date of such substitution (after giving effect to such substitution), remitted to the Noteholders in accordance with Section 5.01(c)(4)(i), or (y) otherwise deposited in the Collection Account. As to any Deleted Loan for which the Loan Originator substitutes a Qualified Substitute Loan or Loans, the Loan Originator shall effect such substitution by delivering to the Custodian the documents constituting the Custodial Loan File for such Qualified Substitute Loan or Loans.

The Servicer shall deposit in the Collection Account all payments received in connection with each Qualified Substitute Loan after the date of such substitution. Monthly Payments received with respect to Qualified Substitute Loans on or before the date of substitution will be retained by the Loan Originator. The Trust will be entitled to all payments received on the

Deleted Loan on or before the date of substitution and the Loan Originator shall thereafter be entitled to retain all amounts subsequently received in respect of such Deleted Loan. The Loan Originator shall give written notice to the Issuer, the Servicer (if the Loan Originator is not then acting as such), the Indenture Trustee and Note Agent that such substitution has taken place and the Servicer shall amend the Loan Schedule to reflect (i) the removal of such Deleted Loan from the terms of this Agreement and (ii) the substitution of the Qualified Substitute Loan. The Servicer shall promptly deliver to the Issuer, the Loan Originator, the Indenture Trustee and Note Agent, a copy of the amended Loan Schedule. Upon such substitution, such Qualified Substitute Loan or Loans shall be subject to the terms of this Agreement in all respects, and the Loan Originator shall be deemed to have made with respect to such Qualified Substitute Loan or Loans, as of the date of substitution, the covenants, representations and warranties set forth in Exhibit E hereto. On the date of such substitution, the Loan Originator will (x) if no Overcollateralization Shortfall exists as of the date of substitution (after giving effect to such substitution), remit to the Noteholders as provided in Section 5.01(c)(4)(i) or (y) otherwise deposit into the Collection Account, in each case an amount equal to the related Substitution Adjustment, if any. In addition, on the date of such substitution, the Servicer shall cause the Indenture Trustee to release the Deleted Loan from the lien of the Indenture and the Servicer will cause such Qualified Substitute Loan to be pledged to the Indenture Trustee under the Indenture as part of the Trust Estate.

(c) With respect to all Unqualified Loans or other Loans repurchased by the Loan Originator pursuant to this Agreement, upon the deposit of the Repurchase Price therefor into the Collection Account or the conveyance of one or more Qualified Substitute Loans and payment of any Substitution Adjustment, (i) the Issuer shall assign to the Loan Originator, without representation or warranty, all of the Issuer's right, title and interest in and to such Unqualified Loan, which right, title and interest were conveyed to the Issuer pursuant to Section 2.01 hereof, and (ii) the Indenture Trustee shall assign to the Loan Originator, without recourse, representation or warranty, all the Indenture Trustee's right, title and interest in and to such Unqualified Loans or Loans, which right, title and interest were conveyed to the Indenture Trustee pursuant to Section 2.01 hereof and the Indenture. The Issuer and the Indenture Trustee shall, at the expense of the Loan Originator, take any actions as shall be reasonably requested by the Loan Originator to effect the repurchase of any such Loans and to have the Custodian return the Custodial Loan File of the deleted Loan to the Servicer.

(d) It is understood and agreed that the obligations of the Loan

Originator set forth in this Section 3.06 to cure, purchase or substitute for Unqualified Loans constitute the sole remedies hereunder of the Depositor, the Issuer, the Indenture Trustee, the Note Agent, the Owner Trustee and the Securityholders respecting a breach of the representations and warranties contained in Sections 3.02 hereof and in Exhibit E hereto. Any cause of action against the Loan Originator relating to or arising out of a defect in a Custodial Loan File or against the Loan Originator relating to or arising out of a breach of any representations and warranties made in Sections 3.02 hereof and in Exhibit E hereto shall accrue as to any Loan upon (i) discovery of such defect or breach by any party and notice thereof to the Loan Originator or notice thereof by the Loan Originator to the Indenture Trustee, (ii) failure by the Loan Originator to cure such defect or breach or purchase or substitute such Loan as specified above, and (iii) demand upon the Loan Originator, as applicable, by the Issuer or the Majority Noteholders for all amounts payable in respect of such Loan.

(e) Neither the Issuer nor the Indenture Trustee shall have any duty to conduct any affirmative investigation other than as specifically set forth in this Agreement as to the occurrence of any condition requiring the repurchase or substitution of any Loan pursuant to this Section or the eligibility of any Loan for purposes of this Agreement.

Section 3.07 Dispositions.

(a) The Majority Noteholders may at any time, and from time to time, require that the Issuer redeem all or any portion of the Note Principal Balance of the Notes by paying the Note Redemption Amount with respect to the Note Principal Balance to be redeemed. In connection with any such redemption, the Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with this Agreement, including in accordance with this Section 3.07.

(b) (i) In consideration of the consideration received from the Depositor under the Loan Purchase and Contribution Agreement, the Loan Originator hereby agrees and covenants that in connection with each Disposition it shall effect the following:

(A) make such representations and warranties concerning the Loans as of the "cut-off date" of the related Disposition to the Disposition Participants as may be necessary to effect the Disposition and such additional representations and warranties as may be necessary, in the reasonable opinion of any of the Disposition Participants, to effect such Disposition; provided, that, to the extent that the Loan Originator has at the time of the Disposition actual knowledge of any facts or circumstances that would render any of such representations and warranties materially false, the Loan Originator may notify the Disposition Participants of such facts or circumstances and, in such event, shall have no obligation to make such materially false representation and warranty;

(B) supply such information, opinions of counsel, letters from law and/or accounting firms and other documentation and certificates regarding the origination of the Loans as any Disposition Participant shall reasonably request to effect a Disposition and enter into such indemnification agreements customary for such transaction relating to or in connection with the Disposition as the Disposition Participants may reasonably require;

(C) make itself available for and engage in good faith consultation with the Disposition Participants concerning information to be contained in any document, agreement, private placement memorandum, or filing with the Securities and Exchange Commission relating to the Loan Originator or the Loans in connection with a Disposition and shall use reasonable efforts to compile any information and prepare any reports and certificates, into a form, whether written or electronic, suitable for inclusion in such documentation;

(D) to implement the foregoing and to otherwise effect a Disposition, enter into, or arrange for its Affiliates to enter into insurance

and indemnity agreements, underwriting or placement agreements, servicing agreements, purchase agreements and any other documentation which may reasonably be required of or reasonably deemed appropriate by the Disposition Participants in order to effect a Disposition; and

(E) take such further actions as may be reasonably necessary to effect the foregoing;

provided, that notwithstanding anything to the contrary, (a) the Loan Originator shall have no liability for the Loans arising from or relating to the ongoing ability of the related Borrowers to pay under the Loans; (b) none of the indemnities hereunder shall constitute an unconditional guarantee by the Loan Originator of collectibility of the Loans; (c) the Loan Originator shall have no obligation with respect to the financial inability of any Borrower to pay principal, interest or other amount owing by such Borrower under a Loan; and (d) the Loan Originator shall only be required to enter into documentation in connection with Dispositions that is consistent with the prior public securitizations of affiliates of the Loan Originator, provided that to the extent an Affiliate of the Note Agent acts as "depositor" or performs a similar function in a Securitization, additional indemnities and informational representations and warranties are provided which are consistent with those in the Basic Documents and may upon request of the Loan Originator be set forth in a separate agreement between an Affiliate of the Note Agent and the Loan Originator.

(ii) In the event of any Disposition to the Loan Originator or any of its Affiliates (except in connection with a Securitization or a Disposition to a QSPE Affiliate), the purchase price paid by the Loan Originator or any such Affiliate shall be the "fair market value" of the Loans subject to such Disposition (as determined by the Market Value Agent based upon recent sales of comparable loans or such other objective criteria as may be approved for determining "fair market value" by a "Big Five" national accounting firm).

(iii) As long as no Event of Default or Default shall have occurred and be continuing under this Agreement or the Indenture, the Servicer may continue to service the Loans included in any Disposition subject to any applicable "term-to-term" servicing provisions in Section 9.01(c) and subject to any required amendments to the related servicing provisions as may be necessary to effect the related Disposition including but not limited to the obligation to make recoverable principal and interest advances on the Loans.

After the termination of the Revolving Period, the Loan Originator, the Issuer and the Depositor shall use commercially reasonable efforts to effect a Disposition at the direction of the Disposition Agent.

(c) The Issuer shall effect Dispositions at the direction of the Majority Noteholders in accordance with the terms of this Agreement and the Basic Documents. In connection therewith, the Trust agrees to assist the Loan Originator in such Dispositions and accordingly it shall, at the request and direction of the Majority Noteholders:

(i) transfer, deliver and sell all or a portion of the Loans, as of the "cut-off dates" of the related Dispositions, to such Disposition Participants as may be necessary to effect the Dispositions; provided, that any such sale shall be for "fair market value," as determined by the Market Value Agent in its reasonable discretion;

(ii) deposit the cash Disposition Proceeds into the Distribution Account pursuant to Section 5.01(c)(2)(D);

(iii) to the extent that a Securitization creates any Retained Securities, to accept such Retained Securities as a part of the Disposition

Proceeds in accordance with the terms of this Agreement; and

(iv) take such further actions, including executing and delivering documents, certificates and agreements, as may be reasonably necessary to effect such Dispositions.

(d) The Servicer hereby covenants that it will take such actions as may be reasonably necessary to effect Dispositions as the Disposition Participants may request and direct, including without limitation providing the Loan Originator such information as may be required to make representations and warranties required hereunder, and covenants that it will make such representations and warranties regarding its servicing of the Loans hereunder as of the Cut-off Date of the related Disposition as reasonably required by the Disposition Participants.

(e) [Reserved]

(f) The Majority Noteholders may effect Whole Loan Sales upon written notice to the Servicer of its intent to cause the Issuer to effect a Whole Loan Sale at least 5 Business Days in advance thereof. The Disposition Agent shall serve as agent for Whole Loan Sales and will receive a reasonable fee for such services provided that no such fee shall be payable if (i) the Loan Originator or its Affiliates purchase such Loans and (ii) no Event of Default or Default shall have occurred. The Loan Originator or its Affiliates may concurrently bid to purchase Loans in a Whole Loan Sale; provided, however, that neither the Loan Originator nor any such Affiliates shall pay a price in excess of the fair market value thereof (as determined by the Market Value Agent based upon recent sales of comparable loans or such other objective criteria as may be approved for determining "fair market value" by a "Big Five" national accounting firm). In the event that the Loan Originator does not bid in any such Whole Loan Sale, it shall have a right of first refusal to purchase the Loans offered for sale at the price offered by the highest bidder. The Disposition Agent shall conduct any Whole Loan Sale subject to the Loan Originator's right of first refusal and shall promptly notify the Loan Originator of the amount of the highest bid. The Loan Originator shall have five (5) Business Days following its receipt of such notice to exercise its right of first refusal by notifying the Disposition Agent in writing.

(g) Except as otherwise expressly set forth under this Section 3.07, the parties' rights and obligations under this Section 3.07 shall continue notwithstanding the occurrence of an Event of Default.

(h) The Disposition Participants (and the Majority Noteholders to the extent directing the Disposition Participants) shall be independent contractors to the Issuer and shall have no fiduciary obligations to the Issuer or any of its Affiliates. In that connection, the Disposition Participants shall not be liable for any error of judgment made in good faith and shall not be liable with respect to any action they take or omits to take in good faith in the performance of their duties.

Section 3.08 Servicer Put; Servicer Call.

(a) Servicer Put. The Servicer shall promptly purchase, upon the written demand of the Majority Noteholders, any Put/Call Loan; provided, however, that the Servicer may, upon receipt of such demand, elect to repurchase such Put/Call Loan pursuant to (b) below, in which case such repurchase shall be deemed a Servicer Call.

(b) Servicer Call. The Servicer may repurchase any Put/Call Loan at any time. Such Servicer Calls shall be solely at the option of the Servicer. Prior to exercising a Servicer Call, the Servicer shall deliver written notice to the Majority Noteholders and the Indenture Trustee which notice shall identify each Loan to be purchased and the Repurchase Price therefor; provided, however, that the Servicer may irrevocably waive its right to repurchase any Put/Call Loan as soon as reasonably practicable following its receipt of notice of the occurrence of any event or events giving rise to such Loan being a

Put/Call Loan.

(c) In connection with each Servicer Put, the Servicer shall remit for deposit into the Collection Account the Repurchase Price for the Loans to be repurchased. In connection with each Servicer Call, the Servicer shall deposit into the Collection Account the Repurchase Price for the Loans to be purchased. The aggregate Repurchase Price of all Loans transferred pursuant to Section 3.08(a) shall in no event exceed the Unfunded Transfer Obligation at the time of any Servicer Put.

Section 3.09 Modification of Underwriting Guidelines.

The Loan Originator shall give the Note Agent prompt written notification of any modification or change to the Underwriting Guidelines. If the Noteholder objects in writing to any modification or change to the Underwriting Guidelines within 15 days after receipt of such notice, no Loans may be conveyed to the Issuer pursuant to this Agreement unless such Loans have been originated pursuant to the Underwriting Guidelines without giving effect to such modification or change. Notwithstanding anything contained in this Agreement to the contrary, any Loan conveyed to the Issuer pursuant to this Agreement pursuant to a modification or change to the Underwriting Guidelines that has been rejected by the Note Agent or which the Note Agent did not receive notice of, such Loan shall be deemed an Unqualified Loan and be repurchased or substituted for in accordance with Section 3.06.

ARTICLE IV

ADMINISTRATION AND SERVICING OF THE LOANS

Section 4.01 Servicer's Servicing Obligations.

The Servicer, as independent contract servicer, shall service and administer the Loans in accordance with the terms and provisions set forth in the Servicing Addendum, which Servicing Addendum is incorporated herein by reference.

ARTICLE V

ESTABLISHMENT OF TRUST ACCOUNTS; TRANSFER OBLIGATION

Section 5.01 Collection Account and Distribution Account.

(a) (1) Establishment of Collection Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained one or more Collection Accounts (collectively, the "Collection Account"), which shall be separate Eligible Accounts entitled "Option One Owner Trust 2003-4 Collection Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2003-4 Mortgage-Backed Notes." The Collection Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Collection Account shall be invested in accordance with Section 5.03 hereof. Net investment earnings shall not be considered part of funds available in the Collection Account.

(2) Establishment of Distribution Account. The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained, one or more Distribution Accounts (collectively, the "Distribution Account"), which shall be separate Eligible Accounts, entitled "Option One Owner Trust 2003-4 Distribution Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2003-4 Mortgage-Backed Notes." The Distribution Account shall be maintained with a depository institution and shall satisfy the requirements set forth in the definition of Eligible Account. Funds in the Distribution Account shall be invested in accordance with Section 5.03 hereof. The Servicer may, at its option, maintain one account to serve as both the Distribution Account and the

Collection Account, in which case, the account shall be entitled "Option One Owner Trust 2003-4 Collection/Distribution Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, for the benefit of the Option One Owner Trust 2003-4 Mortgage-Backed Notes." If the Servicer makes such an election, all references herein or in any other Basic Document to either the Collection Account or the Distribution Account shall mean the Collection/Distribution Account described in the preceding sentence.

(3) The Servicer will inform the Indenture Trustee of the location of any accounts held in the Indenture Trustee's name, including any location to which an account is transferred.

(4) Upon the termination of any Blocked Account Agreement (other than a termination consented to by the Indenture Trustee and the Note Agent upon the termination of the Lien of the Indenture upon the Trust Accounts), the Servicer shall promptly (and in any event no later than thirty (30) days following any such termination) establish a replacement Trust Account (which shall constitute an Eligible Account) at a Designated Depository Institution approved in writing by the Indenture Trustee and the Note Agent.

(b) Deposits to Collection Account. The Servicer shall deposit or cause to be deposited (without duplication):

(i) all payments on or in respect of each Loan collected on or after the related Transfer Cut- off Date or with respect to each Loan purchased from a QSPE Affiliate, all such payments allocable to such Loan on or after the related Transfer Date (net, in each case, of any Servicing Compensation retained therefrom) within two (2) Business Days after receipt thereof;

(ii) all Net Liquidation Proceeds within two (2) Business Days after receipt thereof;

(iii) any amounts payable in connection with the repurchase of any Loan and the amount of any Substitution Adjustment pursuant to Sections 2.05 and 3.06 hereof concurrently with payment thereof;

(iv) any Repurchase Price payable in connection with a Servicer Call pursuant to Section 3.08 hereof concurrently with payment thereof;

(v) the deposit of the Termination Price under Section 10.02 hereof concurrently with payment thereof;

(vi) Nonutilization Fees;

(vii) [Reserved];

(viii) any payments received under Hedging Instruments or the return of amounts by the Hedging Counterparty pledged pursuant to prior Hedge Funding Requirements in accordance with the last sentence of this Section 5.01(b); and

(ix) any Repurchase Price payable in connection with a Servicer Put remitted by the Servicer pursuant to Section 3.08.

Except as otherwise expressly provided in Section 5.01(c)(4)(i), the Servicer agrees that it will cause the Loan Originator, Borrower or other appropriate Person paying such amounts, as the case may be, to remit directly to the Servicer for deposit into the Collection Account all amounts referenced in clauses (i) through (ix) to the extent such amounts are in excess of a Monthly Payment on the related Loan. To the extent the Servicer receives any such amounts, it will deposit them into the Collection Account on the same Business Day as receipt thereof.

(c) Withdrawals From Collection Account; Deposits to Distribution Account.

(1) Withdrawals From Collection Account -- Reimbursement Items. The Paying Agent shall periodically but in any event on each Determination Date, make the following withdrawals from the Collection Account prior to any other withdrawals, in no particular order of priority:

(i) to withdraw any amount not required to be deposited in the Collection Account or deposited therein in error, including Servicing Compensation;

(ii) to withdraw the Servicing Advance Reimbursement Amount; and

(iii) to clear and terminate the Collection Account in connection with the termination of this Agreement.

(2) Deposits to Distribution Account - Payment Dates.

(A) On the Business Day prior to each Payment Date, the Paying Agent shall deposit into the Distribution Account such amounts as are required from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g) and 5.05(h).

(B) After making all withdrawals specified in Section 5.01(c)(l) above, on each Remittance Date, the Paying Agent (based on information provided by the Servicer for such Payment Date), shall withdraw the Monthly Remittance Amount (or, with respect to an additional Payment Date pursuant to Section 5.01(c)(4)(ii), all amounts on deposit in the Collection Account on such date up to the amount necessary to make the payments due on the related Payment Date in accordance with Section 5.01(c)(3)) from the Collection Account not later than 5:00 P.M., New York City time and deposit such amount into the Distribution Account.

(C) [Reserved]

(D) The Servicer shall deposit or cause to be deposited in the Distribution Account any cash Disposition Proceeds pursuant to Section 3.07. To the extent the Servicer receives such amounts, it will deposit them into the Distribution Account on the same Business Day as receipt thereof.

(3) Withdrawals From Distribution Account -- Payment Dates. On each Payment Date, to the extent funds are available in the Distribution Account, the Paying Agent (based on the information provided by the Servicer contained in the Servicer's Remittance Report for such Payment Date) shall make withdrawals therefrom for application in the following order of priority:

(i) to distribute on such Payment Date the following amounts in the following order: (a) to the Indenture Trustee, an amount equal to the Indenture Trustee Fee and all unpaid Indenture Trustee Fees from prior Payment Dates and all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid by the Servicer or the Depositor up to an amount not to exceed $25,000 per annum, (b) to the Custodian, an amount equal to the Custodian Fee and all unpaid Custodian Fees from prior Payment Dates, (c) to the Servicer, an amount equal to the Servicing Compensation and all unpaid Servicing Compensation from prior Payment Dates (to the extent not retained from collections or remitted to the Servicer pursuant to Section 5.01(c)) and (d) to the Servicer, in trust for the Owner Trustee, an amount equal to the Owner Trustee Fee and all unpaid Owner Trustee Fees from prior Payment Dates;

(ii) to distribute on such Payment Date, the Hedge Funding Requirement to the appropriate Hedging Counterparties;

(iii) to the holders of the Notes pro rata, the sum of the Interest Payment Amount for such Payment Date and the Interest Carry-Forward Amount for the preceding Payment Date;

(iv) to the holders of the Notes pro rata, the Overcollateralization Shortfall for such Payment Date; provided, however, that if (a) a Rapid Amortization Trigger shall have occurred and not been Deemed Cured or (b) an Event of Default under the Indenture

or Default shall have occurred, the holders of the Notes shall receive, in respect of principal, all remaining amounts on deposit in the Distribution Account;

(v) to the Note Agent, the Nonutilization Fee for such Payment Date, together with any Nonutilization Fees unpaid from any prior Payment Dates;

(vi) to the appropriate Person, amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and Due Diligence Fees until such amounts are paid in full;

(vii) to the Transfer Obligation Account, all remaining amounts until the balance therein equals the Transfer Obligation Target Amount;

(viii) to the Indenture Trustee all amounts owing to the Indenture Trustee pursuant to Section 6.07 of the Indenture and not paid pursuant to clause (i) above;

(ix) all Nonrecoverable Servicing Advances not previously reimbursed; and

(x) to the holders of the Trust Certificates, subject to Section 5.2(b) of the Trust Agreement, all amounts remaining therein; provided, however, if the Owner Trustee has notified the Paying Agent that any amounts are due and owing to it and remain unpaid, then first to the Owner Trustee such amounts.

(4) (i) If the Loan Originator or the Servicer, as applicable, repurchases, purchases or substitutes a Loan pursuant to Section 2.05, 3.06, 3.08(a), 3.08(b) or 3.08(c), then the Noteholders and the Issuer shall deem such date to be an additional Payment Date and the Issuer shall provide written notice to the Indenture Trustee and the Paying Agent of such additional Payment Date at least one Business Day prior to such Payment Date. On such additional Payment Date, the Loan Originator or the Servicer, in satisfaction of its obligations under 2.05, 3.06, 3.08(a) 3.08(b) or 3.08(c) and in satisfaction of the obligations of the Issuer and the Paying Agent to distribute such amounts to the Noteholders pursuant to Section 5.01(c), shall remit to the Noteholders, on behalf of the Issuer and the Paying Agent, an amount equal to the Repurchase Prices and any Substitution Adjustments (as applicable) to be paid by the Loan Originator or the Servicer by 12:00 p.m. New York City time, as applicable, under such Section, on such Payment Date, and the Note Principal Balance will be reduced accordingly. Such amounts shall be deemed deposited into the Collection Account and the Distribution Account, as applicable, and such amounts will be deemed distributed pursuant to the terms of Section 5.01(c). Upon notice of an additional Payment Date to the Paying Agent and the Indenture Trustee as provided above, the Paying Agent shall provide the Loan Originator or the Servicer (as applicable) information necessary so that remittances to the Noteholders pursuant to this clause (4)(i) may be made by the Loan Originator or the Servicer, as applicable, in compliance with Section 5.02(a) hereof.

(ii) To the extent that there is deposited in the Collection Account or the Distribution Account any amounts referenced in Section 5.01(b)(v) and 5.01(c)(2)(D), the Majority Noteholders and the Issuer may agree, upon reasonable written notice to the Paying Agent and the Indenture Trustee, to additional Payment Dates. The Issuer

and the Majority Noteholder shall give the Paying Agent and the Indenture Trustee at least one (1) Business Day's written notice prior to such additional Payment Date and such notice shall specify each amount in Section 5.01(c) to be withdrawn from the Collection Account and Distribution Account on such day.

(iii) To the extent that there is deposited in the Distribution Account any amounts referenced in Section 5.05(f), the Majority Noteholders may, in their sole discretion, establish an additional Payment Date by written notice delivered to the Paying Agent and the Indenture Trustee at least one Business Day prior to such additional Payment Date. On such additional Payment Date, the Paying Agent shall pay the sum of the Overcollateralization Shortfall to the Noteholders in respect of principal on the Notes.

Notwithstanding that the Notes have been paid in full, the Indenture Trustee, the Paying Agent and the Servicer shall continue to maintain the Distribution Account hereunder until this Agreement has been terminated.

(d) [Reserved]

Section 5.02 Payments to Securityholders.

(a) All distributions made on the Notes on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made on a pro rata basis among the Noteholders of record of the Notes on the next preceding Record Date based on the Percentage Interest represented by their respective Notes, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest (as defined in the Indenture) of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee 5 Business Days prior to the related Record Date, and otherwise by check mailed to the address of such Noteholder appearing in the Notes Register. The final distribution on each Note will be made in like manner, but only upon presentment and surrender of such Note at the location specified in the notice to Noteholders of such final distribution.

(b) All distributions made on the Trust Certificates on each Payment Date or pursuant to Section 5.04(b) of the Indenture will be made in accordance with the Percentage Interest among the holders of the Trust Certificates of record on the next preceding Record Date based on their Percentage Interests (as defined in the Trust Agreement) on the date of distribution, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of each such holder, if such holder shall own of record a Trust Certificate in an original denomination aggregating at least 25% of the Percentage Interests and shall have so notified the Paying Agent and the Indenture Trustee 5 Business Days prior to the related Record Date, and otherwise by check mailed to the address of such Certificateholder appearing in the Certificate Register. The final distribution on each Trust Certificate will be made in like manner, but only upon presentment and surrender of such Trust Certificate at the location specified in the notice to holders of the Trust Certificates of such final distribution. Any amount distributed to the holders of the Trust Certificates on any Payment Date shall not be subject to any claim or interest of the

Noteholders. In the event that at any time there shall be more than one Certificateholder, the Indenture Trustee shall be entitled to reasonable additional compensation from the Servicer for any increase in its obligations hereunder.

Section 5.03 Trust Accounts; Trust Account Property.

(a) Control of Trust Accounts. Each of the Trust Accounts established hereunder has been pledged by the issuer to the Indenture Trustee

under the Indenture and shall be subject to the lien of the Indenture. Amounts distributed from each Trust Account in accordance with the terms of this Agreement shall be released for the benefit of the Securityholders from the Trust Estate upon such distribution thereunder or hereunder. The Indenture Trustee shall possess all right, title and interest in and to all funds on deposit from time to time in the Trust Accounts and in all proceeds thereof (including all income thereon) and all such funds, investments, proceeds and income shall be part of the Trust Account Property and the Trust Estate. If, at any time, any Trust Account ceases to be an Eligible Account, the Indenture Trustee shall, within ten Business Days (or such longer period, not to exceed 30 calendar days, with the prior written consent of the Majority Noteholders) (i) establish a new Trust Account as an Eligible Account, (ii) terminate the ineligible Trust Account, and (iii) transfer any cash and investments from such ineligible Trust Account to such new Trust Account.

With respect to the Trust Accounts, the Issuer and the Indenture Trustee agree, that each such Trust Account shall be subject to the "control" (in accordance with Section 9-104 of the UCC) of the Indenture Trustee for the benefit of the Noteholders, and, except as may be consented to in writing by the Majority Noteholders or provided in the related Blocked Account Agreement, the Indenture Trustee shall have sole signature and withdrawal authority with respect thereto.

The Servicer (unless it is also the Paying Agent) shall not be entitled to make any withdrawals or payments from the Trust Accounts.

(b) (1) Investment of Funds. Funds held in the Collection Account, the Distribution Account and the Transfer Obligation Account may be invested (to the extent practicable and consistent with any requirements of the Code) in Permitted Investments, as directed by the Servicer prior to the occurrence of an Event of Default and by the Majority Noteholders thereafter, in writing or facsimile transmission confirmed in writing by the Servicer or Majority Noteholders, as applicable. In the event the Indenture Trustee has not received such written direction, such Funds shall be invested in any Permitted Investment described in clause (i) of the definition of Permitted Investments. In any case, funds in the Collection Account, the Distribution Account and the Transfer Obligation Account must be available for withdrawal without penalty, and any Permitted Investments must mature or otherwise be available for withdrawal, one Business Day prior to the next Payment Date and shall not be sold or disposed of prior to its maturity subject to Subsection (b)(2) of this Section. All interest and any other investment earnings on amounts or investments held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be paid to the Servicer immediately upon receipt by the Indenture Trustee. All Permitted Investments in which funds in the Collection Account, the Distribution Account or the Transfer Obligation Account are invested must be held

by or registered in the name of "Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, in trust for the Option One Owner Trust 2003-4 Mortgage-Backed Notes."

(2) Insufficiency and Losses in Trust Accounts. If any amounts are needed for disbursement from the Collection Account, the Distribution Account or the Transfer Obligation Account held by or on behalf of the Indenture Trustee and sufficient uninvested funds are not available to make such disbursement, the Indenture Trustee shall cause to be sold or otherwise converted to cash a sufficient amount of the investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be. The Indenture Trustee shall not be liable for any investment loss or other charge resulting therefrom, unless such loss or charge is caused by the failure of the Indenture Trustee to perform in accordance with written directions provided pursuant to this Section 5.03.

If any losses are realized in connection with any investment in the Collection Account, the Distribution Account or the Transfer Obligation Account

pursuant to this Agreement during a period in which the Servicer has the right to direct investments pursuant to Section 5.03(b), then the Servicer shall deposit the amount of such losses (to the extent not offset by income from other investments in the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be) into the Collection Account, the Distribution Account or the Transfer Obligation Account, as the case may be, immediately upon the realization of such loss. All interest and any other investment earnings on amounts held in the Collection Account, the Distribution Account and the Transfer Obligation Account shall be taxed to the Issuer and for federal and state income tax purposes the Issuer shall be deemed to be the owner of the Collection Account, the Distribution Account and/or the Transfer Obligation Account, as the case may be.

(c) Subject to Section 6.01 of the Indenture, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in any Trust Account held by the Indenture Trustee resulting from any investment loss on any Permitted Investment included therein.

(d) With respect to the Trust Account Property, the Indenture Trustee acknowledges and agrees that:

(1) any Trust Account Property that is held in deposit accounts shall be held solely in the Eligible Accounts, subject to the last sentence of Subsection (a) of this Section 5.03; and each such Eligible Account shall be subject to the "control" (in accordance with Section 9-104 of the UCC) of the Indenture Trustee as provided in the related Blocked Account Agreement; and, without limitation on the foregoing, the Indenture Trustee shall have sole signature authority with respect thereto except to the extent otherwise provided in the related Blocked Account Agreement;

(2) any Trust Account Property that constitutes Physical Property shall be delivered to the Indenture Trustee in accordance with paragraphs (a) and (b) of the definition of "Delivery" in Section 1.01 hereof and shall be held, pending maturity or disposition, solely by the Indenture Trustee or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Indenture Trustee;

(3) any Trust Account Property that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations shall be delivered in accordance with paragraph (c) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued book-entry registration of such Trust Account Property as described in such paragraph; and

(4) any Trust Account Property that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (3) above shall be delivered to the Indenture Trustee in accordance with paragraph (d) of the definition of "Delivery" in Section 1.01 hereof and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued registration of the Indenture Trustee's (or its nominee's) ownership of such security.

Section 5.04 Advance Account.

(a) The Servicer shall cause to be established and maintained in its name, an Advance Account (the "Advance Account"), which need not be a segregated account. The Advance Account shall be maintained with any financial institution the Servicer elects.

(b) Deposits and Withdrawals. Amounts in respect of the transfer of Additional Note Principal Balances and Loans shall be deposited in and withdrawn from the Advance Account as provided in Sections 2.01 (c) and 2.06 hereof and Section 3.01 of the Note Purchase Agreement.

Section 5.05 Transfer Obligation Account.

(a) The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained in the name of the Indenture Trustee a Transfer Obligation Account (the 'Transfer Obligation Account"), which shall be a separate Eligible Account and may be interest-bearing, entitled "Option One Owner Trust 2003-4 Transfer Obligation Account, Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, in trust for the Option One Owner Trust 2003-4 Mortgage-Backed Notes." The Indenture Trustee shall have no monitoring or calculation obligation with respect to withdrawals from the Transfer Obligation Account. Amounts in the Transfer Obligation Account shall be invested in accordance with Section 5.03.

(b) In accordance with Section 5.06, the Loan Originator shall deposit into the Transfer Obligation Account any amounts as may be required thereby.

(c) On each Payment Date, the Paying Agent will deposit in the Transfer Obligation Account any amounts required to be deposited therein pursuant to Section 5.01(c)(3)(vii).

(d) On the date of each Disposition, the Paying Agent shall withdraw from the Transfer Obligation Account such amount on deposit therein in respect of the payment of Transfer Obligations as may be requested by the Disposition Agent in writing to effect such Disposition.

(e) On each Payment Date, the Paying Agent shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account and (y) the Interest Carry-Forward Amount as of such date.

(f) If with respect to any Business Day there exists an Overcollateralization Shortfall, the Paying Agent, upon the written direction of the Note Agent, shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on such Business Day the lesser of (x) the amount then on deposit in the Transfer Obligation Account and (y) the amount of such Overcollateralization Shortfall as of such date.

(g) If with respect to any Payment Date there shall exist a Hedge Funding Requirement, the Paying Agent, upon the written direction of the Servicer or the Note Agent, shall withdraw from the Transfer Obligation Account and deposit into the Distribution Account on the Business Day prior to such Payment Date the lesser of (x) the amount then on deposit in the Transfer Obligation Account (after making all other required withdrawals therefrom with respect to such Payment Date) and (y) the amount of such Hedge Funding Requirement as of such date.

(h) In the event of the occurrence of an Event of Default under the Indenture, the Paying Agent shall withdraw all remaining funds from the Transfer Obligation Account and apply such funds in satisfaction of the Notes as provided in Section 5.04(b) of the Indenture.

(i) The Paying Agent shall return to the Loan Originator all amounts on deposit in the Transfer Obligation Account (after making all other withdrawals pursuant to this Section 5.05) until the Majority Noteholders provide written notice to the Indenture Trustee (with a copy to the Loan Originator and the Servicer) of the occurrence of a default or event of default (however defined) under any Basic Document with respect to the Issuer, the Depositor, the Loan Originator or any of their Affiliates and upon the date of the termination of this Agreement pursuant to Article X, the Paying Agent shall withdraw any remaining amounts from the Transfer Obligation Account and remit all such amounts to the Loan Originator.

Section 5.06 Transfer Obligation.

(a) In consideration of the transactions contemplated by the Basic

Documents, the Loan Originator agrees and covenants with the Depositor that:

(i) In connection with each Disposition it shall fund, or cause to be funded, reserve funds, pay credit enhancer fees, pay, or cause to be paid, underwriting fees, fund any difference between the cash Disposition Proceeds and the aggregate Note Principal Balance at the time of such Disposition, and make, or cause to be made, such other payments as may be, in the reasonable opinion of the Disposition Agent, commercially reasonably necessary to effect Dispositions, in each case to the extent that Disposition Proceeds are insufficient to pay such amounts;

(ii) In connection with Hedging Instruments, on the Business Day prior to each Payment Date, it shall deliver to the Servicer for deposit into the Transfer Obligation Account any Hedge Funding Requirement (to the extent amounts available on the

related Payment Date pursuant to Section 5.01 are insufficient to make such payment), when, as and if due to any Hedging Counterparty;

(iii) if any Interest Carry-Forward Amount shall occur, it shall deposit into the Transfer Obligation Account any such Interest Carry-Forward Amount on or before the Business Day preceding such related Payment Date;

(iv) If on any Business Day there exists an Overcollateralization Shortfall, upon the written direction of the Note Agent, it shall on such Business Day deposit into the Transfer Obligation Account the full amount of the Overcollateralization Shortfall as of such date, provided, that in the event that notice of such Overcollateralization Shortfall is provided to the Loan Originator after 3:00 p.m. New York City time, the Loan Originator shall make such deposit on the following Business Day; and

(v) Notwithstanding anything to the contrary herein, in the event of the occurrence of an Event of Default under the Indenture, the Loan Originator shall promptly deposit into the Transfer Obligation Account the entire amount of the Unfunded Transfer Obligation;

provided, that notwithstanding anything to the contrary contained herein, the Loan Originator's cumulative payments under or in respect of the Transfer Obligations (after subtracting therefrom any amounts returned to the Loan Originator pursuant to Section 5.05(i)) together with the Servicer's payments in respect of any Servicer Puts shall not in the aggregate exceed the Unfunded Transfer Obligation.

(b) The Loan Originator agrees that the Noteholders, as ultimate assignee of the rights of the Depositor under this Agreement and the other Basic Documents, may enforce the rights of the Depositor directly against the Loan Originator.

ARTICLE VI

STATEMENTS AND REPORTS; SPECIFICATION OF TAX MATTERS

Section 6.01 Statements.

(a) No later than 12 noon (New York City time) on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Note Agent by electronic transmission, the receipt and legibility of which shall be confirmed by telephone, and with hard copy thereof to be delivered no later than one (1) Business Day after such Remittance Date, the Servicer's Remittance Report, setting forth the date of such Report (day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2003-4"), and the date of this Agreement, all in substantially the form set out in Exhibit B hereto. Furthermore, on each Remittance Date, the Servicer shall deliver to the Indenture Trustee and the Note Agent a data file providing, with respect to each Loan in the Loan Pool as

of the last day of the related Remittance Period (i) if such Loan is an ARM, the current Loan Interest Rate; (ii) the Principal Balance with respect to such Loan; (iii) the date of the last Monthly Payment paid in full; and (iv) such other information as may be reasonably requested by the Note Agent and the Indenture Trustee. In addition, no later than 12:00 noon (New York City time) on the 15th day of each calendar month (or if such

day is not a Business Day, the preceding Business Day), the Custodian shall prepare and provide to the Servicer and the Indenture Trustee by facsimile, the Custodian Fee Notice for the Payment Date falling in such calendar month.

(b) No later than 12 noon (New York City time) on each Remittance Date, the Servicer shall prepare (or cause to be prepared) and provide to the Indenture Trustee electronically or via fax, receipt confirmed by telephone, the Note Agent and each Noteholder, a statement (the "Payment Statement"), stating each date and amount of a purchase of Additional Note Principal Balance (day, month and year), the name of the Issuer (i.e., "Option One Owner Trust 2003-4"), the date of this Agreement and the following information:

(1) the aggregate amount of collections in respect of principal of the Loans received by the Servicer during the preceding Remittance Period;

(2) the aggregate amount of collections in respect of interest on the Loans received by the Servicer during the preceding Remittance Period;

(3) all Mortgage Insurance Proceeds received by the Servicer during the preceding Remittance Period and not required to be applied to restoration or repair of the related Mortgaged Property or returned to the Borrower under applicable law or pursuant to the terms of the applicable Mortgage Insurance Policy;

(4) all Net Liquidation Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(5) all Released Mortgaged Property Proceeds deposited by the Servicer into the Collection Account during the preceding Remittance Period;

(6) the aggregate amount of all Servicing Advances made by the Servicer during the preceding Remittance Period;

(7) the aggregate of all amounts deposited into the Distribution Account in respect of the repurchase of Unqualified Loans and the repurchase of Loans pursuant to Section 2.05 hereof during the preceding Remittance Period;

(8) the aggregate Principal Balance of all Loans for which a Servicer Call was exercised during the preceding Remittance Period;

(9) the aggregate Principal Balance of all Loans for which a Servicer Put was exercised during the preceding Remittance Period;

(10) the aggregate amount of all payments received under Hedging Instruments during the preceding Remittance Period;

(11) the aggregate amount of all withdrawals from the Distribution Account pursuant to Section 5.01(c)(1)(i) hereof during the preceding Remittance Period;

(12) the aggregate amount of cash Disposition Proceeds received during the preceding Remittance Period;

(13) withdrawals from the Collection Account in respect of the Servicing Advance Reimbursement Amount with respect to the related Payment Date;

(14) [Reserved];

(15) the number and aggregate Principal Balance of all Loans that are (i) 30-59 days Delinquent, (ii) 60- 89 days Delinquent, (iii) 90 or more days Delinquent as of the end of the related Remittance Period;

(16) the aggregate amount of Liquidated Loan Losses incurred (i) during the preceding Remittance Period, and (ii) during the preceding three Remittance Periods;

(17) the aggregate of the Principal Balances of all Loans in the Loan Pool as of the end of the related Remittance Period;

(18) the aggregate amount of all deposits into the Distribution Account from the Transfer Obligation Account pursuant to Sections 5.05(e), 5.05(f), 5.05(g), and 5.05(h) on the related Payment Date;

(19) the aggregate amount of distributions in respect of Servicing Compensation to the Servicer, and unpaid Servicing Compensation from prior Payment Dates for the related Payment Date;

(20) the aggregate amount of distributions in respect of Indenture Trustee Fees and unpaid Indenture Trustee Fees from prior Payment Dates for the related Payment Date;

(21) the aggregate amount of distributions in respect of the Custodian Fee and unpaid Custodian Fees from prior Payment Dates for the related Payment Date;

(22) the aggregate amount of distributions in respect of the Owner Trustee Fees and unpaid Owner Trustee Fees from prior Payment Dates and for the related Payment Date;

(23) the Unfunded Transfer Obligation and Overcollateralization Shortfall on such Payment Date for the related Payment Date;

(24) the aggregate amount of distributions to the Transfer Obligation Account for the related Payment Date;

(25) the aggregate amount of distributions in respect of Trust/Depositor Indemnities for the related Payment Date;

(26) the aggregate amount of distributions to the holders of the Trust Certificates for the related Payment Date;

(27) the Note Principal Balance of the Notes as of the last day of the related Remittance Period (without taking into account any Additional Note Principal Balance between the last day of such Remittance Period and the related Payment Date) before and after giving effect to distributions made to the holders of the Notes for such Payment Date;

(28) the Pool Principal Balance as of the end of the preceding Remittance Period; and

(29) whether a Performance Trigger or a Rapid Amortization Trigger shall exist with respect to such Payment Date.

Such Payment Statement shall also be provided on the Remittance Date to the Note Agent and Indenture Trustee in the form of a data file in a form mutually agreed to by and between the Note Agent, the Indenture Trustee and the Servicer. The Indenture Trustee shall have no duty to monitor the occurrence of a Performance

Trigger, Rapid Amortization Trigger or any events resulting in withdrawals from the Transfer Obligation Account.

Section 6.02 Specification of Certain Tax Matters.

The Paying Agent shall comply with all requirements of the Code and applicable state and local law with respect to the withholding from any distributions made to any Securityholder of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith, giving due effect to any applicable exemptions from such withholding and effective certifications or forms provided by the recipient. Any amounts withheld pursuant to this Section 6.02 shall be deemed to have been distributed to the Securityholders, as the case may be, for all purposes of this Agreement. The Indenture Trustee shall have no responsibility for preparing or filing any tax returns.

Section 6.03 Valuation of Loans, Hedge Value and Retained Securities Value;

Market Value Agent.

(a) The Note Agent hereby irrevocably appoints, and the Issuer hereby consents to the appointment of, the Market Value Agent as agent on behalf of the Noteholders to determine the Market Value of each Loan, the Hedge Value of each Hedging Instrument and the Retained Securities Value of all Retained Securities.

(b) Except as otherwise set forth in Section 3.07, the Market Value Agent shall determine the Market Value of each Loan, for the purposes of the Basic Documents, in its sole judgment. In determining the Market Value of each Loan, the Market Value Agent may consider any information that it may deem relevant and shall base such determination primarily on the lesser of its estimate of the projected proceeds from such Loan's inclusion in (i) a Securitization (inclusive of the projected Retained Securities Value of any Retained Securities to be issued in connection with such Securitization) and (ii) a Whole Loan Sale, in each case net of such Loan's ratable share of all costs and fees associated with such Disposition, including, without limitation, any costs of issuance, sale, underwriting and funding reserve accounts. The Market Value Agent's determination, in its sole judgment, of Market Value shall be conclusive

and binding upon the parties hereto, absent manifest error (including without limitation, any error contemplated in Section 2.08).

(c) On each Business Day the Market Value Agent shall determine in its sole judgment the Hedge Value of each Hedging Instrument as of such Business Day. In making such determination the Market Value Agent may rely exclusively on quotations provided by the Hedging Counterparty, by leading dealers in instruments similar to such Hedging Instrument, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

(d) On each Business Day, the Market Value Agent shall determine in its sole judgment the Retained Securities Value of the Retained Securities, if any, expected to be issued pursuant to such Securitization as of the closing date of such Securitization. In making such determination the Market Value Agent may rely exclusively on quotations provided by leading dealers in instruments similar to such Retained Securities, which leading dealers may include the Market Value Agent and its Affiliates and such other sources of information as the Market Value Agent may deem appropriate.

ARTICLE VII

HEDGING; FINANCIAL COVENANTS

Section 7.01 Hedging Instruments.

(a) On each Transfer Date, the Trust shall enter into such Hedging Instruments as the Market Value Agent, on behalf of the Majority Noteholders, shall determine are necessary in order to hedge the interest rate risk with respect to the Collateral Value of the Loans being purchased on such Transfer Date. The Market Value Agent shall determine, in its sole discretion, whether any Hedging Instrument conforms to the requirements of Section 7.01(b), (c) and (d).

(b) Each Hedging Instrument shall expressly provide that in the event of a Disposition or other removal of the Loan from the Trust, such portion of the Hedging Instrument shall terminate as the Disposition Agent deems appropriate to facilitate the hedging of the risks specified in Section 7.01(a). In the event that the Hedging Instrument is not otherwise terminated, it shall contain provisions that allow the position of the Trust to be assumed by an Affiliate of the Trust upon the liquidation of the Trust. The terms of the assignment documentation and the credit quality of the successor to the Trust shall be subject to the Hedging Counterparty's approval.

(c) Any Hedging Instrument that provides for any payment obligation on the part of the Issuer must (i) be without recourse to the assets of the Issuer, (ii) contain a non-petition covenant provision in the form of Section 11.13, (iii) limit payment dates thereunder to Payment Dates and (iv) contain a provision limiting any cash payments due on any day under such Hedging Instrument solely to funds available therefor in the Collection Account on such day pursuant to Section 5.01(c)(3)(ii) hereof and funds available therefor in the Transfer Obligation Account.

(d) Each Hedging Instrument must (i) provide for the direct payment of any amounts thereunder to the Collection Account pursuant to Section 5.01(b)(viii), (ii) contain an assignment of all of the Issuer's rights (but none of its obligations) under such Hedging Instrument to the Indenture Trustee and shall include an express consent to the Hedging Counterparty to such assignment, (iii) provide that in the event of the occurrence of an Event of Default, such Hedging Instrument shall terminate upon the direction of the Majority Noteholders, (iv) prohibit the Hedging Counterparty from "setting-off" or "netting" other obligations of the Issuer or its Affiliates against such Hedging Counterparty's payment obligations thereunder, (v) provide that the appropriate portion of the Hedging Instrument will terminate upon the removal of the related Loans from the Trust Estate and (vi) have economic terms that are fixed and not subject to alteration after the date of assumption or execution.

(e) If agreed to by the Majority Noteholders, the Issuer may pledge its assets in order to secure its obligations in respect of Hedge Funding Requirements, provided that such right shall be limited solely to Hedging Instruments for which an Affiliate of the Note Agent is a Hedging Counterparty.

(f) The aggregate notional amount of all Hedging Instruments shall not exceed the Note Principal Balance as of the date on which each Hedging Instrument is entered into by the Issuer and a Hedging Counterparty.

Section 7.02 Financial Covenants.

(a) Each of the Loan Originator and the Servicer shall maintain a minimum Tangible Net Worth of $425 million as of any day.

(b) Neither the Loan Originator nor the Servicer may exceed a maximum leverage ratio (the ratio of total liabilities (exclusive of non-recourse debt), determined in accordance with GAAP, to its Tangible Net Worth) of 6.0x as of any day.

(c) Neither the Loan Originator nor the Servicer may exceed a maximum non-warehouse leverage ratio (the ratio of (i) the sum of (A) all funded debt (excluding debt from H&R Block, Inc. or any of its Affiliates and all

non-recourse debt) less (B) 100% of its mortgage loan inventory held for sale less (C) 80% of servicing advance receivables (determined and valued in accordance with GAAP) to (ii) Tangible Net Worth) of 0.50x at any time.

(d) Each of the Loan Originator and the Servicer shall maintain a minimum liquidity facility (defined as a committed, unsecured, non-amortizing liquidity facility from H&R Block, Inc. not to mature (scheduled or accelerated) prior to the Maturity Date) in an amount no less than $150 million. Such facility from H&R Block, Inc. cannot contain covenants or termination events more restrictive than the covenants or termination events contained in the Basic Documents.

(e) Each of the Loan Originator and the Servicer shall maintain a committed warehouse credit facility, with a maturity date (scheduled or accelerated) not earlier than the Maturity Date, in an amount not less than the Maximum Note Principal Balance from a third-party entity that is not an Affiliate of the Note Agent, the Loan Originator or the Servicer.

ARTICLE VIII

THE SERVICER

Section 8.01 Indemnification; Third Party Claims.

(a) The Servicer shall indemnify the Loan Originator, the Owner Trustee, the Trust, the Depositor, the Indenture Trustee and the Noteholders, their respective officers, directors, employees, agents and "control persons," as such term is used under the Act and under the Securities Exchange Act of 1934 as amended (each a "Servicer Indemnified Party") and hold harmless each of them against any and all claims, losses, damages, penalties, fines, forfeitures, reasonable legal fees and related costs, judgments, and other costs and expenses resulting from any claim, demand, defense or assertion based on or grounded upon, or resulting from, a breach of any of the Servicer's representations and warranties and covenants contained in this Agreement or in any way relating to the failure of the Servicer to perform its duties and service the Loans in compliance with the terms of this Agreement except to the extent such loss arises out of such Servicer Indemnified Party's gross negligence or willful misconduct; provided, however, that if the Servicer is not liable pursuant to the provisions of Section 8.01(b) hereof for its failure to perform its duties and service the Loans in compliance with the terms of this Agreement, then the provisions of this Section 8.01 shall have no force and effect with respect to such failure. In addition to the foregoing, the Servicer shall indemnify the Note Agent and hold it harmless against any amounts the Notes Agent is obligated to pay pursuant to any Blocked Account Agreement to the financial institution at which either of the Trust Accounts is maintained to the extent such amounts are incurred or relate to a period following the delivery of a Termination Notice (as defined under such Blocked Account Agreement) under such Blocked Account Agreement.

(b) None of the Loan Originator, the Depositor or the Servicer or any of their respective Affiliates, directors, officers, employees or agents shall be under any liability to the Owner Trustee, the Issuer, the Indenture Trustee or the Securityholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect the Loan Originator, the Depositor, the Servicer or any of their respective Affiliates, directors, officers, employees, agents against the remedies provided herein for the breach of any warranties, representations or covenants made herein, or against any expense or liability specifically required to be borne by such party without right of reimbursement pursuant to the terms hereof, or against any expense or liability which would otherwise be imposed by reason of misfeasance, bad faith or negligence in the performance of the respective duties of the Servicer, the Depositor or the Loan Originator, as the case may be. The Loan Originator, the Depositor, the Servicer and any of their respective Affiliates, directors, officers, employees, agents may rely in good faith on any document of

any kind which, prima facie, is properly executed and submitted by any Person respecting any matters arising hereunder.

(c) The Loan Originator agrees to indemnify and hold harmless the Depositor and the Noteholders, as the ultimate assignees from the Depositor (each an "Originator Indemnified Party," together with the Servicer Indemnified Parties, the "Indemnified Parties"), from and against any loss, liability, expense, damage, claim or injury arising out of or based on

(i) any breach of any representation, warranty or covenant of the Loan Originator, the Servicer or their Affiliates, in any Basic Document, including, without limitation, the origination or prior servicing of the Loans by reason of any acts, omissions, or alleged acts or omissions arising out of activities of the Loan Originator, the Servicer or their Affiliates, and (ii) any untrue statement by the Loan Originator, the Servicer or its Affiliates of any material fact or any such Person's failure to state a material fact necessary to make such statements not misleading with respect to any such Person's statements contained in any Basic Document, including, without limitation, any Officer's Certificate, statement, report or other document or information prepared by any such Person and furnished or to be furnished by it pursuant to or in connection with the transactions contemplated thereby and not corrected prior to completion of the relevant transaction including, without limitation, such written information as may have been and may be furnished in connection with any due diligence investigation with respect to the Loans or any such Person's business, operations or financial condition, including reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim; provided that the Loan Originator shall not indemnify an Originator Indemnified Party to the extent such loss, liability, expense, damage or injury is due to either an Originator Indemnified Party's willful misfeasance, bad faith or negligence or by reason of an Originator Indemnified Party's reckless disregard of its obligations hereunder; provided, further, that the Loan Originator shall not be so required to indemnify an Originator Indemnified Party or to otherwise be liable to an Originator Indemnified Party for any losses in respect of the performance of the Loans, the creditworthiness of the Borrowers under the Loans, changes in the market value of the Loans or other similar investment risks associated with the Loans arising from a breach of any representation or warranty set forth in Exhibit E hereto, a remedy for the breach of which is provided in Section 3.06 hereof. The provisions of this indemnity shall run directly to and be enforceable by an Originator Indemnified Party subject to the limitations hereof.

(d) With respect to a claim subject to indemnity hereunder made by any Person against an Indemnified Party (a "Third Party Claim"), such Indemnified Party shall notify the related indemnifying parties (each an "Indemnifying Party") in writing of the Third Party Claim within a reasonable time after receipt by such Indemnified Party of written notice of the Third Party Claim unless the Indemnifying Parties shall have previously obtained actual knowledge thereof. Thereafter, the Indemnified Party shall deliver to the Indemnifying Parties, within a reasonable time after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim. No failure to give such notice or deliver such documents shall effect the rights to indemnity hereunder. Each Indemnifying Party shall promptly notify the Indenture Trustee and the Indemnified Party (if other than the Indenture Trustee) of any claim of which it has been notified and shall promptly notify the Indenture Trustee and the Indemnified Party (if applicable) of its intended course of action with respect to any claim.

(e) If a Third Party Claim is made against an Indemnified Party, while maintaining control over its own defense, the Indemnified Party shall cooperate and consult fully with the Indemnifying Party in preparing such defense, and the Indemnified Party may defend the same in such manner as it may deem appropriate, including settling such claim or litigation after giving notice to the Indemnifying Party of such terms and the Indemnifying Party will

promptly reimburse the Indemnified Party upon written request; provided, however, that the

Indemnified Party may not settle any claim or litigation without the consent of the Indemnifying Party.

Section 8.02 Merger or Consolidation of the Servicer.

The Servicer shall keep in full effect its existence, rights and franchises as a corporation, and will obtain and preserve its qualification to do business as a foreign corporation and maintain such other licenses and permits in each jurisdiction necessary to protect the validity and enforceability of each Basic Document to which it is a party and each of the Loans and to perform its duties under each Basic Document to which it is a party; provided, however, that the Servicer may merge or consolidate with any other corporation upon the satisfaction of the conditions set forth in the following paragraph.

Any Person into which the Servicer may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Servicer shall be a party, or any Person succeeding to the business of the Servicer, shall be an Eligible Servicer and shall be the successor of the Servicer, as applicable hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. The Servicer shall send notice of any such merger, conversion, consolidation or succession to the Indenture Trustee and the issuer.

Section 8.03 Limitation on Liability of the Servicer and Others.

The Servicer and any director, officer, employee or agent of the Servicer may rely on any document of any kind which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper authorities respecting any matters arising hereunder. Subject to the terms of Section 8.01 hereof, the Servicer shall have no obligation to appear with respect to, prosecute or defend any legal action which is not incidental to the Servicer's duty to service the Loans in accordance with this Agreement.

Section 8.04 Servicer Not to Resign; Assignment.

The Servicer shall not resign from the obligations and duties hereby imposed on it except (a) with the consent of the Majority Noteholders or (b) upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination pursuant to clause (b) of the preceding sentence permitting the resignation of the Servicer shall be evidenced by an Independent opinion of counsel to such effect delivered (at the expense of the Servicer) to the Indenture Trustee and the Majority Noteholders. No resignation of the Servicer shall become effective until a successor servicer, appointed pursuant to the provisions of Section 9.02 hereof shall have assumed the Servicer's responsibilities, duties, liabilities (other than those liabilities arising prior to the appointment of such successor) and obligations under this Agreement.

Except as expressly provided herein, the Servicer shall not assign or transfer any of its rights, benefits or privileges hereunder to any other Person, or delegate to or subcontract with, or authorize or appoint any other Person to perform any of the duties, covenants or obligations to be performed by the Servicer hereunder and any agreement, instrument or act purporting to effect any such assignment, transfer, delegation or appointment shall be void.

The Servicer agrees to cooperate with any successor Servicer in effecting the transfer of the Servicer's servicing responsibilities and rights hereunder pursuant to the first paragraph of this Section 8.04, including, without

limitation, the transfer to such successor of all relevant records and documents (including any Loan Files in the possession of the Servicer) and all amounts received with respect to the Loans and not otherwise permitted to be retained by the Servicer pursuant to this Agreement. In addition, the Servicer, at its sole cost and expense, shall prepare, execute and deliver any and all documents and instruments to the successor Servicer including all Loan Files in its possession and do or accomplish all other acts necessary or appropriate to effect such termination and transfer of servicing responsibilities.

Section 8.05 Relationship of Servicer to Issuer and the Indenture Trustee.

The relationship of the Servicer (and of any successor to the Servicer as servicer under this Agreement) to the Issuer, the Owner Trustee and the Indenture Trustee under this Agreement is intended by the parties hereto to be that of an independent contractor and not of a joint venturer, agent or partner of the issuer, the Owner Trustee or the Indenture Trustee.

Section 8.06 Servicer May Own Securities.

Each of the Servicer and any Affiliate of the Servicer may in its individual or any other capacity become the owner or pledgee of Securities with the same rights as it would have if it were not the Servicer or an Affiliate thereof except as otherwise specifically provided herein; provided, however, that at any time that Option One or any of its Affiliates is the Servicer, neither the Servicer nor any of its Affiliates (other than an Affiliate which is a corporation whose purpose is limited to holding securities and related activities and which cannot incur recourse debt) may be a Noteholder. Securities so owned by or pledged to the Servicer or such Affiliate shall have an equal and proportionate benefit under the provisions of this Agreement, without preference, priority, or distinction as among all of the Securities; provided, however, that any Securities owned by the Servicer or any Affiliate thereof, during the time such Securities are owned by them, shall be without voting rights for any purpose set forth in this Agreement unless the Servicer or such Affiliate owns all outstanding Securities of the related class. The Servicer shall notify the Indenture Trustee promptly after it or any of its Affiliates becomes the owner or pledgee of a Security.

Section 8.07 Indemnification of the Indenture Trustee and Note Agent.

The Servicer agrees to indemnify the Indenture Trustee and its employees, officers, directors and agents, and reimburse its reasonable out-of-pocket expenses in accordance with Section 6.07 of the Indenture as if it was a signatory thereto. The Servicer agrees to indemnify the Note Agent in accordance with Section 9.01 of the Note Purchase Agreement as if it were signatory thereto.

ARTICLE IX

SERVICER EVENTS OF DEFAULT

Section 9.01 Servicer Events of Default.

(a) In case one or more of the following Servicer Events of Default shall occur and be continuing (and shall not have been waived by the majority Noteholders pursuant to Section 9.03), that is to say:

(1) any failure by Servicer to deposit into the Collection Account or the Distribution Account amounts required to be deposited thereto or any failure by Servicer to make any of the required payments therefrom; or

(2) any failure on the part of the Servicer duly to observe or perform in any material respect any other covenants or agreements on the part of the Servicer, contained in any Basic Document to which it is a party, which continues unremedied for a period of 30 days (or, in the case of payment of

insurance premiums, for a period of 15 days) after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by Holders of 25% of the Percentage Interests of the Notes or the Trust Certificates; or

(3) any breach on the part of the Servicer in any material respect of any representation or warranty contained in any Basic Document to which it is a party which continues unremedied for a period of 30 days after the date on which notice of such breach, requiring the same to be remedied, shall have been given to the Servicer by any other party hereto or to the Servicer (with copy to each other party hereto), by the Note Agent or Holders of 25% of the Percentage Interests (as defined in the Indenture) of the Notes; or

(4) there shall have been commenced before a court or agency or supervisory authority having jurisdiction in the premises an involuntary proceeding against the Servicer under any present or future federal or state bankruptcy, insolvency or similar law for the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, which action shall not have been dismissed for a period of 60 days; or

(5) the Servicer shall consent to the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to it or of or relating to all or substantially all of its property; or

(6) the Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy, insolvency or reorganization statute, make an assignment for the benefit of its creditors, voluntarily suspend payment of its obligations, or take any corporate action in furtherance of the foregoing; or

(7) Reserved; or

(8) the Servicer or the Loan Originator fails to comply with any of its financial covenants set forth in Section 7.02; or

(9) a Change of Control of the Servicer; or

(10) so long as the Servicer or the Loan Originator is an Affiliate of either of the Depositor or the Issuer and any "event of default' by any such party occurs under any of the Basic Documents.

(b) Then, and in each and every such case, so long as a Servicer Event of Default shall not have been remedied, the Indenture Trustee or the Majority Noteholders, by notice in writing to the Servicer may, in addition to whatever rights such Person may have at law or in equity to damages, including injunctive relief and specific performance, terminate all the rights and obligations of the Servicer under this Agreement and in and to the Loans and the proceeds thereof, as servicer under this Agreement. Upon receipt by the Servicer of such written notice, all authority and power of the Servicer under this Agreement, whether with respect to the Loans or otherwise, shall, subject to Section 9.02 hereof, pass to and be vested in a successor servicer, and the successor servicer is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments and do or cause to be done all other acts or things necessary or appropriate to effect the purposes of such notice of termination, including, but not limited to, the transfer and endorsement or assignment of the Loans and related documents. The Servicer agrees to cooperate with the successor servicer in effecting the termination of the Servicer's responsibilities and rights hereunder, including, without limitation, the transfer to the successor

servicer for administration by it of all amounts which shall at the time be credited by the Servicer to each Collection Account or thereafter received with respect to the Loans.

(c) Upon the occurrence of (i) an Event of Default or Default under any of the Basic Documents, (ii) a Servicer Event of Default under this Agreement, (iii) a Rapid Amortization Trigger or (iv) a material adverse change in the business or financial conditions of the Servicer (each, a "Term Event"), the Servicer's right to service the Loans pursuant to the terms of this Agreement shall be in effect for an initial period commencing on the date on which such Term Event occurred and shall automatically terminate at 5:00 p.m. (New York City time), on the last business day of the calendar month in which such Term Event occurred (the "Initial Term"). Thereafter, the Initial Term shall be extendible in the sole discretion of the Note Agent by written notice (each, a "Servicer Extension Notice") of the Note Agent for successive one-month terms (each such term ending at 5:00 p.m. (New York City time), on the last Business Day of the related month). Following a Term Event, the Servicer hereby agrees that the Servicer shall be bound for the duration of the Initial Term and the term covered by any such Servicer Extension Notice to act as the Servicer pursuant to this Agreement. Following a Term Event, the Servicer agrees that if, as of 3:00 p.m. (New York City time) on the last Business Day of any month, the Servicer shall not have received a Servicer Extension Notice from the Note Agent, the Servicer shall give written notice of such non-receipt to the Note Agent by 4:00 p.m. (New York City time). Following a Term Event, the failure of the Note Agent to deliver a Servicer Extension Notice by 5:00 p.m. (New York City time) shall result in the automatic and immediate termination of the Servicer (the "Termination Date"). Notwithstanding these time frames, the Servicer and the Note Agent shall comply with all applicable laws in connection with such transfer and the Servicer shall continue to service the Loans until completion of such transfer.

Section 9.02 Appointment of Successor.

On and after the date the Servicer receives a notice of termination pursuant to Section 9.01 hereof or is automatically terminated pursuant to Section 9.01 (c) hereof, or the Owner Trustee receives the resignation of the Servicer evidenced by an Opinion of Counsel or accompanied by the consents required by Section 8.04 hereof, or the Servicer is removed as servicer pursuant to this Article IX or Section 4.01 of the Servicing Addendum, then, the Majority Noteholders shall appoint a successor servicer to be the successor in all respects to the Servicer in its capacity as Servicer under this Agreement and the transactions set forth or provided for herein and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof; provided, however, that the successor servicer shall not be liable for any actions of any servicer prior to it.

The successor servicer shall be obligated to make Servicing Advances hereunder. As compensation therefor, the successor servicer appointed pursuant to the following paragraph, shall be entitled to all funds relating to the Loans which the Servicer would have been entitled to receive from the Collection Account pursuant to Section 5.01 hereof as if the Servicer had continued to act as servicer hereunder, together with other Servicing Compensation in the form of assumption fees, late payment charges or otherwise as provided in Section 4.15 of the Servicing Addendum. The Servicer shall not be entitled to any termination fee if it is terminated pursuant to Section 9.01 hereof but shall be entitled to any accrued and unpaid Servicing Compensation to the date of termination.

Any collections received by the Servicer after removal or resignation shall be endorsed by it to the Indenture Trustee and remitted directly to the successor servicer. The compensation of any successor servicer appointed shall be the Servicing Fee, together with other Servicing Compensation provided for herein. The Indenture Trustee, the Issuer, any Custodian, the Servicer and any such successor servicer shall take such action, consistent with this Agreement,

as shall be reasonably necessary to effect any such succession. Any costs or expenses incurred by the Indenture Trustee in connection with the termination of the Servicer and the succession of a successor servicer shall be an expense of the outgoing Servicer and, to the extent not paid thereby, an expense of such successor servicer. The Servicer agrees to cooperate with the Indenture Trustee and any successor servicer in effecting the termination of the Servicer's servicing responsibilities and rights hereunder and shall promptly provide the successor servicer all documents and records reasonably requested by it to enable it to assume the Servicer's functions hereunder and shall promptly also transfer to the successor servicer all amounts which then have been or should have been deposited in any Trust Account maintained by the Servicer or which are thereafter received with respect to the Loans. Upon the occurrence of an Event of Default, the Majority Noteholders shall have the right to order the Servicer's Loan Files and all other files of the Servicer relating to the Loans and all other records of the Servicer and all documents relating to the Loans which are then or may thereafter come into the possession of the Servicer or any third parry acting for the Servicer to be delivered to such custodian or servicer as it selects and the Servicer shall deliver to such custodian or servicer such assignments as the Majority Noteholders shall request. No successor servicer shall be held liable by reason of any failure to make, or any delay in making, any distribution hereunder or any portion thereof caused by (i) the failure of the Servicer to deliver, or any delay in delivering, cash, documents or records to it or (ii) restrictions imposed by any regulatory authority having jurisdiction over the Servicer hereunder. No appointment of a successor to the Servicer hereunder shall be effective until written notice of such proposed appointment shall have been provided to the Note Agent, the

Indenture Trustee, the Issuer and the Depositor, the Majority Noteholders and the Issuer shall have consented in writing thereto.

In connection with such appointment and assumption, the Majority Noteholder may make such arrangements for the compensation of such successor servicer out of payments on the Loans as they and such successor servicer shall agree.

Section 9.03 Waiver of Defaults.

The Majority Noteholders may waive any events permitting removal of the Servicer as servicer pursuant to this Article IX. Upon any waiver of a past default, such default shall cease to exist and any Servicer Event of Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto except to the extent expressly so waived.

Section 9.04 Accounting Upon Termination of Servicer.

Upon termination of the Servicer under this Article IX, the Servicer shall, at its own expense:

(a) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee the funds in any Trust Account maintained by the Servicer;

(b) deliver to its successor or, if none shall yet have been appointed, to the Custodian all Loan Files and related documents and statements held by it hereunder and a Loan portfolio computer tape;

(c) deliver to its successor or, if none shall yet have been appointed, to the Indenture Trustee and to the Issuer and the Securityholders a full accounting of all funds, including a statement showing the Monthly Payments collected by it and a statement of monies held in trust by it for payments or charges with respect to the Loans; and

(d) execute and deliver such instruments and perform all acts

reasonably requested in order to effect the orderly and efficient transfer of servicing of the Loans to its successor and to more fully and definitively vest in such successor all rights, powers, duties, responsibilities, obligations and liabilities of the Servicer under this Agreement.

ARTICLE X

TERMINATION; PUT OPTION

Section 10.01 Termination.

(a) This Agreement shall terminate upon either: (A) the later of (i) the satisfaction and discharge of the Indenture and the provisions thereof, to the Noteholders of all amounts due and owing in accordance with the provisions hereof or (ii) the disposition of all funds with respect to the last Loan and the remittance of all funds due hereunder and the payment of all amounts due and payable, including, in both cases, without limitation,

indemnification payments payable pursuant to any Basic Document to the Indenture Trustee, the Owner Trustee, the Issuer, the Servicer and the Custodian, written notice of the occurrence of either of which shall be provided to the Indenture Trustee by the Servicer; or (B) the mutual consent of the Servicer, the Depositor and all Securityholders in writing and delivered to the Indenture Trustee by the Servicer.

(b) The Securities shall be subject to an early redemption or termination at the option of the Servicer and the Majority Noteholders in the manner and subject to the provisions of Section 10.02 and 10.04 of this Agreement.

(c) Except as provided in this Article X, none of the Depositor, the Servicer nor any Certificateholder or Noteholder shall be entitled to revoke or terminate the Trust.

Section 10.02 Optional Termination.

(a) The Servicer may, at its option, effect an early termination of the Trust on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee, the Note Agent and Owner Trustee and by purchasing all of the Loans at a purchase price, payable in cash, equal to or greater than the Termination Price. The expense of any Independent appraiser required in connection with the calculation and payment of the Termination Price under this Section 10.02 shall be a nonreimbursable expense of the Servicer.

Any such early termination by the Servicer shall be accomplished by depositing into the Collection Account on the third Business Day prior to the Payment Date on which the purchase is to occur the amount of the Termination Price to be paid. The Termination Price and any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c) (1) hereof) shall be deposited in the Distribution Account and distributed by the Indenture Trustee pursuant to Section 5.01(c)(3) of this Agreement and Section 9.1 of the Trust Agreement on the next succeeding Payment Date; and any amounts received with respect to the Loans and Foreclosure Properties subsequent to the final Payment Date shall belong to the purchaser thereof.

Section 10.03 Notice of Termination.

Notice of termination of this Agreement or of early redemption and termination of the Issuer pursuant to Section 10.01 shall be sent by the Indenture Trustee to the Noteholders in accordance with Section 10.02 of the Indenture.

Section 10.04 Put Option.

The Majority Noteholders may, at their option, effect a put of the entire outstanding Note Principal Balance, or any portion thereof, to the Trust on any date by exercise of the Put Option. The Majority Noteholders shall effect such put by providing notice thereof in accordance with Section 10.05 of the Indenture.

Unless otherwise agreed by the Majority Noteholders, on the third Business Day prior to the Put Date, the Issuer shall deposit the Note Redemption Amount into the Distribution Account

and, if the Put Date occurs after the termination of the Revolving Period and constitutes a put of the entire outstanding Note Principal Balance, any amounts then on deposit in the Collection Account (other than any amounts withdrawable pursuant to Section 5.01(c)(1) hereof) shall be deposited in the Distribution Account and distributed by the Paying Agent pursuant to section 5.01 (c) (3) of this Agreement on the Put Date; and any amounts received with respect to the Loans and Foreclosure Properties subsequent to the Put Date shall belong to the Issuer.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.01 Acts of Securityholders.

Except as otherwise specifically provided herein and except with respect to Section 11.02(b), whenever action, consent or approval of the Securityholders is required under this Agreement, such action, consent or approval shall be deemed to have been taken or given on behalf of, and shall be binding upon, all Securityholders if the Majority Noteholders agree to take such action or give such consent or approval.

Section 11.02 Amendment.

(a) This Agreement may be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement with notice thereof to the Securityholders, without the consent of any of the Securityholders, to cure any error or ambiguity, to correct or supplement any provisions hereof which may be defective or inconsistent with any other provisions hereof or to add any other provisions with respect to matters or questions arising under this Agreement; provided, however, that such action will not adversely affect in any material respect the interests of the Securityholders, as evidenced by an Opinion of Counsel to such effect provided at the expense of the party requesting such Amendment.

(b) This Agreement may also be amended from time to time by the Depositor, the Servicer, the Loan Originator, the Indenture Trustee and the Issuer by written agreement, with the prior written consent of the Majority Noteholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, or of modifying in any manner the rights of the Securityholders; provided, however, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, collections of payments on Loans or distributions which are required to be made on any Security, without the consent of the holders of 100% of the Securities, (ii) adversely affect in any material respect the interests of any of the holders of the Securities in any manner other than as described in clause (i), without the consent of the holders of 100% of the Securities, or (iii) reduce the percentage of the Securities, the consent of which is required for any such amendment, without the consent of the holders of 100% of the Securities.

(c) It shall not be necessary for the consent of Securityholders under this Section to approve the particular form of any proposed amendment, but

it shall be sufficient if such consent shall approve the substance thereof.

Prior to the execution of any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment which affects the Issuer's own rights, duties or immunities of the Issuer or the Indenture Trustee, as the case may be, under this Agreement.

Section 11.03 Recordation of Agreement.

To the extent permitted by applicable law, this Agreement, or a memorandum thereof if permitted under applicable law, is subject to recordation in all appropriate public offices for real property records in all of the counties or other comparable jurisdictions in which any or all of the Mortgaged Property is situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Servicer at the Securityholders' expense on direction of the Majority Noteholders but only when accompanied by an Opinion of Counsel to the effect that such recordation materially and beneficially affects the interests of the Securityholders or is necessary for the administration or servicing of the Loans.

Section 11.04 Duration of Agreement.

This Agreement shall continue in existence and effect until terminated as herein provided.

Section 11.05 Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS, (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW BUT OTHERWISE WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW).

Section 11.06 Notices.

All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered personally, mailed by overnight mail, certified mail or registered mail, postage prepaid, or (ii) transmitted by telecopy, upon telephone confirmation of receipt thereof, as follows: (I) in the case of the Depositor, to Option One Loan Warehouse Corporation, 3 Ada, Irvine, California 92618, or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Depositor; (II) in the case of the Trust, to Option One Owner Trust 2003-4, c/o Wilmington Trust Company, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, telecopy number: (302) 636-4144, telephone number: (302) 636-1000, or such other address or telecopy or telephone numbers as may hereafter be furnished to the Noteholders and the other parties hereto in writing by the Trust; (III) in the case of the Loan Originator, to Option One Mortgage Corporation, 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number: (949) 790-7504 or such other addresses or telecopy or

telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Loan Originator; (IV) in the case of the Servicer, to Option One Mortgage Corporation, 3 Ada, Irvine, California 92618, Attention: William O'Neill, telecopy number: (949) 790-7540, telephone number:

(949) 790-7504 or such other addresses or telecopy or telephone numbers as may hereafter be furnished to the Securityholders and the other parties hereto in writing by the Servicer; and (V) in the case of the Indenture Trustee, at the Corporate Trust Office, as defined in the Indenture; any such notices shall be deemed to be effective with respect to any party hereto upon the receipt of such notice or telephone confirmation thereof by such party, except; provided, that notices to the Securityholders shall be effective upon mailing or personal delivery.

Section 11.07 Severability of Provisions.

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

Section 11.08 No Partnership.

Nothing herein contained shall be deemed or construed to create any partnership or joint venture between the parties hereto and the services of the Servicer shall be rendered as an independent contractor.

Section 11.09 Counterparts.

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

Section 11.10 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the Servicer, the Loan Originator, the Depositor, the Indenture Trustee, the Issuer and the Securityholders and their respective successors and permitted assigns.

Section 11.11 Headings.

The headings of the various Sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

Section 11.12 Actions of Securityholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and except as herein

otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Depositor, the Servicer or the Issuer. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and conclusive in favor of the Depositor, the Servicer and the Issuer if made in the manner provided in this Section 11.12.

(b) The fact and date of the execution by any Securityholder of any such instrument or writing may be proved in any reasonable manner which the Depositor, the Servicer or the Issuer may deem sufficient.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Securityholder shall bind every holder of

every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, or omitted to be done, by the Depositor, the Servicer or the Issuer in reliance thereon, whether or not notation of such action is made upon such Security.

(d) The Depositor, the Servicer or the Issuer may require additional proof of any matter referred to in this Section 11.12 as it shall deem necessary.

Section 11.13 Non-Petition Agreement.

Notwithstanding any prior termination of any Basic Document, the Loan Originator, the Servicer, the Depositor and the Indenture Trustee each severally and not jointly covenants that it shall not, prior to the date which is one year and one day after the payment in full of the all of the Notes, acquiesce, petition or otherwise, directly or indirectly, invoke or cause the Trust or the Depositor to invoke the process of any governmental authority for the purpose of commencing or sustaining a case against the Issuer or Depositor under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or Depositor or any substantial part of their respective property or ordering the winding up or liquidation of the affairs of the Issuer or the Depositor.

Section 11.14 Holders of the Securities.

(a) Any sums to be distributed or otherwise paid hereunder or under this Agreement to the holders of the Securities shall be paid to such holders pro rata based on their Percentage Interests;

(b) Where any act or event hereunder is expressed to be subject to the consent or approval of the holders of the Securities, such consent or approval shall be capable of being given by the holder or holders evidencing in the aggregate not less than 51% of the Percentage Interests.

Section 11.15 Due Diligence Fees, Due Diligence.

The Loan Originator acknowledges that the Note Agent has the right to perform continuing due diligence reviews with respect to the Loans, for purposes of verifying compliance with the representations, warranties and specifications made hereunder, or otherwise, and the

Loan Originator agrees that upon reasonable prior notice (with no notice being required upon the occurrence of an Event of Default) to the Loan Originator, the Note Agent, the Indenture Trustee and Custodian or its authorized representatives will be permitted during normal business hours to examine, inspect, and make copies and extracts of, the Loan Files and any and all documents, records, agreements, instruments or information relating to such Loans in the possession or under the control of the Servicer and the Indenture Trustee. The Loan Originator also shall make available to the Note Agent a knowledgeable financial or accounting officer for the purpose of answering questions respecting the Loan Files and the Loans and the financial condition of the Loan Originator. Without limiting the generality of the foregoing, the Loan Originator acknowledges that the Note Agent may purchase Notes based solely upon the information provided by the Loan Originator to the Note Agent in the Loan Schedule and the representations, warranties and covenants contained herein, and that the Note Agent, at its option, has the right at any time to conduct a partial or complete due diligence review on some or all of the Loans securing such purchase, including without limitation ordering new credit reports and new appraisals on the related Mortgaged Properties and otherwise re-generating the information used to originate such Loan. The Note Agent may underwrite such Loans itself or engage a mutually agreed upon third party underwriter to perform such underwriting. The Loan Originator agrees to cooperate with the Note Agent and any third party underwriter in connection with such underwriting, including,

but not limited to, providing the Note Agent and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such Loans in the possession, or under the control, of the Servicer. The Loan Originator further agrees that the Loan Originator shall reimburse the Note Agent for any and all reasonable out-of-pocket costs and expenses incurred by the Note Agent in connection with the Note Agent's activities pursuant to this Section 11.15 hereof (the "Due Diligence Fees"). In addition to the obligations set forth in Section 11.17 of this Agreement, the Note Agent agrees (on behalf of itself and its Affiliates, directors, officers, employees and representatives) to use reasonable precaution to keep confidential, in accordance with its customary procedures for handling confidential information and in accordance with safe and sound practices, and not to disclose to any third party, any non-public information supplied to it or otherwise obtained by it hereunder with respect to the Loan Originator or any of its Affiliates (including, but not limited to, the Loan File); provided, however, that nothing herein shall prohibit the disclosure of any such information to the extent required by statute, rule, regulation or judicial process; provided, further that, unless specifically prohibited by applicable law or court order, the Note Agent shall, prior to disclosure thereof, notify the Loan Originator of any request for disclosure of any such non-public information. The Note Agent further agrees not to use any such non-public information for any purpose unrelated to this Agreement and that the Note Agent shall not disclose such non-public information to any third party underwriter in connection with a potential Disposition without obtaining a written agreement from such third party underwriter to comply with the confidentiality provisions of this Section 11.15.

Section 11.16 No Reliance.

Each of the Loan Originator, the Depositor and the Issuer hereby acknowledges that it has not relied on the Note Agent or any of its officers, directors, employees, agents and "control persons" as such term is used under the Act and under the Securities Exchange Act of 1934, as amended, for any tax, accounting, legal or other professional advice in connection with the transactions contemplated by the Basic Documents, that each of the Loan Originator, the

Depositor and the Issuer has retained and been advised by such tax, accounting, legal and other professionals as it has deemed necessary in connection with the transactions contemplated by the Basic Documents and that the Note Agent makes no representation or warranty, and shall have no liability with respect to, the tax, accounting or legal treatment or implications relating to the transactions contemplated by the Basic Documents.

Section 11.17 Confidential Information.

In addition to the confidentiality requirements set forth in Section 11.15 of the Agreement, each Noteholder, as well as the Indenture Trustee and the Disposition Agent (each of said parties singularly referred to herein as a "Receiving Party" and collectively referred to herein as the "Receiving Parties"), agrees to hold and treat all Confidential Information (as defined below) in confidence and in accordance with this Section. Such Confidential Information will not, without the prior written consent of the Servicer and the Loan Originator, be disclosed or used by such Receiving Parties or its subsidiaries, Affiliates, directors, officers, members, employees, agents or controlling persons (collectively, the "Information Recipients") other than for the purpose of making a decision to purchase or sell Notes or taking any other permitted action under this Agreement and or any other Basic Document. Each Receiving Party agrees to disclose Confidential Information only to its Information Recipients who need to know it for the purpose of making a decision to purchase or sell Notes or the taking of any other permitted action under this Agreement and or any other Basic Document (including in connection with the servicing of the Loans and in connection with any servicing transfers) or to Rating Agencies or liquidity providers in the course of the Receiving Party's

business and only to the extent required for such Person's performance of their respective evaluation of the Receiving Party's financial condition, and who are informed by such Receiving Party of its confidential nature and who agree to be bound by the terms of this Section 11.17. Disclosure that is not in violation of the Right to Financial Privacy Act, the Gramm-Leach-Bliley Act or other applicable law by such Receiving Party of any Confidential Information at the request of its outside auditors or governmental regulatory authorities in connection with an examination of a Receiving Party by any such authority shall not constitute a breach of its obligations under this Section 11.17 and shall not require the prior consent of the Servicer and the Loan Originator.

Each Receiving Party shall be responsible for any breach of this Section 11.17 by its Information Recipients. The Note Agent may use Confidential Information for internal due diligence purposes in connection with its analysis of the transactions contemplated by the Basic Documents. The Disposition Agent may disclose Confidential Information to the Disposition Participants as required to effect Dispositions. This Section 11.17 shall terminate upon the occurrence of an Event of Default; provided, however, that such termination shall not relieve the Receiving Parties or their respective Information Recipients from the obligation to comply with the Gramm-Leach-Bliley Act or other applicable law with respect to their use or disclosure of Confidential Information following the occurrence of an Event of Default.

As used herein, "Confidential Information" means non-public personal information (as defined in the Gramm-Leach-Bliley Act and its enabling regulations issued by the Federal Trade Commission) regarding Borrowers. Confidential information shall not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by a Receiving Party or any Information Recipients; (ii) was available to a Receiving Party on a

non-confidential basis prior to its disclosure to Receiving Party by the Servicer or the Loan Originator; (iii) is required to be disclosed by a governmental authority or related governmental agencies or as otherwise required by law; (iv) becomes available to a Receiving Party on a non-confidential basis from a person other than the Servicer or the Loan Originator who, to the best knowledge of such Receiving Party, is not otherwise bound by a confidentiality agreement with the Servicer or the Loan Originator and is not otherwise prohibited from transmitting the information to such Receiving Party.

Section 11.18 Conflicts.

Notwithstanding anything contained in the Basic Documents to the contrary, in the event of the conflict between the terms of this Agreement and any other Basic Document, the terms of this Agreement shall control.

Section 11.19 Limitation on Liability.

It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2003-4, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Agreement or any other related documents.

Section 11.20 No Agency.

Nothing contained herein or in the Basic Documents shall be construed to create an agency or fiduciary relationship between the Note Agent or the Majority Noteholders or any of their Affiliates and the Issuer, the Depositor, the Loan Originator or the Servicer. None of the Note Agent, the Majority Noteholders or any of their Affiliates shall be liable for any acts or actions affected in connection with a disposition of Loans, including without limitation, any Securitization pursuant to Section 3.06, any Loan Originator Put or Servicer Call pursuant to Section 3.07 hereof nor any Whole Loan Sale pursuant to Section 3.10 hereof.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the Issuer, the Depositor, the Servicer, the Indenture Trustee and the Loan Originator have caused their names to be signed by their respective officers thereunto duly authorized, as of the day and year first above written, to this SALE AND SERVICING AGREEMENT.

OPTION ONE OWNER TRUST 2003-4,

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

By: /s/ Joann A. Rozell

Name: Joann A. Rozell
Title: Financial Services Officer

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

By: /s/ William L. O' Neill

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

OPTION ONE MORTGAGE CORPORATION, as Loan Originator and Servicer

By: /s/ William L. O' Neill

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

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Amy Doyle

Name: Amy Doyle
Title: Vice President

Signature Page
to
Sale and Servicing Agreement

EXHIBIT A

FORM OF NOTICE OF ADDITIONAL NOTE PRINCIPAL BALANCE

[Letterhead of Option One Loan Warehouse Corporation]

[Date]

Option One Owner Trust 2003-4
c/o Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

Wells Fargo Bank Minnesota, National Association
9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: Option One Owner Trust 2003-4

Bank One, NA (Main Office Chicago)
Asset Backed Finance
Suite 1L1-0079, 1-19
1 Bank Plaza
Chicago, IL 60670-0079
Telecopier No.: (312)732-1844
Telephone No.: (312)732 2960

Re: Option One Owner Trust 2003-4 Mortgage-Backed Notes

Reference is made to the Sale and Servicing Agreement, dated as of August 8, 2003 (the "Sale and Servicing Agreement"), among Option One Owner Trust 2003-4, as Issuer, Option One Loan Warehouse Corporation, as Depositor, Option One Mortgage Corporation, as Loan Originator and Servicer, and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee. Capitalized terms not defined herein shall have the meanings assigned to such terms in the Sale and Servicing Agreement.

The undersigned _____, a duly appointed _____ of Option One Loan Warehouse Corporation, acting in such capacity, hereby requests an advance of Additional Note Principal Balance in an amount of $_____, such amount to be advanced on_____, 200_____, a Business Day at least two Business Days from the date hereof.

Very truly yours,

OPTION ONE LOAN WAREHOUSE
CORPORATION

By: _____
Name:
Title:

EXHIBIT B

FORM OF SERVICER'S REMITTANCE REPORT TO INDENTURE TRUSTEE

Trial Balance Information Report P139

Investor #	Category	Loan #	Investor Loan #	Borrower Name	Next Pymt Date	Interest Rate	P&I Pymt	Principal Balance

Collection Activity Information Report S215

Investor #	Category	Loan #	Investor Loan #	Transaction Date	Pymt #	Pymt Due Date	Escrow	Principal	Interest	Service Fees	Net Interest	Total Deposit	Principal Balance	Late Charges

Payoff Activity Information Report S214

Investor #	Category	Loan #	Investor Loan #	Date Paid	P&I Pymt	Interest Rate	Service Fee Rate	Next Pymt Date	Principal	Interest	Service Fees	Net Interest	Prepay Premium	Total Collected

EXHIBIT C

FORM OF S&SA ASSIGNMENT

ASSIGNMENT NO._____OF LOANS ("S&SA Assignment"), dated_____, (the "Transfer Date"), by OPTION ONE LOAN WAREHOUSE CORPORATION, (the "Depositor") to OPTION ONE OWNER TRUST 2003-4 (the "Issuer") pursuant to the Sale and Servicing Agreement referred to below.

WITNESSETH:

WHEREAS, the Depositor and the Issuer are parties to the Sale and Servicing Agreement dated as of August 8, 2003 (the "Sale and Servicing Agreement") among the Depositor, the Issuer, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders, hereinafter as such agreement may have been, or may from time to time be, amended, supplemented or otherwise modified;

WHEREAS, pursuant to the Sale and Servicing Agreement, the Depositor wishes to sell, convey, transfer and assign Loans to the Issuer in exchange for cash consideration, the Trust Certificates and other good and valid consideration the receipt and sufficiency of which is hereby acknowledged; and

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

NOW THEREFORE, the Depositor and the Issuer hereby agree as follows:

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

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

3. Conveyance of Loans. The Depositor hereby sells, transfers, assigns and conveys to the Issuer, without recourse, all of the right, title and interest of the Depositor in and to the Loans and all proceeds thereof listed on the Loan Schedule attached hereto, including all interest and principal received by the Depositor or the Servicer on or with respect to the Loans on or after the related Transfer Cut-off Date, together with all right, title and interest in and to the proceeds of any related Mortgage Insurance Policies.

4. Issuer Acknowledges Assignment. As of the Transfer Date, pursuant to this S&SA Assignment and Section 2.01(a) of the Sale and Servicing Agreement, the Issuer acknowledges its receipt of the Loans listed on the attached Loan Schedule and all other related property in the Trust Estate.

5. Acceptance of Rights But Not Obligations. The foregoing sale, transfer, assignment, set over and conveyance does not, and is not intended to, result in a creation or an assumption by the Issuer of any obligation of the Depositor, the Loan Originator or any other Person in connection with this S&SA Assignment or under any agreement or instrument relating thereto except as specifically set forth herein.

6. Depositor Acknowledges Receipt of Sales Price. The Depositor hereby acknowledges receipt of the Sales Price or that is otherwise distributed at its direction.

7. Conditions Precedent. The conditions precedent in Section 2.06(a) of the Sale and Servicing Agreement have been satisfied.

8. Limitation on Liability. Section 11.19 of the Sale and Servicing Agreement is incorporated herein by reference.

9. Counterparts. This S&SA Assignment may be executed in any number of counterparts all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have caused this S&SA Assignment to be duly executed and delivered by their respective duly authorized officers on the day and year first above written.

OPTION ONE LOAN WAREHOUSE CORPORATION,
as Depositor

By: _____
Name:
Title:

OPTION ONE OWNER TRUST 2003-4,
as Issuer

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

By: _____
Name:
Title:

EXHIBIT D

LOAN SCHEDULE

The Loan Schedule shall set forth the following information with respect to each Loan (other than Wet Funded Loans):

(1) the Loan Originator's Loan identifying number;

(2) the Mortgagor's name and social security number;

(3) the street address of the Mortgaged Property, including the state and zip code;

(4) a code indicating whether the Mortgaged Property was represented by the Mortgagor as being owner-occupied on the date of origination;

(5) the type of Residential Dwelling constituting the Mortgaged Property;

(6) the months to maturity at origination, based on the original amortization schedule;

(7) the loan-to-value ratio at origination;

(8) the rate of interest in effect on the Transfer Cut-off Date;

(9) the date on which the first monthly payment was due, and, if different, the date on which monthly payments are due as of the Transfer Cut-off Date;

(10) the stated maturity date;

(11) the amount of the monthly payment due at origination;

(12) the amount of the monthly payment due on the first due date after the Transfer Cut-off Date;

(13) the interest paid-through date;

(14) the last monthly payment date on which any portion of the monthly payment was applied to the reduction of principal;

(15) the original principal balance;

(16) the unpaid principal balance as of the close of business on the Transfer Cut-off Date;

(17) if the Loan is an adjustable-rate loan, the initial adjustment date thereunder, including the look-back period;

(18) if the Loan is an adjustable-rate loan, the gross margin over the applicable interest rate index;

(19) a code indicating the purpose of the Loan, as indicated by the Mortgagor (i.e., purchase financing, rate/term refinancing or cash-out refinancing);

(20) if the Loan is an adjustable-rate loan, the maximum interest rate;

(21) if the Loan is an adjustable-rate loan, the minimum interest rate;

(22) the interest rate at origination;

(23) if the Loan is an adjustable-rate loan, the periodic rate cap and the maximum adjustment in the interest rate that may be

made on the first adjustment date immediately following the Transfer Cut-off Date;

(24) a code indicating the documentation program (i.e., full documentation, limited documentation or stated income);

(25) if the Loan is an adjustable-rate loan, the applicable interest rate index to which the gross margin is added, including the source of such index;

(26) if the Loan is an adjustable-rate loan, the first adjustment date thereunder to occur after the Transfer Cut-off Date;

(27) the risk grade;

(28) any risk upgrade;

(29) the appraised value of the Mortgaged Property at origination;

(30) if different from the appraised value, the dollar value of the review appraisal of the Mortgaged Property at origination;

(31) the sale price of the Mortgaged Property, if applicable;

(32) the product type code (e.g., 3/27, 2/28, balloon, etc.);

(33) a code indicating whether the Loan is a first-lien loan or a second-lien loan;

(34) if the Loan is a second-lien loan, the outstanding principal balance of the first lien on the date of origination of such Loan;

(35) if the Loan is a second-lien loan, the combined loan-to-value ratio of such Loan and the first lien to which it is subject, as of the origination date of such Loan;

(36) whether such Loan is 30 days or more Delinquent;

(37) the prepayment penalty code;

(38) the prepayment penalty term;

(39) the late charge;

(40) the rounding code (next highest or nearest 0.125%); and

(41) the Mortgagor's FICO score, if any.

The Loan Schedule to be delivered with respect to Wet Funded Loans shall set forth the following information:

MBMS Long Format '97 w\ Mersflag

Field	Start Pos	length/ width	End Pos	Dec	Definition
Loanidp	1	13	13	0	Previous loan number/ (OLD LOAN NUMBER OR INVESTOR LOAN NUMBER)

Lname	14	35	48	0	Primary borrower's name/ (LAST, FIRST MIDDLE)
Casenum	49	13	61	0	FHA or VA case number
Closed	62	6	67	0	Date the loan closed/ (MMDDYY)
Firstdue	68	6	73	0	Date first pymt on loan was due/ (MMDDYY)
Issuer	74	4	77	0	User defined issuer code/ (LEAVE BLANK -- PAD WITH SPACES)
Loanid	78	13	90	0	Loan number/ (SERVICER LOAN NUMBER)
Maturity	91	6	96	0	Maturity date of the loan/ (MMDDYY)
Rate	97	9	105	0	Interest rate on note/ (X 1000 TO REMOVE DECIMAL (7.125% IS 7125)
Lnamount	106	11	116	0	Original loan amount/ (X 100 TO REMOVE DECIMAL (100000.00 IS 1000000)
PI	117	10	126	0	Orig principal plus interest/ (X 100 TO REMOVE DECIMAL (1000.00 IS 100000)
Poolnum	127	10	136	0	Pool number/ (AGENCY POOL NUMBER OR PRIVATE INVESTOR CODE - CPI)
State	137	2	138	0	Property State abbreviation/ (E.G., NY)
City	139	15	153	0	Property City
Zip	154	5	158	0	Property Zip code
Address	159	35	193	0	Property address/ (NUMBER AND STREET NAME)
Sid	194	23	216	0	Barcode ID (LEAVE BLANK -- PAD WITH SPACES)

MBMS Long Format '97 w\ Mersflag continued:

Field	Start Pos	length/ width	End Pos	Dec	Definition
Armadj	217	6	222	0	1st Adjustment Date (MMDDYY)
Armconv	223	1	223	0	Convertible Account (Y/N)
Armround	224	6	229	0	Percent Rounded (X 100000 TO REMOVE DECIMAL (7.12500% IS 712500)
Armacap	230	5	234	0	Annual Cap (X 1000 TO REMOVE DECIMAL (10.125% IS 10125)
Armlcap	235	5	239	0	Lifetime Cap (X 1000 TO REMOVE DECIMAL (10.125% IS 10125)
Armmargin	240	4	243	0	Margin (X 1000 TO REMOVE DECIMAL (7.125% IS 7125)
Armfloor	244	5	248	0	Floor (X 1000 TO REMOVE DECIMAL (10.125% IS 10125)
Mersmin	249	18	266	0	Mers Min
Mersflag	267	1	267	0	Mersflag
Filler	268	33	300	0	Filler field/ (PAD WITH SPACES)

EXHIBIT E

REPRESENTATIONS AND WARRANTIES REGARDING THE LOANS

The Loan Originator hereby represents and warrants to the other parties to the Sale and Servicing Agreement and the Securityholders, with respect to each such Loan as of the related Transfer Date (except as otherwise expressly agreed in writing by the Majority Noteholders):

(i) The information set forth in the related Loan Schedule and the information contained on the electronic data file delivered to the Initial Noteholder is complete, true and correct;

(ii) All payments required to be made up to the close of business on the Transfer Date for such Loan under the terms of the Promissory Note have been made; the Loan Originator has not advanced funds, or induced, solicited or knowingly received any advance of funds from a party other than the owner of the related Mortgaged Property, directly or indirectly, for the payment of any amount required by the Promissory Note or Mortgage;

(iii) There are no delinquent taxes, ground rents, water charges, sewer rents, assessments, insurance premiums, leasehold payments, including assessments payable in future installments or other outstanding charges affecting the related Mortgaged Property;

(iv) The terms of the Promissory Note and the Mortgage have not been impaired, waived, altered or modified in any respect, except by written instruments, recorded in the applicable public recording office if necessary to maintain the lien priority of the Mortgage, and which have been delivered to the Custodian; the substance of any such waiver, alteration or modification has been approved by the insurer under the Primary Insurance Policy, if any, and the title insurer, to the extent required by the related policy, and is reflected on the related Loan Schedule. No instrument of waiver, alteration or modification has been executed, and no Borrower has been released, in whole or in part, except in connection with an assumption agreement approved by the insurer under the Primary Insurance Policy, if any, the title insurer, to the extent required by the policy, and which assumption agreement has been delivered to the Custodian and the terms of which are reflected in the related Loan Schedule;

(v) The Promissory Note and the Mortgage are not subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of the Promissory Note and the Mortgage, or the exercise of any right thereunder, render the Mortgage unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto;

(vi) All buildings upon the Mortgaged Property are insured by an insurer acceptable to Fannie Mae or Freddie Mac against loss by fire, hazards of extended coverage and such other hazards as are customary in the area where the Mortgaged Property is located, pursuant to insurance policies conforming to the requirements of the Servicing Addendum. All such insurance policies contain a standard mortgagee clause naming the Loan Originator, its successors and assigns as mortgagee and all premiums thereon have been paid. If the Mortgaged Property is in an area identified on a Flood Hazard Map or Flood Insurance Rate Map issued by

the Federal Emergency Management Agency as having special flood hazards (and such flood insurance has been made available) a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration is in effect which policy conforms to the requirements of Fannie Mae and Freddie Mac. The Mortgage obligates the Borrower thereunder to maintain all such insurance at the Borrower's cost and expense, and on the Borrower's failure to do so, authorizes the holder of the Mortgage to maintain such insurance at Borrower's cost and expense and to seek reimbursement therefor from the Borrower;

(vii) Any and all requirements of any federal, state or local law including, without limitation, usury, truth in lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, fair housing or disclosure laws applicable to the origination and servicing of mortgage loans of a type similar to the Loans have been complied with;

(viii) The Mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the Mortgaged Property has not been released from the lien of the Mortgage, in whole or in part, nor has any instrument been executed that would effect any such satisfaction, cancellation, subordination, rescission or release;

(ix) The Mortgage is a valid, existing and enforceable first lien (or, with respect to Loans identified as Second Lien Loans on the Loan Schedule, second lien) on the Mortgaged Property, including all improvements on the Mortgaged Property subject only to (a) the lien of current real property taxes and assessments not yet due and payable, (b) covenants, conditions and

restrictions, rights of way, easements and other matters of the public record as of the date of recording being acceptable to mortgage lending institutions generally and specifically referred to in the lender's title insurance policy delivered to the originator of the Loan and which do not adversely affect the Appraised Value of the Mortgaged Property, and (c) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided by the Mortgage or the use, enjoyment, value or marketability of the related Mortgaged Property. Any security agreement, chattel mortgage or equivalent document related to and delivered in connection with the Loan establishes and creates a valid, existing and enforceable first lien and first priority security interest on the property described therein and the Loan Originator has full right to sell and assign the same to the Depositor and the Issuer. The Mortgaged Property was not, as of the date of origination of the Loan, subject to a mortgage, deed of trust, deed to secure debt or other security instrument creating a lien subordinate to the lien of the Mortgage;

(x) The Promissory Note and the related Mortgage are genuine and each is the legal, valid and binding obligation of the maker thereof, enforceable in accordance with its terms;

(xi) All parties to the Promissory Note and the Mortgage had legal capacity to enter into the Loan and to execute and deliver the Promissory Note and the Mortgage, and the Promissory Note and the Mortgage have been duly and properly executed by such parties. The Borrower is a natural person;

(xii) The proceeds of the Loan have been fully disbursed to or for the account of the Borrower and there is no obligation for the mortgagee to advance additional funds

thereunder and any and all requirements as to completion of any on-site or off-site improvement and as to disbursements of any escrow funds therefor have been complied with. All costs, fees and expenses incurred in making or closing the Loan and the recording of the Mortgage have been paid, and the Borrower is not entitled to any refund of any amounts paid or due to the Loan Originator pursuant to the Promissory Note or Mortgage;

(xiii) The Loan Originator is the sole legal, beneficial and equitable owner of the Promissory Note and the Mortgage and has full right to transfer and sell the Loan to the Depositor and the Issuer free and clear of any encumbrance, equity, lien, pledge, charge, claim or security interest;

(xiv) All parties which have had any interest in the Loan, whether as mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were) in compliance with any and all applicable "doing business" and licensing requirements of the laws of the state wherein the Mortgaged Property is located;

(xv) The Loan is covered by a lender's title insurance policy (which, in the case of an ARM has an adjustable rate mortgage endorsement) commercially acceptable to prudent mortgage lending institutions, issued by a title insurer licensed and qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring (subject to the exceptions contained in (ix)(a) and (b) above) the Loan Originator, its successors and assigns as to the first priority lien of the Mortgage in the original principal amount of the Loan and, with respect to any ARM, against any loss by reason of the invalidity or unenforceability of the lien resulting from the provisions of the Mortgage providing for adjustment in the Loan Interest Rate and Monthly Payment. Additionally, such lender's title insurance policy affirmatively insures ingress and egress to and from the Mortgaged Property, and against encroachments by or upon the Mortgaged Property or any interest therein. The Loan Originator is the sole insured of such lender's title insurance policy, and such lender's title insurance policy is in full force and effect and will be in full force and effect, and the issuer will be insured thereunder, upon the consummation of the transactions contemplated by this Agreement. No claims have been made under such

lender's title insurance policy, and no prior holder of the related Mortgage, including the Loan Originator, has done, by act or omission, anything which would impair the coverage of such lender's title insurance policy;

(xvi) There is no default, breach, violation or event of acceleration existing under the Mortgage or the Promissory Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration, and the Loan Originator has not waived any default, breach, violation or event of acceleration;

(xvii) There are no mechanics' or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under law could give rise to such lien) affecting the related Mortgaged Property which are or may be liens prior to, or equal or coordinate with, the lien of the related Mortgage;

(xviii) All improvements which were considered in determining the Appraised Value of the related Mortgaged Property lay wholly within the boundaries and building

restriction lines of the Mortgaged Property, and no improvements on adjoining properties encroach upon the Mortgaged Property;

(xix) The Loan was originated by the Loan Originator or by a savings and loan association, a savings bank, a commercial bank or similar banking institution which is supervised and examined by a federal or state authority, or by a mortgagee approved as such by the Secretary of HUD;

(xx) Principal payments on the Loan commenced no more than two months after the proceeds of the Loan were disbursed. The Loan bears interest at the Loan Interest Rate. With respect to each Loan unless otherwise stated on the Loan Schedule, the Promissory Note is payable on the first day of each month in Monthly Payments, which, in the case of each fixed-rate Loan except for Balloon Loans, are sufficient to fully amortize the original principal balance over the original term thereof and to pay interest at the related Loan Interest Rate, and, in the case of each ARM, are changed on each Adjustment Date, and in any case, are sufficient to fully amortize the original principal balance over the original term thereof and to pay interest at the related Loan Interest Rate. The Promissory Note does not permit negative amortization. No Loan is a Convertible Mortgage Loan;

(xxi) The origination and collection practices used by the Loan Originator with respect to each Promissory Note and Mortgage have been in all respects legal, proper, prudent and customary in the mortgage origination and servicing industry. The Loan has been serviced by the Loan Originator and any predecessor servicer in accordance with the terms of the Promissory Note. With respect to escrow deposits and Escrow Payments, if any, all such payments are in the possession of, or under the control of, the Loan Originator and there exist no deficiencies in connection therewith for which customary arrangements for repayment thereof have not been made. No escrow deposits or Escrow Payments or other charges or payments due the Loan Originator have been capitalized under any Mortgage or the related Promissory Note and no such escrow deposits or Escrow Payments are being held by the Loan Originator for any work on a Mortgaged Property which has not been completed;

(xxii) The Mortgaged Property is free of material damage and waste and there is no proceeding pending for the total or partial condemnation thereof;

(xxiii) The Mortgage and related Promissory Note contain customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security provided thereby, including, (a) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (b) otherwise by

judicial foreclosure. The Mortgaged Property has not been subject to any bankruptcy proceeding or foreclosure proceeding and the Borrower has not filed for protection under applicable bankruptcy laws. There is no homestead or other exemption available to the Borrower which would interfere with the right to sell the Mortgaged Property at a trustee's sale or the right to foreclose the Mortgage. The Borrower has not requested, and the Loan Originator has not allowed to the Borrower any relief under the Soldiers and Sailors Civil Relief Act of 1940;

(xxiv) The Loan was underwritten in accordance with the underwriting standards of the Loan Originator in effect at the time the Loan was originated; and the Promissory Note and Mortgage are on forms acceptable to prudent mortgage lending institutions in the secondary market;

(xxv) The Promissory Note is not and has not been secured by any collateral except the lien of the corresponding Mortgage on the Mortgaged Property and the security interest of any applicable security agreement or chattel mortgage referred to in (x) above;

(xxvi) The Loan File contains an appraisal of the related Mortgaged Property which satisfied the standards of Fannie Mae or Freddie Mac and was made and signed, prior to the approval of the Loan application, by a qualified appraiser, duly appointed by the Loan Originator, who had no interest, direct or indirect in the Mortgaged Property or in any loan made on the security thereof, whose compensation is not affected by the approval or disapproval of the Loan and who met the minimum qualifications of Fannie Mae or Freddie Mac. Each appraisal of the Loan was made in accordance with the relevant provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989;

(xxvii) In the event the Mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by the Issuer to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Borrower;

(xxviii) No Loan contains provisions pursuant to which Monthly Payments are (a) paid or partially paid with funds deposited in any separate account established by the Loan Originator, the Borrower, or anyone on behalf of the Borrower, (b) paid by any source other than the Borrower or (c) contains any other similar provisions which may constitute a "buydown" provision. The Loan is not a graduated payment mortgage loan and the Loan does not have a shared appreciation or other contingent interest feature;

(xxix) The Borrower has executed a statement to the effect that the Borrower has received all disclosure materials required by applicable law with respect to the making of fixed rate mortgage loans in the case of fixed-rate Loans, and adjustable rate mortgage loans in the case of ARMs and rescission materials with respect to Refinanced Loans, and such statement is and will remain in the Loan File;

(xxx) No Loan was made in connection with (a) the construction or rehabilitation of a Mortgaged Property or (b) facilitating the trade-in or exchange of a Mortgaged Property;

(xxxi) The Loan Originator has no knowledge of any circumstances or condition with respect to the Mortgage, the Mortgaged Property, the Borrower or the Borrower's credit standing that can reasonably be expected to cause the Loan to be an unacceptable investment, cause the Loan to become delinquent, or adversely affect the value of the Loan;

(xxxii) Each Loan listed on the Loan Schedule as being subject to a Primary Mortgage Insurance Policy is and will be subject to a Primary Mortgage Insurance Policy, issued

by a Qualified Insurer, which insures that portion of the Loan in excess of the portion of the Appraised Value of the Mortgaged Property required by Fannie Mae. All provisions of such Primary Insurance Policy have been and are being complied with, such policy is in full force and effect, and all premiums due thereunder have been paid. Any Mortgage subject to any such Primary Insurance Policy obligates the Borrower thereunder to maintain such insurance and to pay all premiums and charges in connection therewith. The Loan Interest Rate for the Loan does not include any such insurance premium;

(xxxiii) The Mortgaged Property is lawfully occupied under applicable law; all inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy, have been made or obtained from the appropriate authorities;

(xxxiv) No error, omission, misrepresentation, negligence, fraud or similar occurrence with respect to a Loan has taken place on the part of any person, including without limitation the Borrower, any appraiser, any builder or developer, or any other party involved in the origination of the Loan or in the application of any insurance in relation to such Loan;

(xxxv) The Assignment of Mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Property is located;

(xxxvi) Any principal advances made to the Borrower prior to the Transfer Cutoff Date have been consolidated with the outstanding principal amount secured by the Mortgage, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term. The lien of the Mortgage securing the consolidated principal amount is expressly insured as having first lien priority by a title insurance policy, an endorsement to the policy insuring the mortgagee's consolidated interest or by other title evidence acceptable to Fannie Mae and Freddie Mac. The consolidated principal amount does not exceed the original principal amount of the Loan;

(xxxvii) Except as set forth on the Loan Schedule, no Loan has a balloon payment feature;

(xxxviii) If the residential dwelling on the Mortgaged Property is a condominium unit or a unit in a planned unit development (other than a de minimis planned unit development) such condominium or planned unit development project meets the eligibility requirements of Fannie Mae and Freddie Mac;

(xl) Interest on each Loan is calculated on the basis of a 360-day year consisting of twelve 30-day months;

(xli) The Mortgaged Property is in material compliance with all applicable environmental laws pertaining to environmental hazards including, without limitation, asbestos, and neither the Loan Originator has received, nor has the related Borrower notified the Loan Originator that it has received, any notice of any violation or potential violation of such law; and

(xlii) No Loan is in violation of the Home Ownership and Equity Protection Act of 1994.

EXHIBIT F

SERVICING ADDENDUM

Section 4.01 Duties of the Servicer.

The Servicer, as independent contract servicer, shall service and administer the Loans in accordance with this Agreement and shall have full power and authority, acting alone, to do or cause to be done any and all things in connection with such servicing and administration which the Servicer may deem necessary or desirable and consistent with the terms of this Agreement.

The duties of the Servicer shall include collecting and posting of all payments, responding to inquiries of Borrowers or by federal, state or local government authorities with respect to the Loans, investigating delinquencies, reporting tax information to Borrowers in accordance with its customary practices and accounting for collections and furnishing monthly and annual statements to the Indenture Trustee and the Initial Noteholder, with respect to distributions, making Servicing Advances pursuant hereto. The Servicer shall follow its customary standards, policies and procedures in performing its duties as Servicer. The Servicer shall cooperate with the Indenture Trustee and furnish to the Indenture Trustee with reasonable promptness information in its possession as may be necessary or appropriate to enable the Indenture Trustee to perform its tax reporting duties hereunder, if any.

The Servicer shall give prompt notice to the Indenture Trustee and the Initial Noteholder of any Proceeding, of which the Servicer has actual knowledge, to (i) assert a claim against the Trust or (ii) assert jurisdiction over the Trust.

In the event of a Disposition or other removal of a Loan from the Trust Estate, the Servicer's obligations under this Agreement shall be terminated with respect to such Loan.

The Servicer agrees that in the event that any Notes are outstanding after the applicable Maturity Date and the Majority Noteholders may appoint a successor servicer in accordance with the provisions of Section 9.02. The Majority Noteholders may, by written notice to the Servicer and the Indenture Trustee, elect to have the Servicer continue its duties hereunder after such Maturity Date.

Consistent with the terms of this Agreement, the Servicer may waive, modify or vary any term of any Loan or consent to the postponement of strict compliance with any such term or in any manner grant indulgence to any Borrower if in the Servicer's reasonable and prudent determination such waiver, modification, postponement or indulgence is not materially adverse to the Issuer or the Noteholders; provided, however, that the Servicer shall not permit any modification with respect to any Loan that would change the Loan Interest Rate, defer or forgive the payment thereof or of any principal or interest payments, reduce the outstanding principal amount (except for actual payments of principal), make additional advances of additional principal or extend the final maturity date on such Loan. Without limiting the generality of the foregoing, the Servicer shall continue, and is hereby authorized and empowered, to execute and deliver on behalf of itself, and the Issuer, all instruments of satisfaction or cancellation, or of partial or full release, discharge and all other comparable instruments, with respect to the Loans and with respect to the Mortgaged Property. If reasonably required by the Servicer, the Issuer

shall furnish the Servicer with any powers of attorney and other documents necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties under this Agreement.

In servicing and administering the Loans, the Servicer shall employ procedures including collection procedures and exercise the same care that it customarily employs and exercises in servicing and administering mortgage loans for its own account giving due consideration to accepted mortgage servicing practices of prudent lending institutions and the Issuer's and the Noteholders'

reliance on the Servicer.

Section 4.02 Collection of Loan Payments.

Continuously from the date hereof until the principal and interest on all Loans are paid in full, the Servicer shall proceed diligently to collect all payments due under each Loan when the same shall become due and payable and shall, to the extent such procedures shall be consistent with this Agreement and the terms and provisions of any related Primary Insurance Policy, follow such collection procedures as it follows with respect to mortgage loans comparable to the Loans and held for its own account. Further, the Servicer shall take special care in ascertaining and estimating annual ground rents, taxes, assessments, water rates, fire and hazard insurance premiums, mortgage insurance premiums, and all other charges that, as provided in the Mortgage, will become due and payable to the end that the installments payable by the Borrowers will be sufficient to pay such charges as and when they become due and payable.

Section 4.03 Realization Upon Defaulted Loans.

(a) The Servicer shall use its best efforts, consistent with the procedures that the Servicer would use in servicing loans for its own account, to foreclose upon or otherwise comparably convert the ownership of such Mortgaged Properties as come into and continue in default and as to which no satisfactory arrangements can be made for collection of delinquent payments pursuant to Section 4.01. The Servicer shall use its best efforts to realize upon Defaulted Loans in such a manner as will maximize the receipt of principal and interest by the Issuer, taking into account, among other things, the timing of foreclosure proceedings; provided, however, that the Servicer shall not sell any Defaulted Loan unless it has been directed to do so by the Majority Noteholder. The foregoing is subject to the provisions that, in any case in which Mortgaged Property shall have suffered damage, the Servicer shall not be required to expend its own funds toward the restoration of such property in excess of $2,000 unless it shall determine in its discretion (i) that such restoration will increase the proceeds of liquidation of the related Loan to the Issuer after reimbursement to itself for such expenses, and (ii) that such expenses will be recoverable by the Servicer through Mortgage Insurance Proceeds or Liquidation Proceeds from the related Mortgaged Property. In the event that any payment due under any Loan is not paid when the same becomes due and payable, or in the event the Borrower fails to perform any other covenant or obligation under the Loan and such failure continues beyond any applicable grace period, the Servicer shall take such action as it shall deem to be in the best interest of the Issuer and the Noteholders. The Servicer shall notify the Issuer and the Noteholders in writing of the commencement of foreclosure proceedings. In such connection, the Servicer shall be responsible for all costs and expenses incurred by it in any such proceedings; provided, however, that it shall be entitled to reimbursement thereof from the related Mortgaged Property.

(b) Notwithstanding the foregoing provisions of this Section 4.03, with respect to any Loan as to which the Servicer has received actual notice of, or has actual knowledge of, the presence of any toxic or hazardous substance on the related Mortgaged Property the Servicer shall not either (i) obtain title to such Mortgaged Property as a result of or in lieu of foreclosure or otherwise, or (ii) otherwise acquire possession of, or take any other action, with respect to, such Mortgaged Property if, as a result of any such action, the Issuer would be considered to hold title to, to be a mortgagee-in-possession of, or to be an owner or operator of such Mortgaged Property within the meaning of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, or any comparable law, unless the Servicer has also previously determined, based on its reasonable judgment and a prudent report prepared by a Person who regularly conducts environmental audits using customary industry standards, that:

(1) such Mortgaged Property is in compliance with applicable environmental laws or, if not, that it would be in the best economic interest of the Issuer and the Noteholders to take such actions as

are necessary to bring the Mortgaged Property into compliance therewith; and

(2) there, are no circumstances present at such Mortgaged Property relating to the use, management or disposal of any hazardous substances, hazardous materials, hazardous wastes, or petroleum-based materials for which investigation, testing, monitoring, containment, clean-up or remediation could be required under any federal, state or local law or regulation, or that if any such materials are present for which such action could be required, that it would be in the best economic interest of the Issuer and the Noteholders to take such actions with respect to the affected Mortgaged Property.

The cost of the environmental audit report contemplated by this Section 4.03 shall be advanced by the Servicer, subject to the Servicer's right to be reimbursed therefor from the Collection Account as provided in Section 5.01(c).

If the Servicer determines, as described above, that it is in the best economic interest of the Issuer and the Noteholders to take such actions as are necessary to bring any such Mortgaged Property into compliance with applicable environmental laws, or to take such action with respect to the containment, clean-up or remediation of hazardous substances, hazardous materials, hazardous wastes, or petroleum-based materials affecting any such Mortgaged Property, then the Servicer shall take such action as it deems to be in the best economic interest of the Issuer and the Noteholders. The cost of any such compliance, containment, cleanup or remediation shall be advanced by the Servicer, subject to the Servicer's right to be reimbursed therefor from the Collection Account as provided in Section 5.01(c).

(c) The Servicer shall determine, with respect to each Defaulted Loan, when it has recovered, whether through trustee's sale, foreclosure sale or otherwise, all amounts it expects to recover from or on account of such Defaulted Loan, whereupon such Loan shall become a "Liquidated Loan" and shall promptly deliver to the Initial Noteholder a related liquidation report with respect to such Liquidated Loan.

Section 4.04 Establishment of Escrow Accounts; Deposits in Escrow Accounts.

The Servicer shall segregate and hold all funds collected and received pursuant to each Loan which constitute Escrow Payments separate and apart from any of its own funds and general assets and shall establish and maintain one or more Escrow Accounts, in accordance with the related Mortgage and applicable law.

The Servicer shall deposit in the Escrow Account or Accounts within two (2) Business Days after receipt, and retain therein, (i) all Escrow Payments collected on account of the Loans, for the purpose of effecting timely payment of any such items as required under the terms of this Agreement, and (ii) all Mortgage Insurance Proceeds which are to be applied to the restoration or repair of any Mortgaged Property. The Servicer shall make withdrawals therefrom only to effect such payments as are required under this Agreement, and for such other purposes as shall be as set forth or in accordance with Section 4.06. The Servicer shall be entitled to retain any interest paid on funds deposited in the Escrow Account by the depository institution other than interest on escrowed funds required by law to be paid to the Borrower and, to the extent required by law, the Servicer shall pay interest on escrowed funds to the Borrower notwithstanding that the Escrow Account is non-interest bearing or that interest paid thereon is insufficient for such purposes.

Section 4.05 Permitted Withdrawals From Escrow Account.

Withdrawals from the Escrow Account may be made by the Servicer (i) to effect timely payments of ground rents, taxes, assessments, water rates, hazard

insurance premiums, Primary Insurance Policy premiums, if applicable, and comparable items, (ii) to reimburse the Servicer for any Servicing Advance made by the Servicer with respect to a related Loan but only from amounts received on the related Loan which represent late payments or collections of Escrow Payments thereunder, (iii) to refund to the Borrower any funds as may be determined to be overages, (iv) for transfer to the Collection Account in accordance with the terms of this Agreement, (v) for application to restoration or repair of the Mortgaged Property, (vi) to pay to the Servicer, or to the Borrower to the extent required by law, any interest paid on the funds deposited in the Escrow Account, or (vii) to clear and terminate the Escrow Account on the termination of this Agreement.

Section 4.06 Payment of Taxes, Insurance and Other Charges; Maintenance of Primary Insurance Policies; Collections Thereunder.

With respect to each Loan, the Servicer shall maintain accurate records reflecting the status of ground rents, taxes, assessments, water rates and other charges which are or may become a lien upon the Mortgaged Property and the status of Primary Insurance Policy premiums and fire and hazard insurance coverage and shall obtain, from time to time, all bills for the payment of such charges, including insurance renewal premiums and shall effect payment thereof prior to the applicable penalty or termination date and at a time appropriate for securing maximum discounts allowable, employing for such purpose deposits of the Borrower in the Escrow Account which shall have been estimated and accumulated by the Servicer in amounts sufficient for such purposes, as allowed under the terms of the Mortgage and applicable law. To the extent that the Mortgage does not provide for Escrow Payments, the Servicer shall determine

that any such insurance premium payments are made by the Borrower at the time they first become due and any such tax payments are made in time to avoid loss of the Mortgaged Property in a tax sale. The Servicer assumes full responsibility for the timely payment of all such bills and shall effect payments of all such bills prior to the termination of any such insurance coverage or loss of any such Mortgaged Property in a tax sale irrespective of the Borrower's faithful performance it the payment of same or the making of the Escrow Payments and shall make advances from its own funds to effect such payments.

The Servicer shall maintain in full force and effect, a Primary Insurance Policy, issued by a Qualified Insurer, with respect to each Loan for which such coverage is required. Such coverage shall be maintained until the Loan-to-Value Ratio of the related Loan is reduced to that amount for which Fannie Mae no longer requires such insurance to be maintained. The Servicer will not cancel or refuse to renew any Primary Insurance Policy, if any, in effect on the Closing Date that is required to be kept in force under this Agreement unless a replacement Primary Insurance Policy, if any, for such canceled or non-renewed policy is obtained from and maintained with a Qualified Insurer. The Servicer shall not take any action which would result in non-coverage under any applicable Primary Insurance Policy of any loss which, but for the actions of the Servicer, would have been covered thereunder. In connection with any assumption or substitution agreement entered into or to be entered into pursuant to Section 4.12, the Servicer shall promptly notify the insurer under the related Primary Insurance Policy, if any, of such assumption or substitution of liability in accordance with the terms of such policy and shall take all actions which may be required by such insurer as a condition to the continuation of coverage under the Primary Insurance Policy, if any. If such Primary Insurance Policy is terminated as a result of such assumption or substitution of liability, the Servicer shall obtain a replacement Primary Insurance Policy as provided above.

In connection with its activities as servicer, the Servicer agrees to prepare and present, on behalf of itself, the Issuer and the Noteholders, claims to the insurer under any Primary Insurance Policy in a timely fashion in accordance with the terms of such policies and, in this regard, to take such action as shall be necessary to permit recovery under any Primary Insurance

Policy respecting a defaulted Loan. Pursuant to Section 5.01, any amounts collected by the Servicer under any Primary Insurance Policy shall be deposited in the Collection Account.

Section 4.07 Transfer of Accounts.

The Servicer may transfer the Collection Account or the Escrow Account to a different depository institution from time to time. Such transfer shall be made only upon obtaining the consent of the Initial Noteholder, which consent shall not be unreasonably withheld or delayed. In any case, the Collection Account and the Escrow Account shall be an Eligible Account.

Section 4.08 Maintenance of Hazard Insurance.

The Servicer shall cause to be maintained for each Loan fire and hazard insurance with extended coverage as is customary in the area where the Mortgaged Property is located in an amount which is at least equal to the lesser of (i) 100% of the maximum insurable value of the improvements securing the Loan or (ii) the outstanding principal balance of the Loan, in each case in an amount not less than such amount as is necessary to prevent the Borrower and/or the

Issuer from becoming a co-insurer. If the Mortgaged Property is in an area identified on a Flood Hazard Boundary Map or Flood Insurance Rate Map issued by the Flood Emergency Management Agency as having special flood hazards and such flood insurance has been made available, the Servicer will cause to be maintained a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration with a generally acceptable insurance carrier, in an amount representing coverage not less than the lesser of (i) the outstanding principal balance of the Loan or (ii) the maximum amount of insurance which is available under the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended. The Servicer also shall maintain on any Foreclosure Property, fire and hazard insurance with extended coverage in an amount which is at least equal to the lesser of (i) 100% of the maximum insurable value of the improvements which are a part of such property and (ii) the outstanding principal balance of the related Loan at the time it became a Foreclosure Property, liability insurance and, to the extent required and available under the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended, flood insurance in an amount as provided above. Pursuant to Section 5.01, any amounts collected by the Servicer under any such policies other than amounts to be deposited in the Escrow Account and applied to the restoration or repair of the Mortgaged Property or Foreclosure Property, or released to the Borrower in accordance with the Servicer's normal servicing procedures, shall be deposited in the Collection Account, subject to withdrawal pursuant to Section 5.01. Any cost incurred by the Servicer in maintaining any such insurance shall not, for the purpose of calculating distributions to the Issuer or the Noteholders, be added to the unpaid principal balance of the related Loan, notwithstanding that the terms of such Loan so permit. It is understood and agreed that no earthquake or other additional insurance need be required by the Servicer or the Borrower or maintained on property acquired in respect of the Loan, other than pursuant to such applicable laws and regulations as shall at any time be in force and as shall require such additional insurance. All such policies shall be endorsed with standard mortgagee clauses with loss payable to the Servicer, or upon the direction of the Initial Noteholder to the Indenture Trustee, and shall provide for at least thirty days prior written notice of any cancellation, reduction in the amount of, or material change in, coverage to the Servicer. The Servicer shall not interfere with the Borrower's freedom of choice in selecting either his insurance carrier or agent, provided, however, that the Servicer shall not accept any such insurance policies from insurance companies unless such companies currently reflect a General Policy Rating of B:III or better in Best's Key Rating Guide and are licensed to do business in the state wherein the property subject to the policy is located.

Section 4.09 Maintenance of Mortgage Impairment Insurance Policy.

In the event that the Servicer shall obtain and maintain a mortgage impairment or blanket policy issued by an issuer that has a Best rating of B:III insuring against hazard losses on all of Mortgaged Properties securing the Loans, then, to the extent such policy provides coverage in an amount equal to the amount required pursuant to Section 4.08 and otherwise complies with all other requirements of Section 4.08, the Servicer shall conclusively be deemed to have satisfied its obligations as set forth in Section 4.08, it being understood and agreed that such policy may contain a deductible clause, in which case the Servicer shall, in the event that there shall not have been maintained on the related Mortgaged Property or Foreclosure Property a policy complying with Section 4.08, and there shall have been one or more losses which would have been covered by such policy, deposit in the Collection Account the amount not otherwise payable under the

blanket policy because of such deductible clause. In connection with its activities as servicer of the Loans, the Servicer agrees to prepare and present, on behalf of the Issuer and the Noteholders, claims under any such blanket policy in a timely fashion in accordance with the terms of such policy. Upon request of the Initial Noteholder, the Servicer shall cause to be delivered to the Noteholders a certified true copy of such policy and a statement from the insurer thereunder that such policy shall in no event be terminated or materially modified without thirty days prior written notice to the Issuer and the Noteholders.

Section 4.10 Fidelity Bond, Errors and Omissions Insurance.

The Servicer shall maintain, at its own expense, a blanket fidelity bond and an errors and omissions insurance policy, with broad coverage with financially responsible companies on all officers, employees or other persons acting in any capacity with regard to the Loans to handle funds, money, documents and papers relating to the Loans. The fidelity bond and errors and omissions insurance shall be in the form of the Mortgage Banker's Blanket Bond and shall protect and insure the Servicer against losses, including forgery, theft, embezzlement, fraud, errors and omissions and negligent acts of such persons. Such fidelity bond shall also protect and insure the Servicer against losses in connection with the failure to maintain any insurance policies required pursuant to this Agreement and the release or satisfaction of a Loan without having obtained payment in full of the indebtedness secured thereby. No provision of this Section 4.10 requiring the fidelity bond and errors and omissions insurance shall diminish or relieve the Servicer from its duties and obligations as set forth in this Agreement. The minimum coverage under any such bond and insurance policy shall be at least equal to the corresponding amounts required by Fannie Mae in the Fannie Mae Servicing Guide or by Freddie Mac in the Freddie Mac Sellers' and Servicers' Guide. Upon request of the Initial Noteholder, the Servicer shall cause to be delivered to the Noteholders a certified true copy of the fidelity bond and insurance policy and a statement from the surety and the insurer that such fidelity bond or insurance policy shall in no event be terminated or materially modified without thirty days' prior written notice to the Initial Noteholder.

Section 4.11 Title, Management and Disposition of Foreclosure Property.

In the event that title to the Mortgaged Property is acquired in foreclosure or by deed in lieu of foreclosure, the deed or certificate of sale shall be taken in the name of the person designated by the Issuer, or in the event such person is not authorized or permitted to hold title to real property in the state where the Foreclosure Property is located, or would be adversely affected under the "doing business" or tax laws of such state by so holding title, the deed or certificate of sale shall be taken in the name of such Person or Persons as shall be consistent with an opinion of counsel obtained by the Servicer from an attorney duly licensed to practice law in the state where the Foreclosure Property is located. Any Person or Persons holding such title other than the Issuer shall acknowledge in writing that such title is being held as nominee for the benefit of the Issuer and the Noteholders.

The Servicer shall either itself or through an agent selected by the Servicer, manage, conserve, protect and operate each Foreclosure Property (and may temporarily rent the same) in the same manner that it manages, conserves, protects and operates other foreclosed property for its own account, and in the same manner that similar property in the same locality as the

Foreclosure Property is managed. If a REMIC election is or is to be made with respect to the arrangement under which the Mortgage Loans and any Foreclosure Property are held, the Servicer shall manage, conserve, protect and operate each Foreclosure Property in a manner which does not cause such Foreclosure Property to fail to qualify as "foreclosure property" within the meaning of Section 860G(a)(8) of the Code or result in the receipt by such REMIC of any "income from non-permitted assets" within the meaning of Section 860F(a)(2)(B) of the Code or any "net income from foreclosure property" within the meaning of Section 860G(c)(2) of the Code. The Servicer shall cause each Foreclosure Property to be inspected promptly upon the acquisition of title thereto and shall cause each Foreclosure Property to be inspected at least annually thereafter. The Servicer shall make or cause to be made a written report of each such inspection. Such reports shall be retained in the Loan File and copies thereof shall be forwarded by the Servicer to the Issuer. The Servicer shall use its best efforts to dispose of the Foreclosure Property as soon as possible. The Servicer shall report monthly to the Issuer and the Noteholders as to the progress being made in selling such Foreclosure Property, and if, with the written consent of the Initial Noteholder, a purchase money mortgage is taken in connection with such sale, such purchase money mortgage shall name the Servicer as mortgagee, and a separate servicing agreement between the Servicer and the Issuer shall be entered into with respect to such purchase money mortgage. Notwithstanding the foregoing, if a REMIC election is made with respect to the arrangement under which the Loans and the Foreclosure Property are held, such Foreclosure Property shall be disposed of within three years after the end of the tax year in which such property becomes Foreclosure Property or such other period as may be permitted under Section 860G(a)(8) of the Code.

The final sale by the Servicer of any Foreclosure Property ("REO Disposition") shall be carried out by the Servicer at such price and upon such terms and conditions as the Servicer deems to be in the best interest of the Issuer and the Noteholders only with the prior written consent of the Initial Noteholder. If as of the date title to any Foreclosure Property was acquired by the Issuer there were outstanding unreimbursed Servicing Advances with respect to the Foreclosure Property, the Servicer, upon an REO Disposition of such Foreclosure Property, shall be entitled to reimbursement for any related unreimbursed Servicing Advances from Liquidation Proceeds received in connection with such REO Disposition. The Net Liquidation Proceeds from the REO Disposition shall be deposited in the Collection Account promptly following receipt thereof for distribution on the succeeding Payment Date in accordance with Section 5.01.

Section 4.12 Assumption Agreements.

The Servicer shall, to the extent it has knowledge of any conveyance or prospective conveyance by any Borrower of the Mortgaged Property (whether by absolute conveyance or by contract of sale, and whether or not the Borrower remains or is to remain liable under the Promissory Note and/or the Mortgage), exercise its rights to accelerate the maturity of such Loan under any "due-on-sale" clause applicable thereto; provided, however, that the Servicer shall not exercise any such rights if prohibited by law from doing so or if the exercise of such rights would impair or threaten to impair any recovery under the related Primary Insurance Policy, if any, and shall not be required to exercise such rights if the transferee of the Mortgaged Property would qualify for an assumption or substitution under the Servicer's underwriting guidelines. If the Servicer reasonably believes it is unable under applicable law to enforce such "due-on-sale" clause, the Servicer shall enter into an assumption agreement with the person to whom the

Mortgaged Property has been conveyed or is proposed to be conveyed, pursuant to which such person becomes liable under the Promissory Note and, to the extent permitted by applicable state law, the Borrower remains liable thereon. Where an assumption is allowed pursuant to this Section 4.12, the Servicer, with the prior written consent of the insurer under the Primary Insurance Policy, if any, is authorized to enter into a substitution of liability agreement with the person to whom the Mortgaged Property has been conveyed or is proposed to be conveyed pursuant to which the original Borrower is released from liability and such Person is substituted as Borrower and becomes liable under the related Promissory Note. Any such substitution of liability agreement shall be in lieu of an assumption agreement.

In connection with any such assumption or substitution of liability, the Servicer shall follow the underwriting practices and procedures of prudent mortgage lenders in the state in which the related Mortgaged Property is located. With respect to an assumption or substitution of liability, Loan Interest Rate, the amount of the Monthly Payment, and the final maturity date of such Promissory Note may not be changed. The Servicer shall notify the Issuer and the Noteholders that any such substitution of liability or assumption agreement has been completed and shall forward to the Custodian the original of any such substitution of liability or assumption agreement, which document shall be added to the related Loan File and shall, for all purposes, be considered a part of such Loan File to the same extent as all other documents and instruments constituting a part thereof. Any fee collected by the Servicer for entering into an assumption or substitution of liability agreement shall be deemed additional Servicing Compensation.

Notwithstanding the foregoing paragraphs of this Section or any other provision of this Agreement, the Servicer shall not be deemed to be in default, breach or any other violation of its obligations hereunder by reason of any assumption of a Loan by operation of law or any assumption which the Servicer may be restricted by law from preventing, for any reason whatsoever. For purposes of this Section 4.12, the term "assumption" is deemed to also include a sale of the Mortgaged Property subject to the Mortgage that is not accompanied by an assumption or substitution of liability agreement.

Section 4.13 Satisfaction of Mortgages and Release of Loan Files.

Upon the payment in full of any Loan, or the receipt by the Servicer of a notification that payment in full will be escrowed in a manner customary for such purposes, the Servicer will immediately notify the Issuer and the Initial Noteholder by a certification of a servicing officer of the Servicer (a "Servicing Officer"), which certification shall include a statement to the effect that all amounts received or to be received in connection with such payment which are required to be deposited in the Collection Account pursuant to Section 5.01 have been or will be so deposited, and shall request execution of any document necessary to satisfy the Loan and delivery to it of the portion of the Loan File held by Custodian. Upon receipt of a Request for Release and Receipt, the Custodian shall promptly release the related mortgage documents to the Servicer in accordance with the Custodial Agreement and the Servicer shall prepare and process any satisfaction or release. No expense incurred in connection with any instrument of satisfaction or deed of reconveyance shall be chargeable to the Collection Account or the Issuer.

In the event the Servicer satisfies or releases a Mortgage without having obtained payment in full of the indebtedness secured by the Mortgage or should it otherwise prejudice any

right the Issuer or the Noteholders may have under the mortgage instruments, the Servicer, upon written demand, shall remit to the Issuer the then outstanding principal balance of the related Loan by deposit thereof in the Collection Account. The Servicer shall maintain the fidelity bond insuring the Servicer against any loss it may sustain with respect to any Loan not satisfied in accordance with the procedures set forth herein.

From time to time and as appropriate for the servicing or foreclosure of the Loan, including for this purpose collection under any Primary Insurance Policy, the Custodian shall, upon request of the Servicer and delivery to the Custodian of a servicing receipt signed by a Servicing Officer, release the requested portion of the Loan File held by the Custodian to the Servicer. Such servicing receipt shall obligate the Servicer to return the related Mortgage documents to the Custodian when the need therefor by the Servicer no longer exists, unless the Loan has been liquidated and the Liquidation Proceeds relating to the Loan have been deposited in the Collection Account or the Loan File or such document has been delivered to an attorney, or to a public trustee or other public official as required by law, for purposes of initiating or pursuing legal action or other proceedings for the foreclosure of the Mortgaged Property either judicially or non judicially, and the Servicer has delivered to the Custodian a certificate of a Servicing Officer certifying as to the name and address of the Person to which such Loan File or such document was delivered and the purpose or purposes of such delivery. Upon receipt of a certificate of a Servicing Officer stating that such Loan was liquidated, the servicing receipt shall be released by the Custodian to the Servicer.

Section 4.14 Advances by the Servicer.

(a) Not later than the close of business on the Business Day preceding each Remittance Date, the Servicer shall deposit in the Collection Account an amount equal to all payments not previously advanced by the Servicer, whether or not deferred pursuant to Section 4.01, of principal (due after the Transfer Cut-off Date) and interest not allocable to the period prior to the Transfer Cut-off Date, at the Loan Interest Rate net of the Servicing Fee, which were due on a Loan and delinquent at the close of business on the related Remittance Date; provided, however, that the Servicer shall not be required to deposit such amount if the amount on deposit in the Collection Account on that Remittance Date (exclusive of any Monthly Advance required to be effected pursuant to this Section 4.14) is at least sufficient to fund in full the items described in Sections 5.01(c)(3)(i) through 5.01(c)(3)(vi) hereof on the related Payment Date, and, if the amount on deposit in the Collection Account is less than the sum of such items, the Servicer shall only be required to deposit an amount equal to the shortfall. The obligation of the Servicer to make such Monthly Advances is mandatory, notwithstanding any other provision of this Agreement, and, with respect to any Loan or Foreclosure Property, shall continue until a Final Recovery Determination in connection therewith; provided that, notwithstanding anything herein to the contrary, no Monthly Advance shall be required to be made hereunder by the Servicer if such Monthly Advance would, if made, constitute a Nonrecoverable Monthly Advance. The determination by the Servicer that it has made a Nonrecoverable Monthly Advance or that any proposed Monthly Advance, if made, would constitute a Nonrecoverable Monthly Advance, shall be evidenced by an Officers' Certificate delivered to the Issuer and the Indenture Trustee.

(b) The Servicer will pay all out-of-pocket costs and expenses incurred in the performance of its servicing obligations including, but not limited to, the cost of (i) Preservation Expenses, (ii) any enforcement or judicial proceedings, including foreclosures, (iii) inspection fees and expenses and (iv) the management and liquidation of Foreclosure Property but is only required to pay such costs and expenses to the extent the Servicer reasonably believes such costs and expenses will increase Net Liquidation Proceeds on the related Loan. Each such amount so paid will constitute a "Servicing Advance." The Servicer may recover Servicing Advances (x) from the Borrowers to the extent permitted by the Loans, from Liquidation Proceeds realized upon the liquidation of the related Loan and (y) as provided in Sections 5.01(c)(1)(ii) or 5.01(c)(3)(i) hereof. In no case may the Servicer recover Servicing Advances from principal and interest payments on any Loan or from any amounts relating to any other Loan except as provided pursuant to Sections 5.01(c)(1)(ii) or 5.01(c)(3)(i) hereof.

Section 4.15 Servicing Compensation.

As compensation for its services hereunder, the Servicer shall, subject to Section 5.01(c), be entitled to withdraw from the Collection Account or to retain from interest payments on the Loans the amounts provided for as the Servicer's Servicing Fee. Additional servicing compensation in the form of assumption fees, non-sufficient fund fees, modification fees, substitution fees and other ancillary income, as provided in Section 4.12, and late payment charges or otherwise shall be retained by the Servicer to the extent not required to be deposited in the Collection Account. The Servicer shall be required to pay all expenses incurred by it in connection with its servicing activities hereunder and shall not be entitled to reimbursement therefor except as specifically provided for.

Section 4.16 Notification of Adjustments.

On each Adjustment Date, the Servicer shall make interest rate adjustments for each ARM in compliance with the requirements of the related Mortgage and Promissory Note. The Servicer shall execute and deliver the notices required by each Mortgage and Promissory Note regarding interest rate adjustments. The Servicer also shall provide timely notification to the Noteholders of all applicable data and information regarding such interest rate adjustments and the Servicer's methods of implementing such interest rate adjustments. Upon the discovery by the Servicer or the any Noteholder that the Servicer has failed to adjust a Loan Interest Rate or a Monthly Payment pursuant to the terms of the related Promissory Note and Mortgage, the Servicer shall immediately deposit in the Collection Account from its own funds the amount of any interest loss caused thereby without reimbursement therefor.

Section 4.17 Statement as to Compliance.

The Servicer will deliver to the Issuer, the Indenture Trustee and the Initial Noteholder not later than 90 days following the end of each fiscal year of the Servicer, which as of the Closing Date ends on April 30, an Officers' Certificate stating, as to each signatory thereof, that (i) a review of the activities of the Servicer during the preceding year and of performance under this Agreement has been made under such officers' supervision and (ii) to the best of such officers' knowledge, based on such review, the Servicer has fulfilled all of its obligations under

this Agreement throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to such officer and the nature and status thereof.

Section 4.18 Independent Public Accountants' Servicing Report.

Not later than 90 days following the end of each fiscal year of the Servicer, the Servicer at its expense shall cause a firm of independent public accountants (which may also render other services to the Servicer) which is a member of the American Institute of Certified Public Accountants to furnish a statement to the Issuer, the Indenture Trustee and the Initial Noteholder to the effect that such firm has examined certain documents and records relating to the servicing of the Loans under this Agreement and that, on the basis of such examination conducted substantially in compliance with the Uniform Single Attestation Program for Mortgage Bankers, such firm confirms that such servicing has been conducted in compliance with such pooling and servicing agreements except for such significant exceptions or errors in records that, in the opinion of such firm, the Uniform Single Attestation Program for Mortgage Bankers requires it to report.

Section 4.19 Access to Certain Documentation.

The Servicer shall provide to the Office of Thrift Supervision, the FDIC and any other federal or state banking or insurance regulatory authority that may exercise authority over the Issuer or any Noteholder access to the documentation regarding the Loans serviced by the Servicer required by applicable laws and regulations. Such access shall be afforded without charge,

but only upon reasonable request and during normal business hours at the offices of the Servicer. In addition, access to the documentation will be provided to the Issuer or any Noteholder and any Person identified to the Servicer by the Issuer or any Noteholder without charge, upon reasonable request during normal business hours at the offices of the Servicer.

Section 4.20 Reports and Returns to be Filed by the Servicer.

The Servicer shall file information reports with respect to the receipt of mortgage interest received in a trade or business, reports of foreclosures and abandonments of any Mortgaged Property and information returns relating to cancellation of indebtedness income with respect to any Mortgaged Property as required by Sections 6050H, 6050J and 6050P of the Code. Such reports shall be in form and substance sufficient to meet the reporting requirements imposed by such Sections 6050H, 6050J and 6050P of the Code.

Section 4.21 Compliance with REMIC Provisions.

If a REMIC election has been made with respect to the arrangement under which the Loans and Foreclosure Property are held, the Servicer shall not take any action, cause the REMIC to take any action or fail to take (or fail to cause to be taken) any action that, under the REMIC Provisions, if taken or not taken, as the case may be, could (i) endanger the status of the REMIC as a REMIC or (ii) result in the imposition of a tax upon the REMIC (including but not limited to the tax on "prohibited transactions" as defined in Section 860F(a)(2) of the Code and the tax on "contributions" to a REMIC set forth in Section 860G(d) of the Code) unless the Servicer has received an Opinion of Counsel (at the expense of the party seeking to take such

action) to the effect that the contemplated action will not endanger such REMIC status or result in the imposition of any such tax.

Section 4.22 Subservicing Agreements Between Servicer and Subservicers.

Subject to Sections 4.24 and 4.25, the Servicer may enter into Subservicing Agreements for any servicing and administration of Loans with any institution which is in compliance with the laws of each state necessary to enable it to perform its obligations under such Subservicing Agreement and is an Eligible Servicer. The Servicer shall give notice to the Indenture Trustee and the Initial Noteholder of the appointment of any Subservicer which is not an Affiliate of the Servicer and shall furnish to the Indenture Trustee and the Initial Noteholder a copy of the Subservicing Agreement (along with any modifications thereto) between the Servicer and any Subservicer that is not an Affiliate of the Servicer. For purposes of this Agreement, the Servicer shall be deemed to have received payments on Loans when any Subservicer has received such payments. Any such Subservicing Agreement shall be consistent with and not violate the provisions of this Agreement.

Section 4.23 Successor Subservicers.

Upon notice to the Indenture Trustee and the Initial Noteholder (except if the Subservicer is an Affiliate of the Servicer), the Servicer shall be entitled to terminate any Subservicing Agreement in accordance with the terms and conditions of such Subservicing Agreement and to either itself directly service the related Loans or enter into a Subservicing Agreement with a successor Subservicer which qualifies under Section 4.22.

Section 4.24 Liability of Servicer.

The Servicer shall not be relieved of its obligations under this Agreement notwithstanding any Subservicing Agreement or any of the provisions of this Agreement relating to agreements or arrangements between the Servicer and a Subservicer or otherwise, and the Servicer shall be obligated to the same extent and under the same terms and conditions as if it alone were servicing and administering the Loans. The Servicer shall be entitled to enter into any

agreement with a Subservicer for indemnification of the Servicer by such Subservicer and nothing contained in such Subservicing Agreement shall be deemed to limit or modify this Agreement. The Trust shall not indemnify the Servicer for any losses due to the Servicer's negligence.

Section 4.25 No Contractual Relationship Between Subservicer and Indenture Trustee or the Securityholders.

Any Subservicing Agreement and any other transactions or services relating to the Loans involving a Subservicer shall be deemed to be between the Subservicer and the Servicer alone and no party hereto nor the Securityholders shall be deemed parties thereto and shall have no claims, rights, obligations, duties or liabilities with respect to any Subservicer except as set forth in Section 4.26.

Section 4.26 Assumption or Termination of Subservicing Agreement by Successor Servicer.

In connection with the assumption of the responsibilities, duties and liabilities and of the authority, power and rights of the Servicer hereunder by a successor Servicer pursuant to Section 9.02, it is understood and agreed that the Servicer's rights and obligations under any Subservicing Agreement then in force between the servicer and a Subservicer may be assumed or terminated by the successor Servicer at its option without the payment of any fee (notwithstanding any contrary provision in any Subservicing Agreement).

The Servicer shall, upon request of the successor Servicer, but at the expense of the Servicer, deliver to the assuming party documents and records relating to each Subservicing Agreement and an accounting of amounts collected and held by it and otherwise use its best reasonable efforts to effect the orderly and efficient transfer of the Subservicing Agreements to the assuming party, without the payment of any fee by the successor Servicer, notwithstanding any contrary provision in any Subservicing Agreement.

Exhibit 10.63

AMENDMENT NO. 1
TO
SALE AND SERVICING AGREEMENT

This AMENDMENT NO. 1 (the "Amendment") dated as of August 6, 2004, to the Sale and Servicing Agreement dated as of August 8, 2003 (as amended, supplemented or otherwise modified hereby and from time to time hereafter, the "Sale and Servicing Agreement") by and among Option One Owner Trust 2003-4 (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 Loan Warehouse Corporation (the "Depositor") and Wells Fargo Bank Minnesota, National Association, as indenture trustee (the "Indenture Trustee"). Capitalized terms used herein but not specifically defined herein shall have the meanings given to such terms in the Sale and Servicing Agreement.

PRELIMINARY STATEMENTS:

(1) The Issuer, OOMC, as the Servicer and as the Loan Originator, the Depositor and the Indenture Trustee are parties to the Sale and Servicing Agreement.

(2) The Issuer has requested that the Revolving Period be extended for an additional 364 days and the Majority Noteholder has consented to such extension.

(3) In consideration of the mutual agreements contained herein, and for other valuable consideration, receipt of which is hereby acknowledged, the parties hereto have agreed to amend the Sale and Servicing Agreement as set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Amendment. Effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, clause (i) of the definition of "Revolving Period" set forth in Section 1.01 of the Sale and Servicing Agreement is hereby restated in its entirety to read "(i) August 5, 2005".

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date hereof upon the execution hereof by all of the parties hereto and the execution and delivery of the Consent to Amendment of Sale and Servicing Agreement attached hereto.

SECTION 3. Representations and Warranties. Each of the parties hereto represents and warrants that this Amendment and the Sale and Servicing Agreement, as amended by this Amendment, constitute legal, valid and binding obligations of such Person enforceable against such Person in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles.

SECTION 4. Reference to and the Effect on the Sale and Servicing Agreement.

(a) On and after the effective date of this Amendment, each reference in the Sale and Servicing Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Sale and Servicing Agreement and each reference to the Sale and Servicing Agreement in any certificate delivered in connection therewith, shall mean and be a reference to the Sale and Servicing Agreement as amended hereby.

(b) Each of the parties hereto hereby agrees that, except as specifically amended above, the Sale and Servicing Agreement is hereby ratified and confirmed and shall continue to be in full force and effect and enforceable, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and general equitable principles.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 6. Governing Law. This Amendment shall be construed in accordance with, and governed by the laws of the State of New York, without giving effect to its conflicts of law provisions.

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

OPTION ONE OWNER TRUST 2003-4,
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 CORPORATION, as Depositor

By: /s/ C.R. Fulton

Name: Charles R. Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION, as Loan Originator and as Servicer

By: /s/ C.R. Fulton

Name: Charles R. Fulton
Title: Vice President

Signature Page
to
Amendment No. 1 to Sale and Servicing Agreement

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Reid Denny

Name: Reid Denny
Title: Vice President

Signature Page
to
Amendment No. 1 to Sale and Servicing Agreement

CONSENT TO AMENDMENT TO SERIES SUPPLEMENT

The undersigned, being the Majority Noteholder, hereby consents to the terms and conditions of Amendment No 1 to the Sale and Servicing Agreement dated as of August 6, 2004 (the "Amendment"), to which this Consent is attached and the execution thereof by the Issuer, the Depositor, OOMC and the Indenture Trustee. Capitalized terms used in the preceding sentence shall have the meanings given to such terms in the Amendment.

BANK ONE, N.A.

By: /s/ Beth M. Pravanzana

Name: Beth M. Provanzana
Title: Vice President

Signature Page
to
Consent to Amendment No. 1 to Sale and Servicing Agreement

EXHIBIT 10.64

EXECUTION COPY

AMENDMENT NO. 2
TO
SALE AND SERVICING AGREEMENT

This AMENDMENT NO. 2 (the "Amendment") dated as of August 24, 2004, to the Sale and Servicing Agreement dated as of August 8, 2003 (as amended, supplemented or otherwise modified hereby and from time to time hereafter, the "Sale and Servicing Agreement") by and among Option One Owner Trust 2003-4 (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 Loan Warehouse Corporation (the "Depositor") and Wells Fargo Bank Minnesota, National Association, as indenture trustee (the "Indenture Trustee"). Capitalized terms used herein but not specifically defined herein shall have the meanings given to such terms in the Sale and Servicing Agreement.

PRELIMINARY STATEMENTS:

(1) The Issuer, OOMC, as the Servicer and as the Loan Originator, the Depositor and the Indenture Trustee are parties to the Sale and Servicing Agreement.

(2) The Issuer has requested that the Note Purchase Agreement be amended to increase the Maximum Note Principal Balance and the Majority Noteholder has consented to such increase.

(3) In consideration of the mutual agreements contained herein, and for other valuable consideration, receipt of which is hereby acknowledged, the parties hereto have agreed to amend the Sale and Servicing Agreement as set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Amendment. Effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, clause (b)(l) of the definition of "Nonutilization Fee" set forth in Section 1.01 of the Sale and Servicing Agreement is hereby restated in its entirety to read "(1) the product of 1.02 and the Maximum Note Principal Balance in effect during such month".

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date hereof upon the execution hereof by all of the parties hereto and the execution and delivery of the Consent to Amendment of Sale and Servicing Agreement attached hereto.

SECTION 3. Representations and Warranties. Each of the parties hereto represents and warrants that this Amendment and the Sale and Servicing Agreement, as amended by this Amendment, constitute legal, valid and binding obligations of such Person enforceable against such Person in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles.

SECTION 4. Reference to and the Effect on the Sale and Servicing Agreement.

(a) On and after the effective date of this Amendment, each reference in the Sale and Servicing Agreement to "this Agreement", "hereunder", "hereof, "herein" or words of like import referring to the Sale and Servicing Agreement and each reference to the Sale and Servicing Agreement in any

certificate delivered in connection therewith, shall mean and be a reference to the Sale and Servicing Agreement as amended hereby.

(b) Each of the parties hereto hereby agrees that, except as specifically amended above, the Sale and Servicing Agreement is hereby ratified and confirmed and shall continue to be in full force and effect and enforceable, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and general equitable principles.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 6. Governing Law. This Amendment shall be construed in accordance with, and governed by the laws of the State of New York, without giving effect to its conflicts of law provisions.

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

OPTION ONE OWNER TRUST 2003-4,
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 CORPORATION, as Depositor

By: _____
Name:
Title:

OPTION ONE MORTGAGE CORPORATION, as Loan Originator and as Servicer

By: _____
Name:
Title:

Signature Page
to

Amendment No. 2 to Sale and Servicing Agreement

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

OPTION ONE OWNER TRUST 2003-4,
as Issuer

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

BY: _____
Name:
Title:

OPTION ONE LOAN WAREHOUSE
CORPORATION, as Depositor

By: /s/ Charles R. Fulton

Name: Charles R. Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION, as
Loan Originator and as Servicer

By: /s/ Charles R. Fulton

Name: Charles R. Fulton
Title: Vice President

Signature Page
to

Amendment No. 2 to Sale and Servicing Agreement

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Indenture Trustee

By: /s/ Reid Denny

Name: Reid Denny
Title: Vice President

Signature Page
to

Amendment No. 2 to Sale and Servicing Agreement

CONSENT TO AMENDMENT TO SERIES SUPPLEMENT

The undersigned, being the Majority Noteholder, hereby consents to the terms and conditions of Amendment No. 2 to the Sale and Servicing Agreement dated as of August 24, 2004 (the "Amendment"), to which this Consent is attached and the execution thereof by the Issuer, the Depositor, OOMC and the Indenture Trustee. Capitalized terms used in the preceding sentence shall have the meanings given to such terms in the Amendment.

BANK ONE, N.A.

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Managing Director

Signature Page
to
Consent to Amendment No. 2

to Sale and Servicing Agreement

EXHIBIT 10.65

==========

INDENTURE

between

OPTION ONE OWNER TRUST 2003-4
as Issuer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
as Indenture Trustee

Dated as of August 8,2003

OPTION ONE OWNER TRUST 2003-4
MORTGAGE-BACKED NOTES

==========

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

INDENTURE

INDENTURE dated as of August 8, 2003 (the "Indenture"), between OPTION ONE OWNER TRUST 2003-4, a Delaware statutory trust, as Issuer (the "Issuer"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee (the "Indenture Trustee").

WITNESSETH THAT:

In consideration of the mutual covenants herein contained, the Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance of Notes, issuable as provided in this Indenture. All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders.

GRANTING CLAUSE

Subject to the terms of this Indenture, the Issuer hereby Grants on the Closing Date, to the Indenture Trustee, as Indenture Trustee for the benefit of the Noteholders, all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in and to: (i) such Loans as from time to time are subject to the Sale and Servicing Agreement as listed in the Loan Schedule, as the same may be amended or supplemented on each Transfer Date and by the removal of Deleted Loans and Unqualified Loans and by the addition of Qualified Substitute Loans, together with the Servicer's Loan Files and the Custodial Loan Files relating thereto and all proceeds thereof, (ii) the Mortgages and security interests in the Mortgaged Properties, (iii) all payments in respect of interest and principal with respect to each Loan received on or after the related Transfer Cut-off Date, (iv) such assets as from time to time are identified as Foreclosure Property, (v) the Distribution Account, the Collection Account and the Transfer Obligation Account, including, without limitation, all amounts and funds on deposit therein and credited thereto and all financial assets (as defined in Section 8-102(s) of the UCC) held in or credited to such accounts, including, without limitation, all Permitted Investments (including, without limitation, all security entitlements (as defined in Section 8-102(17) of the UCC) of the Issuer therein), (vi) lenders' rights under all Mortgage Insurance Policies and to any Mortgage Insurance Proceeds, (vii) Net Liquidation Proceeds and Released Mortgaged Property Proceeds, (viii) all right, title and interest

of the Trust (but none of the obligations) in and to the obligations of Hedging Counterparties under Hedging Instruments; (ix) all right, title and interest of each of the Depositor, the Loan Originator and the Trust in and under the Basic Documents including, without limitation, the obligations of the Loan Originator under the Loan Purchase and Contribution Agreement and/or the Master Disposition Confirmation Agreement, and all proceeds of any of the foregoing, (x) all right, title and interest of the Issuer in and to the Sale and Servicing Agreement, (including the Issuer's right to cause the Loan Originator to repurchase Loans from the Issuer under certain circumstances described therein), (xi) all other Property of the Trust from time to time and (xii) all present and future claims, demands, causes of action and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash and noncash proceeds (each as defined in Section 9-102(a) of the UCC), accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit

accounts, securities accounts, insurance proceeds, condemnation awards, payment intangibles, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Collateral").

The foregoing Grant is made in trust to secure the payment of principal of and interest on, and any other amounts owing in respect of, the Notes, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture.

The Indenture Trustee, as Indenture Trustee on behalf of the Noteholders, acknowledges such Grant, accepts the trusts hereunder and agrees to perform its duties required in this Indenture to the best of its ability to the end that the interests of the Noteholders may adequately and effectively be protected.

ARTICLE I

DEFINITIONS

Section 1.01 Definitions, (a) Except as otherwise specified herein, the following terms have the respective meanings set forth below for all purposes of this Indenture.

Act" has the meaning specified in Section 11.03 (a) hereof.

Additional Note Principal Balance" As defined in the Sale and Servicing Agreement.

"Administration Agreement" means the Administration Agreement dated as of August 8, 2003, between the Issuer and the Administrator.

"Administrator" means Option One Mortgage Corporation, or any successor Administrator under the Administration Agreement.

"Authorized Officer" means, with respect to the Issuer, any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Owner Trustee to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter) and, so long as the Administration Agreement is in effect, any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Authorized Officers delivered by the Administrator to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter).

"Basic Documents" As defined in the Sale and Servicing Agreement.

"Certificate of Trust" means the certificate of trust of the Issuer substantially in the form of Exhibit C to the Trust Agreement.

"Change of Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of outstanding shares of voting stock of the Option One Mortgage Corporation at any time if after giving effect to such acquisition (i) such Person or Persons owns twenty percent (20%) or more of such outstanding voting stock or (ii) H&R Block, Inc. does not own more than fifty percent (50%) of such outstanding shares of voting stock.

"Clean-up Call Date" As defined in the Sale and Servicing Agreement.

"Closing Date" means August 8, 2003.

"Collateral" has the meaning specified in the Granting Clause of this Indenture.

"Commission" means the Securities and Exchange Commission.

"Corporate Trust Office" means the principal office of the Indenture Trustee at which at any particular time its corporate trust business shall be administered, which office at date of execution of this Indenture is located, for note transfer purposes, at Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: Option One Owner Trust 2003-4, telecopy number: (612) 667-6282, telephone number: (800) 344-5128, and for all other purposes, at 9062 Old Annapolis Road, Columbia, Maryland 21045, Attention: Option One Owner Trust 2003-4, telecopy number: (410) 715-2380, telephone number: (410) 884-2000, or at such other address as the Indenture Trustee may designate from time to time by notice to the Noteholders and the Issuer, or the principal corporate trust office of any successor Indenture Trustee at the address designated by such successor Indenture Trustee by notice to the Noteholders and the Issuer.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Depositor" shall mean Option One Loan Warehouse Corporation, a Delaware corporation; in its capacity as depositor under the Sale and Servicing Agreement, or any successor in interest thereto.

"Depository Institution" means any depository institution or trust company, including the Indenture Trustee, that (a) is incorporated under the laws of the United States of America or any State thereof, (b) is subject to supervision and examination by federal or state banking authorities and (c) has outstanding unsecured commercial paper or other short-term unsecured debt obligations that are rated at a rating to which the Majority Noteholders consent in writing.

"Event of Default" has the meaning specified in Section 5.01 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Executive Officer" means, with respect to (i) the Depositor, the Servicer, the Loan Originator or any Affiliate of any of them, the President, any Vice President or the

Treasurer of such corporation; and with respect to any partnership, any general partner thereof, (ii) the Note Registrar, any Responsible Officer of the Indenture Trustee, (iii) any other corporation, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Executive Vice President, any Vice President, the Secretary or the Treasurer of such entity and (iv) any partnership, any general partner thereof.

"Grant" means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, create and grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to this Indenture. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for principal and interest payments in respect of the Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to or receive thereunder or with respect thereto.

"Holder" means the Person in whose name a Note is registered on the Note Register.

"ICA Owner" means "beneficial owner" as such term is used in Section 3(c)(1) of the Investment Company Act of 1940, as amended (other than any persons who are excluded from such term or from the 100-beneficial owner test of Section 3(c)(l) by law or regulations adopted by the Securities and Exchange Commission.

"Indenture" means this Indenture and any amendments hereto.

"Indenture Trustee" means Wells Fargo Bank Minnesota, National Association, a national banking association, as Indenture Trustee under this Indenture, or any successor Indenture Trustee hereunder.

"Issuer" means Option One Owner Trust 2003-4.

"Issuer Order" and "Issuer Request" mean a written order or request signed in the name of the Issuer by any one of its Authorized Officers and delivered to the Indenture Trustee.

"Loan Originator" means Option One Mortgage Corporation, a California corporation.

"Majority Certificateholders" As defined in the Sale and Servicing Agreement.

"Maturity Date" As defined in the Note Purchase Agreement.

"Maximum Note Principal Balance" As defined in the Note Purchase Agreement.

"Note" means any Note authorized by and authenticated and delivered under this Indenture.

"Note Interest Rate" As defined in the Note Purchase Agreement.

"Note Principal Balance" As defined in the Sale and Servicing Agreement.

"Note Purchase Agreement" means the Note Purchase Agreement dated as of August 8, 2003, among the Issuer, the Depositor, the conduit purchasers party

thereto, the committed purchasers party thereto and Bank One, NA (Main Office Chicago).

"Note Redemption Amount" As defined in the Sale and Servicing Agreement.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 2.03 hereof.

"Noteholder" means the Person in whose name a Note is registered on the Note Register.

"Officer's Certificate" means a certificate signed by any Authorized Officer of the Issuer or the Administrator, under the circumstances described in, and otherwise complying with, the applicable requirements of Section 11.01 hereof, and delivered to the Indenture Trustee. Unless otherwise specified, any reference in this Indenture to an Officer's Certificate shall be to an Officer's Certificate of any Authorized Officer of the issuer or the Administrator.

"Opinion of Counsel" means one or more written opinions of counsel who may, except as otherwise expressly provided in this Indenture, be an employee of or counsel to the Issuer, and which opinion or opinions shall be addressed to the Indenture Trustee, as Indenture Trustee, and shall comply with any applicable requirements of Section 11.01 hereof and shall be in form and substance satisfactory to the Initial Noteholder.

"Outstanding" means, with respect to any Note and as of the date of determination, any Note theretofore authenticated and delivered under this Indenture except:

(i) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(ii) Notes or portions thereof the payment for which money in the necessary amount has theretofore been deposited with the Indenture Trustee or any Paying Agent in trust for the Noteholders (provided, however, that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision for such notice satisfactory to the Indenture Trustee has been made); and

(iii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Notes are held by a bona fide purchaser; provided, however, that in determining whether the Noteholders representing, the requisite Percentage Interests of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any Basic Document, Notes owned by the Issuer, any other obligor upon the Notes, the Depositor or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture

Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Indenture Trustee actually knows to be owned in such manner shall be disregarded. Notes owned in such manner that have been pledged in good faith may be regarded as Outstanding if the pledgee certifies to the Indenture Trustee (y) that the pledgee has the right so to act with respect to such Notes and (z) that the pledgee is not the Issuer, any other obligor upon the Notes, the Depositor or any Affiliate of any of the foregoing Persons.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee under the Trust Agreement, or any successor Owner Trustee under the Trust Agreement.

"Paying Agent" means (unless the Paying Agent is the Servicer) a Person that meets the eligibility standards for the Indenture Trustee specified in Section 6.11 hereof and is authorized by the Issuer to make payments to and distributions from the Collection Account and the Distribution Account, including payment of principal of or interest on the Notes on behalf of the Issuer. The initial Paying Agent shall be the Servicer; provided that if the Servicer is terminated as Paying Agent for any reason, the Indenture Trustee shall be the Paying Agent until another Paying Agent is appointed by the Initial Noteholder pursuant to Section 8.04 herein. The Indenture Trustee shall be entitled to reasonable additional compensation for assuming the role of Paying Agent.

"Payment Date" As defined in the Sale and Servicing Agreement.

"Percentage Interest" means, with respect to any Note and as of any date of determination, the percentage equal to a fraction, the numerator of which is the principal balance of such Note as of such date of determination and the denominator, of which is the Note Principal Balance.

"Person" As defined in the Sale and Servicing Agreement.

"Predecessor Note" means, with respect to any particular Note, every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purpose of this definition, any Note authenticated and delivered under Section 2.04 hereof in lieu of a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Record Date" As defined in the Sale and Servicing Agreement.

"Redemption Date" means in the case of a redemption of the Notes pursuant to Section 10.01 hereof, the Payment Date specified by the Servicer pursuant to such Section 10.01.

"Registered Holder" means the Person in the name of which a Note is registered on the Note Register on the applicable Record Date.

"Revolving Period" As defined in the Sale and Servicing Agreement.

"Sale Agent" has the meaning assigned to such term in Section 5.11 hereof.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement dated as of August 8, 2003, among the Issuer, the Depositor, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders.

"Servicer" shall mean Option One Mortgage Corporation, in its capacity as servicer under the Sale and Servicing Agreement, and any successor servicer thereunder.

"State" means any one of the States of the United States of America or the District of Columbia.

"Termination Price" As defined in the Sale and Servicing Agreement.

"Transfer Date" As defined in the Sale and Servicing Agreement.

"Trust Agreement" means the Trust Agreement dated as of August 8, 2003 between the Depositor and the Owner Trustee.

"Trust Certificate" has the meaning assigned to such term in Section 1.1 of the Trust Agreement.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force on the date hereof, unless otherwise specifically provided.

(b) Except as otherwise specified herein or as the context may otherwise require, capitalized terms used but not otherwise defined herein have the respective meanings set forth in the Sale and Servicing Agreement for all purposes of this Indenture.

Section 1.02 Rules of Construction. Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) "including" means including without limitation;

(v) words in the singular include the plural and words in the plural include the singular; and

(vi) any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented (as provided in such agreements) and includes (in the case of agreements or instruments) references to all

attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

ARTICLE II

GENERAL PROVISIONS WITH RESPECT TO THE NOTES

Section 2.01 Method of Issuance and Form of Notes.

(a) The Notes shall be designated generally as the "Option One Owner Trust 2003-4 Mortgage-Backed Notes" of the Issuer. Each Note shall bear upon its face the designation so selected for the Notes. All Notes shall be identical in all respects except for the denominations thereof. All Notes issued under this Indenture shall be in all respects equally and ratably entitled to the benefits thereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

The Notes may be typewritten, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Each Note shall be dated the date of its authentication.

The terms of the Notes shall be set forth in this Indenture.

The Notes shall be in definitive form and shall bear a legend substantially in the form of Exhibit C attached hereto.

Section 2.02 Execution, Authentication, Delivery and Dating. The Notes shall be executed on behalf of the Issuer by an Authorized Officer of the Owner Trustee or the Administrator. The signature of any such Authorized Officer on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signature of individuals who were at any time Authorized Officers of the Owner Trustee or the Administrator shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

Subject to the satisfaction of the conditions set forth in Section 2.08 hereof, the Indenture Trustee shall upon Issuer Order authenticate and deliver the Notes.

The Notes that are authenticated and delivered by the Indenture Trustee to or upon the order of the Issuer on the Closing Date shall be dated as of such Closing Date. All other Notes that are authenticated after the Closing Date for any other purpose under the Indenture shall be dated the date of their authentication. The Notes shall be issued in such denominations as may be agreed by the Issuer and the Initial Noteholder.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Indenture Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.03 Registration; Registration of Transfer and Exchange. The Issuer shall cause to be kept a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Notes and the registration of transfers of Notes. The Indenture Trustee initially shall be the "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided. Upon any resignation of any Note Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of the Note Registrar.

If a Person other than the Indenture Trustee is appointed by the Issuer as Note Registrar, the Issuer will give the Indenture Trustee prompt written notice of the appointment of such Note Registrar and of the location, and any change in the location, of the Note Register, and the Indenture Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof, and the Indenture Trustee shall have the right to rely upon a certificate executed on behalf of the Note Registrar by an Executive Officer thereof as to the names and addresses of the Noteholders and the principal amounts and number of the Notes.

Upon surrender for registration of transfer of any Note at the office or agency of the Issuer to be maintained as provided in Section 3.02 hereof, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Noteholder shall obtain from the Indenture Trustee, in the name of the designated transferee or transferees, one or more new Notes in any authorized denominations, of a like aggregate Note Principal Balance.

At the option of the Holder, Notes may be exchanged for other Notes in any authorized denominations, of a like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Noteholder shall obtain from the Indenture Trustee, the Notes which the Noteholder making the exchange is entitled to receive.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered

upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in the form attached to the form of Note attached as Exhibit A hereto duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Securities Transfer Agents' Medallion Program ("STAMP").

No service charge shall be made to a Noteholder for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 9.05 hereof not involving any transfer.

The preceding provisions of this Section 2.03 notwithstanding, the Issuer shall not be required to make, and the Note Registrar need not register, transfers or exchanges of Notes selected for redemption or of any Note for a period of 15 days preceding the due date for any payment with respect to such Note.

Section 2.04 Mutilated, Destroyed, Lost or Stolen Notes. If (i) any mutilated Note is surrendered to the Indenture Trustee, or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Issuer and Indenture Trustee such security or indemnity as may reasonably be required by it to hold the Issuer and the Indenture Trustee, as applicable, harmless, then, in the absence of notice to the Issuer, the Note Registrar or the Indenture Trustee that such Note has been acquired by a bona fide purchaser, an Authorized Officer of the Owner Trustee or the Administrator on behalf of the Issuer shall execute, and upon its written request the Indenture Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note; provided, however, that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become or within seven days shall be due and payable, or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may pay such destroyed, lost or stolen Note when so due or payable or upon the Redemption Date without surrender thereof. If. after the, delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Issuer shall be entitled to recover such replacement Note (or such payment) from the Person to which it was delivered or any Person taking such replacement Note from such Person to which such replacement Note was delivered or any assignee of such Person, except a bona fide purchaser, and the Issuer and the Indenture Trustee shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Indenture Trustee in connection therewith.

Upon the issuance of any replacement Note under this Section 2.04, the Issuer may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Indenture Trustee) connected therewith.

Every replacement Note issued pursuant to this Section 2.04 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.04 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.05 Persons Deemed Noteholders. Prior to due presentment for registration of transfer of any Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in the name of which any Note is registered (as of the day of determination) as the Noteholder for the purpose of receiving payments of principal of and interest, if any, on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and none of the Issuer, the Indenture Trustee or any agent of the Issuer or the Indenture Trustee shall be affected by notice to the contrary.

Section 2.06 Payment of Principal and/or Interest; Defaulted Interest.

(a) The Notes shall accrue interest at the Note Interest Rate, and such interest shall be payable on each Payment Date, subject to Section 3.01 hereof. Any installment of interest or principal, if any, payable on any Note that is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in the name of which such Note (or one or more Predecessor Notes) is registered on the next preceding Record Date based on the Percentage Interest represented by its respective Note, without preference or priority of any kind, and, except as otherwise provided in the next succeeding sentence, shall be made by wire transfer of immediately available funds to the account of such Noteholder, if such Noteholder shall own of record Notes having a Percentage Interest of at least 20% and shall have so notified the Paying Agent and the Indenture Trustee, and otherwise by check mailed to the address of such Noteholder appearing in the Note Register no less than five days preceding the related Record Date. The final installment of principal payable with respect to such Note shall be payable as provided in Section 2.06(b) below. The funds represented by any such checks returned undelivered shall be held in accordance with Section 3.03 hereof.

(b) The principal of each Note shall be payable in installments on each Payment Date as provided in Sections 5.01 and 5.02 of the Sale and Servicing Agreement and Section 5.04(b) hereof. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable, if not previously paid, on the earlier of (1) the Maturity Date, (ii) the Redemption Date, (iii) the Final Put Date and (iv) the date on which an Event of Default shall have occurred and be continuing, if the Indenture Trustee or the Majority Noteholders shall have declared the Notes to be immediately due and payable in the manner provided in Section 5.02 hereof.

All principal payments on the Notes shall be made pro rata to the Noteholders based on their respective Percentage Interests. The Paying Agent shall notify the Person in the name of which a Note is registered at the close of business on the Record Date preceding the Payment Date on which the Issuer expects that the final installment of principal of and interest on such Note will be paid. Such notice shall be mailed or transmitted by facsimile prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of such Note and shall specify the place where such Note may be presented and surrendered for payment of such installment. Notices in connection with redemptions of Notes shall be provided to Noteholders as set forth in Section 10.02 hereof.

Section 2.07 Cancellation. All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Indenture Trustee, be delivered to the Indenture Trustee and shall promptly be canceled by the Indenture Trustee. The Issuer may at any time deliver to the Indenture Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any

manner whatsoever, and all Notes so delivered shall promptly be canceled by the Indenture Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.07, except as expressly permitted by this Indenture. All canceled Notes may be held or disposed of by the Indenture Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer shall direct by an Issuer Order that they be destroyed or returned to it; provided, however, that such Issuer Order is timely and the Notes have not been previously disposed of by the Indenture Trustee.

Section 2.08 Conditions Precedent to the Authentication of the Notes. The Notes may be authenticated by the Indenture Trustee upon receipt by the Indenture Trustee of the following:

(a) An Issuer Order authorizing authentication of such Notes by the Indenture Trustee;

(b) All of the items of Collateral which are to be delivered pursuant to the Basic Documents to the Indenture Trustee or its designee by the related Closing Date shall have been delivered;

(c) An executed counterpart of each Basic Document;

(d) One or more Opinions of Counsel addressed to the Indenture Trustee to the effect that:

(i) all conditions precedent provided for in this Indenture relating to the authentication of the Notes have been complied with;

(ii) the Owner Trustee has power and authority to execute, deliver and perform its obligations under the Trust Agreement;

(iii) the Issuer has been duly formed, is validly existing as a statutory trust under the laws of the State of Delaware, 12 Del. C. Section 3801 et seq. and has power, authority and legal right to execute and deliver this Indenture, the Note Purchase Agreement, the Custodial Agreement, the Administration Agreement and the Sale and Servicing Agreement;

(iv) assuming due authorization, execution and delivery hereof by the Indenture Trustee, the Indenture is a valid, legal and binding obligation of the Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent or preferential conveyance and other similar laws of general application affecting the rights of creditors generally and to general principles of equity (regardless of whether such enforcement is considered in a Proceeding in equity or at law);

(v) the Notes, when executed and authenticated as provided herein and delivered against payment therefor, will be the valid, legal and binding obligations of the Issuer

pursuant to the terms of this Indenture, entitled to the benefits of this Indenture, and will be enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent or preferential conveyance and other similar laws of general application affecting the rights of creditors generally and to general principles of equity (regardless of whether such enforcement is considered in a Proceeding in equity or at law);

(vi) Reserved;

(vii) this Indenture is not required to be qualified under the Trust Indenture Act;

(viii) no authorization, approval or consent of any

governmental body having jurisdiction in the premises which has not been obtained by the Issuer is required to be obtained by the Issuer for the valid issuance and delivery of the Notes, except that no opinion need be expressed with respect to any such authorizations, approvals or consents as may be required under any state securities or "blue sky" laws; and

(ix) any other matters that the Indenture Trustee may reasonably request.

(e) An Officer's Certificate complying with the requirements of Section 11.01 hereof and stating that:

(i) the Issuer is not in Default under this Indenture and the issuance of the Notes applied for will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, the Trust Agreement, any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it may be bound or to which it may be subject, and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes applied for have been complied with;

(ii) the Issuer is the owner of all of the Loans, has not assigned any interest or participation in the Loans (or, if any such interest or participation has been assigned, it has been released) and has the right to Grant all of the Loans to the Indenture Trustee;

(iii) the Issuer has Granted to the Indenture Trustee all of its right, title and interest in and to the Collateral, and has delivered or caused the same to be delivered to the Indenture Trustee; and

(iv) all conditions precedent provided for in this Indenture relating to the authentication of the Notes have been complied with.

Section 2.09 Release of Collateral.

(a) Except as otherwise provided by the terms of the Basic Documents, the Indenture Trustee shall release the Collateral from the lien of this Indenture only upon receipt of an Issuer Request accompanied by the written consent of the Majority Noteholders in accordance

with the procedures set forth in the Custodial Agreement. To the extent it deems necessary, the Indenture Trustee may seek direction from the Initial Noteholder with regard to the release of Collateral other than the Custodial Loan File.

(b) The Indenture Trustee shall, if requested by the Servicer, temporarily release or cause the Custodian temporarily to release to the Servicer the Custodial Loan File pursuant to the provisions of Section 6 of the Custodial Agreement upon compliance by the Servicer with the provisions thereof; provided, however, that the Custodian's records shall indicate the Issuer's pledge to the Indenture Trustee under the Indenture.

Section 2.10 Additional Note Principal Balance. In the event of payment of Additional Note Principal Balance by the Noteholders as provided in Section 2.01(c) of the Sale and Servicing Agreement, each Noteholder shall, and is hereby authorized to, record on the schedule attached to its Note the date and amount of any Additional Note Principal Balance advanced by it, and each repayment thereof; provided that failure to make any such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Additional Note Principal Balance and its right to receive interest payments in respect of the Additional Note Principal Balance held by such Noteholder.

Absent manifest error, the Note Principal Balance of each Note as

set forth in the notations made by the related Noteholder on such Note shall be binding upon the Indenture Trustee and the Issuer; provided that failure by a Noteholder to make such recordation on its Note or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive principal and interest payments in respect thereof.

Section 2.11 Tax Treatment. The Issuer has entered into this Indenture, and the Notes will be issued, with the intention that for all purposes, including federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness of the Issuer secured by the Collateral. The Issuer, by entering into this Indenture, and each Noteholder, by its acceptance of a Note, agree to treat the Notes for all purposes, including federal, state and local income, single business and franchise tax purposes, as indebtedness of the Issuer. The Indenture Trustee will have no responsibility for filing or preparing any tax returns.

Section 2.12 Limitations on Transfer of the Notes.

(a) The Notes have not been and will not be registered under the Securities Act and will not be listed on any exchange. No transfer of a Note shall be made unless such transfer is made pursuant to an effective registration statement under the Securities Act and all applicable state securities laws or is exempt from the registration requirements under the Securities Act and such state securities laws. In order to assure compliance with the Securities Act and state securities laws, any transfer of a Note shall be made (A) in reliance on Rule 144A under the Securities Act, in which case, the Indenture Trustee shall require that the transferor deliver a certification substantially in the form of Exhibit B-1 hereto and that the transferee deliver a certification substantially in the form of Exhibit B-3 hereto, or (B) to an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act that is not a "qualified institutional buyer," in which case the Indenture Trustee

shall require that the transferee deliver a certification substantially in the form of Exhibit B-2 hereto. The Indenture Trustee shall not make any transfer or re-registration of the Notes if after such transfer or re-registration, there would be more than five Noteholders. Each Noteholder shall, by its acceptance of a Note, be deemed to have represented and warranted that the number of ICA Owners with respect to all of its Notes shall not exceed four.

(b) The Note Registrar shall not register the transfer of any Note unless the Indenture Trustee has received a certificate from the transferee to the effect that either (1) the transferee is not an employee benefit plan or other retirement plan or arrangement subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended (each, a "Plan"), and is not acting on behalf of or investing the assets of a Plan or (ii) if the transferee is a Plan or is acting on behalf of or investing the assets of a Plan, the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts) and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

ARTICLE III

COVENANTS

Section 3.01 Payment of Principal and/or Interest. The Issuer will duly and punctually pay (or will cause to be paid duly and punctually) the principal

of and interest on the Notes in accordance with the terms of the Notes, this Indenture and the Sale and Servicing Agreement. Amounts properly withheld under the Code by any Person from a payment to any Noteholder of interest and/or principal shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture. The Notes shall be non-recourse obligations of the Issuer and shall be limited in right of payment to amounts available from the Collateral, as provided in this Indenture. The Issuer shall not otherwise be liable for payments on the Notes. If any other provision of this Indenture shall be deemed to conflict with the provisions of this Section 3.01 the provisions of this Section 3.01 shall control.

Section 3.02 Maintenance of Office or Agency. The Indenture Trustee shall maintain at the Corporate Trust Office an office or agency where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Indenture Trustee shall give prompt written notice to the Issuer of the location, and of any change in the location, of any such office or agency.

Section 3.03 Money for Payments to Be Held in Trust. As provided in Section 8.02(a) and (b) hereof, all payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Distribution Account pursuant to Section 8.02(c) hereof shall be made on behalf of the Issuer by the Indenture Trustee or by the Paying Agent, and to amounts so withdrawn from the Distribution Account for payments of Notes shall be paid over to the Issuer except as provided in this Section 3.03.

Any Paying Agent shall be appointed by the Initial Noteholder with written notice thereof to the Indenture Trustee. The Issuer shall not appoint any Paying Agent (other than the Indenture Trustee or Servicer) which is not, at the time of such appointment, a Depository Institution.

The Issuer will cause each Paying Agent other than the Indenture Trustee to execute and deliver to the Indenture Trustee an instrument in which such Paying Agent shall agree with the Indenture Trustee (and if the Indenture Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 3.03, that such Paying Agent will:

(i) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) give the Indenture Trustee notice of any Default by the Issuer (or any other obligor upon the Notes) of which it has actual knowledge in the making of any payment required to be made with respect to the Notes;

(iii) at any time during the continuance of any such Default, upon the written request of the Majority Noteholders or the Indenture Trustee, forthwith pay to the Indenture Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to the Indenture Trustee all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards required to be met by a Paying Agent at the time of its appointment; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Notes of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith; provided, however, that with respect to withholding and reporting requirements applicable to original issue discount (if any) on the Notes, the Issuer shall have first provided the calculations pertaining thereto to the Indenture Trustee.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Indenture Trustee all sums held in trust by such Paying Agent, such sums to be held by the Indenture Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Indenture Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to applicable laws with respect to escheat of funds or abandoned property, any money held by the Indenture Trustee or any Paying Agent in trust for the payment of any amount due with respect to any Note and remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer on Issuer Request; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Indenture Trustee or such Paying Agent with respect to such trust

money shall thereupon cease; provided, however, that the Indenture Trustee or such Paying Agent, before being required to make any such repayment, shall at the expense and direction of the Issuer cause to be published, once in a newspaper of general circulation in the City of New York customarily published in the English language on each Business Day, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Indenture Trustee shall also adopt and employ any other reasonable means of notification of such repayment (including, but not limited to, mailing notice of such repayment to Noteholders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in moneys due and payable but not claimed at the last address of record for each such Noteholder determinable from the records of the Indenture Trustee or of any Paying Agent. Any costs and expenses of the Indenture Trustee and the Paying Agent incurred in the holding of such funds shall be charged against such funds. Monies so held shall not bear interest.

Section 3.04 Existence. (a) Subject to subparagraph (b) of this Section 3.04, the Issuer will keep in full effect its existence, rights and franchises as a statutory trust under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other State or of the United States of America, in which case the Issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes and the Collateral. The Issuer shall comply in all respects with the covenants contained in the Trust Agreement, including without limitation, the "special purpose entity" set forth in Section 4.1 thereof.

(a) Any successor to the Owner Trustee appointed pursuant to Section 10.2 of the Trust Agreement shall be the successor Owner Trustee under this Indenture without the execution or filing of any paper, instrument or further act to be done on the part of the parties hereto.

(b) Upon any consolidation or merger of or other succession to the Owner Trustee, the Person succeeding to the Owner Trustee under the Trust Agreement may exercise every right and power of the Owner Trustee under this Indenture with the same effect as if such Person had been named as the Owner Trustee herein.

Section 3.05 Protection of Collateral. The Issuer will from time to time execute and deliver all such reasonable supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(i) provide further assurance with respect to the Grant of all or any portion of the Collateral;

(ii) maintain or preserve the lien and security interest (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;

(iv) enforce any rights with respect to the Collateral; and

(v) preserve and defend title to the Collateral and the rights of the Indenture Trustee and the Noteholders in such Collateral against the claims of all Persons and parties.

The Issuer hereby designates the Administrator, its agent and attorney-in-fact to execute any financing statement, continuation statement or other instrument required to be executed pursuant to this Section 3.05.

Section 3.06 Negative Covenants. Without the written consent of the Majority Noteholders, so long as any Notes are Outstanding, the Issuer shall not:

(i) except as expressly permitted by the Basic Documents, sell, transfer, exchange or otherwise dispose of any of the properties or assets of the Issuer, including those included in any part of the Trust Estate, unless directed to do so by the Noteholders as permitted herein;

(ii) claim any credit on, or make any deduction from the principal or interest payable in respect of, the Notes (other than amounts properly withheld from such payments under the Code) or assert any claim against any present or former Noteholder by reason of the payment of the taxes levied or assessed upon any part of the Trust Estate;

(iii) engage in any business or activity other than as expressly permitted by this Indenture and the other Basic Documents, other than in connection with, or relating to, the issuance of Notes pursuant to this Indenture, or amend this Indenture as in effect on the Closing Date other than in accordance with Article IX hereof;

(iv) issue any debt obligations except under this Indenture;

(v) incur or assume any indebtedness or guaranty any indebtedness of any Person, except for such indebtedness as may be incurred by the Issuer in connection with the issuance of the Notes pursuant to this Indenture;

(vi) dissolve or liquidate in whole or in part or merge or consolidate with any other Person;

(vii) (A) permit the validity or effectiveness of this Indenture to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Notes except as may expressly be permitted hereby, (B) except as provided in the Basic Documents, permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance to be created on or extend to or otherwise arise upon or burden the Trust Estate or any part thereof or any interest therein or the proceeds thereof (other than tax liens, mechanics' liens and other liens that arise by operation of law, in each case, on any Mortgaged Property and

arising solely as a result of an action or omission of the related Borrowers) or (C) except as provided in the Basic Documents, permit any Person other than itself, the Owner Trustee and the Noteholders to have any right, title or interest in the Trust Estate;

(viii) remove the Administrator without the prior written consent of the Majority Noteholders; or

(ix) take any other action or fail to take any action which may cause the Trust to be taxable as (a) an association pursuant to Section 7701 of the Code and the corresponding regulations, or (b) as a taxable mortgage pool pursuant to Section 7701(i) of the Code.

Section 3.07 Performance of Obligations; Servicing of Loans.

(a) The Issuer will not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's material covenants or obligations under any instrument or agreement included in the Collateral or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except as expressly provided in the Basic Documents or such other instrument or agreement.

(b) The Issuer may contract with or otherwise obtain the assistance of other Persons (including, without limitation, the Administrator under the Administration Agreement) to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Indenture Trustee in an Officer's Certificate of the Issuer shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Servicer and the Administrator to assist the Issuer in performing its duties under this Indenture.

(c) The Issuer will punctually perform and observe all of its obligations and agreements contained in this Indenture, in the Basic Documents and in the instruments and agreements included in the Collateral, including but not limited to (i) filing or causing to be filed all UCC financing statements and continuation statements required to be filed by the terms of this Indenture and the Sale and Servicing Agreement and (ii) recording or causing to be recorded all Mortgages, Assignments of Mortgage, all intervening Assignments of Mortgage and all assumption and modification agreements required to be recorded by the terms of the Sale and Servicing Agreement, in accordance with and within the time periods provided for in this Indenture and/or the Sale and Servicing Agreement, as applicable. Except as otherwise expressly provided therein, the Issuer shall not waive, amend, modify, supplement or terminate any Basic Document or any provision thereof without the consent of the Indenture Trustee and the Majority Noteholders.

(d) If the Issuer shall have knowledge of the occurrence of a Servicing Event of Default, the Issuer shall promptly notify the Indenture Trustee and the Initial Noteholder thereof, and shall specify in such notice the action, if any, the Issuer is taking with respect to such default. If a Servicing Event of Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Sale and Servicing Agreement with respect to the Loans, the Issuer shall take all reasonable steps available to it to remedy such failure.

(e) Reserved.

(f) Upon any termination of the Servicer's rights and powers pursuant to the Sale and Servicing Agreement, the Issuer shall promptly notify the Indenture Trustee. As soon as a successor servicer is appointed, the Issuer shall notify the Indenture Trustee of such appointment, specifying in such notice the name and address of such successor servicer.

(g) Without derogating from the absolute nature of the assignment

granted to the Indenture Trustee under this Indenture or the rights of the Indenture Trustee hereunder, the Issuer agrees (i) that it will not, without the prior written consent of the Indenture Trustee, amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, supplement, termination, waiver or surrender of, the terms of any Collateral (except to the extent otherwise permitted by the Sale and Servicing Agreement) or the Basic Documents, or waive timely performance or observance by the Servicer or the Depositor under the Sale and Servicing Agreement; and (ii) that any such amendment shall not (A) increase or reduce in any manner the amount of, or accelerate or delay the timing of, distributions that are required to be made for the benefit of the Noteholders or (B) reduce the aforesaid percentage of the Notes that is required to consent to any such amendment, without the consent of Noteholders evidencing 100% Percentage Interests of the Outstanding Notes. If any such amendment, modification, supplement or waiver shall so be consented to by the Indenture Trustee, the Issuer agrees, promptly following a request by the Indenture Trustee to do so, to execute and deliver, in its own name and at its own expense, such agreements, instruments, consents and other documents as the Indenture Trustee may deem necessary or appropriate in the circumstances.

Section 3.08 Reserved.

Section 3.09 Annual Statement as to Compliance. So long as the Notes are Outstanding, the Issuer will deliver to the Indenture Trustee, within 120 days after the end of each fiscal year of the Issuer (commencing with the fiscal year beginning on May 1, 2004, an Officer's Certificate stating, as to the Authorized Officer signing such Officer's Certificate, that:

(i) a review of the activities of the Issuer during such year and of its performance under this Indenture has been made under such Authorized Officer's supervision; and

(ii) to the best of such Authorized Officer's knowledge, based on such review, the Issuer has materially complied with all conditions and covenants under this Indenture throughout such year, or, if there has been a default in its compliance with any such condition or covenant, specifying each such default known to such Authorized Officer and the nature and status thereof.

Section 3.10 Covenants of the Issuer. All covenants of the Issuer in this Indenture are covenants of the Issuer and are not covenants of the Owner Trustee. The Owner Trustee is, and any successor Owner Trustee under the Trust Agreement will be, entering into this Indenture solely as Owner Trustee under the Trust Agreement and not in its respective individual capacity, and in no case whatsoever shall the Owner Trustee or any such successor Owner Trustee be personally liable on, or for any loss in respect of, any of the statements, representations,

warranties or obligations of the Issuer hereunder, as to all of which the parties hereto agree to look solely to the property of the Issuer.

Section 3.11 Servicer's Obligations. The Issuer shall cause the Servicer to comply with the Sale and Servicing Agreement.

Section 3.12 Restricted Payments. The Issuer shall not, directly or indirectly, (i) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to the Owner Trustee or any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest or security in or of the Issuer or to the Servicer, (ii) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (iii) set aside or otherwise segregate any amounts for any such purpose; provided, however, that the Issuer may make, or cause to be made, (x) distributions to the Servicer, the Indenture Trustee, the Owner Trustee, the Noteholders and the holders of the Trust Certificates as contemplated by, and to the extent funds are available for such purpose under, the Sale and Servicing Agreement or the Trust Agreement and (y) payments to the Indenture Trustee

pursuant to Section 1(a)(ii) of the Administration Agreement. The Issuer will not, directly or indirectly, make or cause to be made payments to or distributions from the Distribution Account except in accordance with this Indenture and the Basic Documents.

Section 3.13 Treatment of Notes as Debt for All Purposes. The Issuer shall, and shall cause the Administrator to, treat the Notes as indebtedness for all purposes.

Section 3.14 Notice of Events of Default. The Issuer shall give the Indenture Trustee and the Initial Noteholder prompt written notice of each Event of Default hereunder and each default on the part of the Servicer or the Loan Originator of their respective obligations under any of the Basic Documents.

Section 3.15 Further Instruments and Acts. Upon request of the Indenture Trustee, the Issuer will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

ARTICLE IV

SATISFACTION AND DISCHARGE

Section 4.01 Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to the Notes (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen Notes, (iii) rights of Noteholders to receive payments of principal thereof and interest thereon, (iv) Sections 3.03, 3.04 and 3.10 hereof, (v) the rights, obligations and immunities of the Indenture Trustee hereunder (including the rights of the Indenture Trustee under Section 6.07 hereof and the obligations of the Indenture Trustee under Section 4.02 hereof) and (vi) the rights of Noteholders as beneficiaries hereof with respect to the property so deposited with the Indenture Trustee payable to all or any of them), and the Indenture Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments satisfactory to it, and prepared and delivered to it by the Issuer, acknowledging

satisfaction and discharge of this Indenture with respect to the Notes, when all of the following have occurred:

(A) either

(1) all Notes theretofore authenticated and delivered (other than (i) Notes that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.04 hereof and (ii) Notes for the payment of which money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 3.03 hereof) shall have been delivered to the Indenture Trustee for cancellation; or

(2) all Notes not theretofore delivered to the Indenture Trustee for cancellation

a. shall have become due and payable, or

b. are to be called for redemption within one year under arrangements satisfactory to the Indenture Trustee for the giving of notice of redemption by the Indenture Trustee in the name, and at the expense, of the Issuer,

c. and the Issuer, in the case of clause a. or b. above, has irrevocably deposited or caused irrevocably to be deposited with the Indenture Trustee cash or direct obligations of or obligations guaranteed by the United States of America (which will mature prior to the date such amounts are payable), in trust for such purpose, in an amount sufficient to pay and

discharge the entire indebtedness on such Notes not theretofore delivered to the Indenture Trustee for cancellation when due to the applicable Maturity Date or the Redemption Date (if Notes shall have been called for redemption pursuant to Section 10.01 hereof), as the case may be; and

(B) the latest of (a) the payment in full of all outstanding obligations under the Notes, (b) the payment in full of all unpaid Trust Fees and Expenses and (c) the date on which the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer; and

(C) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each meeting the applicable requirements of Section 11.01 hereof and, subject to Section 11.02 hereof, each stating that all conditions precedent herein provided for, relating to the satisfaction and discharge of this Indenture with respect to the Notes, have been complied with.

Section 4.02 Application of Trust Money. All moneys deposited with the Indenture Trustee pursuant to Sections 3.03 and 4.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent, as the Indenture Trustee may determine, to the Noteholders for the payment or redemption of which such moneys have been deposited with the Indenture Trustee, of all sums due and to become due thereon for principal and/or interest; but such moneys need not be segregated from other funds except to the extent required herein or in the Sale and Servicing Agreement or required by law.

Section 4.03 Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all moneys then held by any Paying Agent other than the Indenture Trustee under the provisions of this Indenture with respect to such Notes shall, upon demand of the Issuer, be paid to the Indenture Trustee to be held and applied according to Section 3.03 hereof and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE V

REMEDIES

Section 5.01 Events of Default. "Event of Default." wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) notwithstanding any insufficiency of funds in the Distribution Account for payment thereof on the related Payment Date, default in the payment of any interest on any Note when the same becomes due and payable; or

(b) notwithstanding any insufficiency of funds in the Distribution Account for payment thereof on the related Payment Date, default in the payment of any installment of the Overcollateralization Shortfall of any Note (i) on any Payment Date or (ii) on the Maturity Date, or, to the extent that there are funds available in the Distribution Account therefor, default in the payment of any installment of the principal of any Note from such available funds, as a result of the occurrence of a Rapid Amortization Trigger; or

(c) the occurrence of a Servicer Event of Default; or

(d) default in the observance or performance of any covenant or agreement of the Issuer made in any Basic Document to which it is a party (other than a covenant or agreement, a default in the observance or performance of which is elsewhere in this Section 5.01 specifically dealt with), or any representation or warranty of the Issuer made in any Basic Document to which it is a party or in any certificate or other writing delivered pursuant thereto or

is in connection therewith proving to have been incorrect in any material respect as of the time when the same shall have been made (except that the materiality standard in this subsection (d) shall not apply to any such representation or warranty which is qualified by a materiality standard by its terms), and such default shall continue or not be cured, or the circumstance or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of 30 days after there shall have been given, by registered or certified mail, to the Issuer by the Indenture Trustee, or to the Issuer, the Depositor and the Indenture Trustee by Noteholders evidencing at least 25% Percentage Interests of the Outstanding Notes, a written notice specifying such default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a notice of Default hereunder; or

(e) default in the observance or performance of any covenant or agreement of the Depositor made in any Basic Document to which it is a party or any representation or warranty of the Depositor (except as otherwise expressly provided in the Basic Documents with respect to representations and warranties regarding the Loans) or Loan Originator made in any Basic Document to which they are a party, proving to have been incorrect in any material respect as of the time when the same shall have been made (except that the materiality standard in this subsection (e) shall not apply to any such representation or warranty which is qualified by a materiality standard by its terms), and such default shall continue or not be cured, or the circumstance or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of 30 days (or five days in the case of the failure of the Loan Originator to make a payment in respect of the Transfer Obligation) after there shall have been given, by registered or certified mail, to the Issuer and the Depositor by the Indenture Trustee, or to the Issuer, the Depositor and the Indenture Trustee by Noteholders evidencing at least 25% Percentage Interests of the Outstanding Notes, a written notice specifying such Default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a notice of Default hereunder; or

(f) default in the observance or performance of any covenant or agreement of the Loan Originator made in any repurchase agreement, loan and security agreement or other similar credit facility agreement entered into by the Loan Originator and any third party for borrowed funds in excess of $10,000,000, including any default which entitles any party to require acceleration or prepayment of any indebtedness thereunder; or

(g) the filing of an involuntary petition under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect in a court having jurisdiction over the Issuer, the Depositor or the Loan Originator, or the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Depositor or the Loan Originator or for any substantial part of the or all or substantially all of the Collateral which shall remain unstayed and in effect for a period of 60 consecutive days or the entry of a decree or order for relief in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the ordering of the winding-up or liquidation of the affairs of the Issuer, the Depositor or the Loan Originator; or

(h) the commencement by the Issuer, the Depositor or the Loan Originator of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer, the Depositor or the Loan Originator to the entry of an order for relief in an involuntary case under any such law, or the consent by the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Depositor or the Loan Originator or for any substantial part of the Collateral, or the making by the Issuer, the Depositor or the Loan Originator of any general assignment for the benefit of creditors, or the failure by the Issuer, the Depositor or the Loan Originator generally to pay its respective debts as such

debts become due, or the taking of any action by the Issuer, the Depositor or the Loan Originator in furtherance of any of the foregoing; or

(i) a Change of Control of the Loan Originator; or

(j) the Notes shall be Outstanding on the day after the end of the Revolving Period.

The Issuer shall deliver to the Indenture Trustee, promptly (and in any event within five days) after the occurrence thereof, written notice in the form of an Officer's Certificate of any Event of Default, or any event which with the giving of notice and the lapse of time would become an Event of Default under clauses (d) or (e) above, the status of such event and what action the Issuer or the Depositor, as applicable, is taking or proposes to take with respect thereto.

Section 5.02 Acceleration of Maturity; Rescission and Annulment. If an Event of Default should occur and be continuing, then and in every such case the Indenture Trustee, at the direction or upon the prior written consent of the Majority Noteholders, may declare all the Notes to be immediately due and payable, by a notice in writing to the Issuer (and to the Indenture Trustee if given by Noteholders), and upon any such declaration, the unpaid principal amount of such Notes, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the moneys due has been obtained by the Indenture Trustee as hereinafter in this Article V provided, the Majority Noteholders, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

(1) all payments of principal of and/or interest on all Notes and all other amounts that would then be due hereunder or upon such Notes if the Event of Default giving rise to such acceleration had not occurred; and

(2) all sums paid or advanced by the Indenture Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel; and

(b) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 5.12 hereof. No such rescission shall affect any subsequent default or impair any right consequent thereto.

Section 5.03 Collection of Indebtedness and Suits for Enforcement by Indenture Trustee.

(a) The Issuer covenants that if (i) default is made in the payment of any interest on any Note when the same becomes due and payable, and such default continues for a period of two days, or (ii) default is made in the payment of the principal of or any installment of the principal of any Note when the same becomes due and payable, the Issuer will, upon demand of the Indenture Trustee, pay to the Indenture Trustee, for the benefit of the Noteholders, the

whole amount then due and payable on such Notes for principal and/or interest, with interest upon the overdue principal and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of interest at the rate borne by the Notes and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the

reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel.

(b) In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Indenture Trustee shall at the direction of the Majority Noteholders, subject to Section 5.06(c), institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or other obligor upon such Notes and collect in the manner provided by law out of the property of the Issuer or other obligor upon such Notes, wherever situated, the moneys adjudged or decreed to be payable.

(c) If an Event of Default occurs and is continuing, the Indenture Trustee shall at the direction of the Majority Noteholders, as more particularly provided in Section 5.04 hereof, subject to Section 5.06(c) hereof, proceed to protect and enforce its rights and the rights of the Noteholders by such appropriate Proceedings as the Indenture Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture or by law.

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Notes or any Person having or claiming an ownership interest in the Collateral. Proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to the Issuer or other obligor upon the Notes, or to the creditors or property of the Issuer or such other obligor, the Indenture Trustee, irrespective of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section 5.03, shall be entitled and empowered by intervention in such Proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and/or interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee, and its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of negligence or bad faith) and of the Noteholders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Noteholders in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders and the Indenture Trustee on their behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee or the Noteholders allowed in any judicial proceedings relative to the Issuer, its creditors and its property; and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Noteholders to make payments to the Indenture Trustee and, in the event that the Indenture Trustee shall consent to the making of payments directly to such Noteholders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to

the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred and all advances made by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith.

(e) Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Indenture Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceedings relative thereto, and any such action or Proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, shall be for the ratable benefit of the Noteholders.

(g) In any Proceedings brought by the Indenture Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the Noteholders, and it shall not be necessary to make any Noteholder a party to any such Proceedings.

Section 5.04 Remedies; Priorities, (a) If an Event of Default shall have occurred and be continuing, the Indenture Trustee, at the direction of the Majority Noteholders shall, do one or more of the following (subject to Section 5.05 hereof):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Notes or under this Indenture with respect thereto, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Issuer and any other obligor upon such Notes moneys adjudged due;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(iii) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee or the Noteholders; and

(iv) sell the Collateral or any portion thereof or rights or interest therein in a commercially reasonable manner, at one or more public or private sales called and conducted in any manner permitted by law; provided, however, that the Indenture Trustee may not sell or otherwise liquidate the Collateral following an Event of Default, unless (A) the Holders of 100% Percentage Interests of the Outstanding Notes consent thereto, (B) the proceeds of such sale or liquidation distributable to the Noteholders are sufficient to discharge in full all amounts then due and unpaid upon such Notes for principal and/or interest or (C) the Indenture Trustee determines that the Collateral will not continue to provide sufficient funds for the payment of principal of and interest on the Notes as they would have become due if the Notes had not been declared due and payable, and the Indenture Trustee obtains the consent of Holders of not less than 66-2/3% Percentage Interests of the Outstanding Notes. In determining such sufficiency or insufficiency with respect to clause (B) and (C) of this subsection (a)(iv), the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

(b) If the Indenture Trustee collects any money or property pursuant to this Article V, it shall pay out the money or property in the following order:

FIRST: in the following order of priority: (a) to the Indenture Trustee, an amount equal to all unreimbursed Indenture Trustee Fees and indemnities and any other amounts payable to the Indenture Trustee pursuant to the Basic Documents and to the Indenture Trustee or Sale Agents, as applicable, all reasonable fees and expenses incurred by them and their agents and representatives in connection with the enforcement of the remedies provided for in this Article V, (b) to the Custodian, an amount equal to all unpaid Custodian Fees and indemnities and any other amounts payable to the Custodian pursuant to the Basic Documents, (c) to the Owner Trustee, an amount equal to all unreimbursed Owner Trustee Fee and indemnities and any other amounts payable to the Owner Trustee pursuant to the Basic Documents, and (d) to the Servicer, an amount equal to (i) all unreimbursed Servicing Compensation and (ii) all unreimbursed Nonrecoverable Servicing Advances;

SECOND: the Hedge Funding Requirement to the appropriate Hedging Counterparties;

THIRD: to the Noteholders pro rata, all amounts in respect of Monthly Interest due and owing under the Notes;

FOURTH: to the Noteholders pro rata, all amounts in respect of unpaid principal of the Notes;

FIFTH: to the Purchaser or any other Indemnified Party (as each such term is defined in the Note Purchase Agreement), amounts in respect of Issuer/Depositor Indemnities (as defined in the Trust Agreement) and to the Initial Noteholder, amounts in respect of Due Diligence Fees (as set forth in Section 11.15, of the Sale and Servicing Agreement) until such amounts are paid in full; and

SIXTH: to the Owner Trustee, for any amounts to be distributed pro rata to the holders of the Trust Certificates pursuant to the Trust Agreement.

The Indenture Trustee may fix a record date and payment date for any payment to be made to the Noteholders pursuant to this Section 5.04. At least 15 days before such record date, the Indenture Trustee shall mail to each Noteholder and the Issuer a notice that states the record date, the payment date and the amount to be paid.

Section 5.05 Optional Preservation of the Collateral. If the Notes have been declared to be due and payable under Section 5.02 hereof following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee may, but need not, elect to maintain possession of the Collateral. It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and the Indenture Trustee shall take such desire into account when determining whether or not to maintain possession of the Collateral. In determining whether to maintain possession of the Collateral, the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

Section 5.06 Limitation of Suits. No Noteholder shall have any right to institute any Proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Noteholder has previously given written notice to the Indenture Trustee of a continuing Event of Default;

(b) the Noteholders evidencing not less than 25% Percentage Interests of the Outstanding Notes have made written request to the Indenture Trustee to institute such Proceeding in respect of such Event of Default in its own name as Indenture Trustee hereunder;

(c) such Noteholder or Noteholders have offered to the Indenture Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request;

(d) the Indenture Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceeding; and

(e) no direction inconsistent with such written request has been given to the Indenture Trustee during such 30-day period by the Majority Noteholders.

It is understood and intended that no one or more Noteholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Noteholders or to obtain or to seek to obtain priority or preference over any other Noteholders or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Indenture Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Noteholders, neither of which evidences Percentage Interests of the Outstanding Notes greater than 50%, the Indenture Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture and shall have no obligation or liability to any such group of Noteholders for such action or inaction.

Section 5.07 Unconditional Rights of Noteholders to Receive Principal and/or Interest. Notwithstanding any other provisions in this Indenture, any Noteholder shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest, if any, on such Note on or after the applicable Maturity Date thereof expressed in such Note or in this Indenture (or, in the case of redemption, on or after the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Noteholder.

Section 5.08 Restoration of Rights and Remedies. If the Indenture Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Indenture Trustee or to such Noteholder, then and in every such case the Issuer, the Indenture Trustee and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 5.09 Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.10 Delay or Omission Not a Waiver. No delay or omission of the Indenture Trustee or any Noteholder to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence

therein. Every right and remedy given by this Article V or by law to the Indenture Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee or by the Noteholders, as the case may be.

Section 5.11 Control by Noteholders. The Majority Noteholders shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee with respect to the Notes or exercising any trust or power conferred on the Indenture Trustee; provided, however, that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture;

(b) subject to the express terms of Section 5.04(a)(iv) hereof, any direction to the Indenture Trustee to sell or liquidate the Collateral shall be by Holders of Notes representing Percentage Interests of the Outstanding Notes of not less than 100%;

(c) if the conditions set forth in Section 5.05 hereof have been satisfied and the Indenture Trustee elects to retain the Collateral pursuant to such Section, then any direction to the Indenture Trustee by Holders of Notes representing Percentage Interests of the Outstanding Notes of less than 100% to sell or liquidate the Collateral shall be of no force and effect; and

(d) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee that is not inconsistent with such direction.

In connection with any sale of the Collateral in accordance with paragraph (c) above, the Majority Noteholders may, in their sole discretion appoint agents to effect the sale of the Collateral (such agents, "Sale Agents"), which Sale Agents may be Affiliates of any Noteholder. The Sale Agents shall be entitled to reasonable compensation in connection with such activities from the proceeds of such sale.

Notwithstanding the rights of the Noteholders set forth in this Section 5.11. subject to Section 6.01 hereof, the Indenture Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Noteholders not consenting to such action.

Section 5.12 Waiver of Past Defaults. The Majority Noteholders may waive any past Default or Event of Default and its consequences, except a Default (a) in the payment of principal of or interest on any of the Notes or (b) in respect of a covenant or provision hereof that cannot be modified or amended without the consent of each Noteholder. In the case of any such waiver, the Issuer, the Indenture Trustee and Noteholders shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Section 5.13 Undertaking for Costs. All parties to this Indenture agree, and each Noteholder by such Noteholder's acceptance thereof shall be deemed to have agreed, that any

court may in its discretion require, in any suit for the enforcement of any

right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.13 shall not apply to (a) any suit instituted by the Indenture Trustee, (b) any suit instituted by any Noteholder, or group of Noteholders, in each case holding in the aggregate Percentage Interests of the Outstanding Notes of more than 10% or (c) any suit instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note on or after the respective due dates expressed in such Note and in this Indenture (or, in the case of redemption, on or after the Redemption Date).

Section 5.14 Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.15 Action on Notes. The Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Indenture Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer. Any money or property collected by the Indenture Trustee shall be applied in accordance with Section 5.04(b) hereof.

Section 5.16 Performance and Enforcement of Certain Obligations.

(a) Promptly following a request from the Indenture Trustee to do so and at the Administrator's expense, the Issuer shall take all such lawful action as the Indenture Trustee may request to compel or secure the performance and observance by the Loan Originator and the Servicer, as applicable, of each of their obligations to the Issuer under or in connection with the Sale and Servicing Agreement or the Loan Purchase Agreement, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale and Servicing Agreement to the extent and in the manner directed by the Indenture Trustee, including the transmission of notices of default on the part of the Loan Originator or the Servicer thereunder and the institution of legal or administrative actions or proceedings to compel or secure performance by the Loan Originator or the Servicer of each of their obligations under the Sale and Servicing Agreement and the Loan Purchase Agreement.

(b) If an Event of Default has occurred and is continuing, the Indenture Trustee may, and at the direction (which direction shall be in writing or by telephone, confirmed

in writing promptly thereafter) of the Majority Noteholders shall, subject to Section 5.06(c) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Loan Originator or the Servicer under or in connection with the Sale and Servicing Agreement or the Loan Purchase Agreement, including the right or power to take any action to compel or secure performance or observance by the Loan Originator or the Servicer, as the case may be, of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension, or waiver under the Sale and Servicing

Agreement, and any right of the Issuer to take such action shall be suspended.

ARTICLE VI

THE INDENTURE TRUSTEE

Section 6.01 Duties of Indenture Trustee.

(a) If an Event of Default has occurred and is continuing, the Indenture Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Indenture Trustee shall undertake to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture; provided, however, that the Indenture Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture to the extent specifically set forth herein.

(c) The Indenture Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph(b) of this Section 6.01:

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) the Indenture Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.11 hereof; and

(iv) Reserved.

(d) Reserved.

(e) The Indenture Trustee shall not be liable for interest on any money received by it and held in a Trust Account except as may be provided in the Sale and Servicing Agreement or as the Indenture Trustee may agree in writing with the Issuer.

(f) Money held in trust by the Indenture Trustee shall be segregated from other funds except to the extent permitted by law or the terms of this Indenture or the Sale and Servicing Agreement.

(g) No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; provided, however, that the Indenture Trustee shall not refuse or fail to perform any of its duties hereunder solely as a result of nonpayment of its normal fees and expenses and provided, further, that

nothing in this Section 6.01(g) shall be construed to limit the exercise by the Indenture Trustee of any right or remedy permitted under this Indenture or otherwise in the event of the Issuer's failure to pay the Indenture Trustee's fees and expenses pursuant to Section 6.07 hereof.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of this Section 6.01.

(i) The Indenture Trustee shall not be required to take notice or be deemed to have notice or knowledge of any Event of Default (other than an Event of Default pursuant to Section 5.01(a) or (b) hereof) unless a Responsible Officer of the Indenture Trustee shall have received written notice thereof or otherwise shall have actual knowledge thereof. In the absence of receipt of notice or such knowledge, the Indenture Trustee may conclusively assume that there is no Event of Default.

Section 6.02 Rights of Indenture Trustee.

(a) The Indenture Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Indenture Trustee need not investigate any fact or matter stated in the document.

(b) Before the Indenture Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officer's Certificate or Opinion of Counsel.

(c) The Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee.

(d) The Indenture Trustee shall not be liable for (i) any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that such action or omission by the Indenture Trustee does not constitute willful misconduct, negligence or bad faith; or (ii) any action or inaction on the part of the Custodian.

(e) The Indenture Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

Section 6.03 Individual Rights of Indenture Trustee. The Indenture Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Indenture Trustee. Any Paying Agent, Note Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Indenture Trustee must comply with Section 6.11 hereof.

Section 6.04 Indenture Trustee's Disclaimer. The Indenture Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, shall not be accountable for the Issuer's use of the proceeds from the Notes, or responsible for any statement of the Issuer in the Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Indenture Trustee's certificate of authentication.

Section 6.05 Notices of Default. If a Default occurs and is continuing and if it is actually known to a Responsible Officer of the Indenture Trustee, the Indenture Trustee shall mail to each Noteholder and each party to the Master Disposition Confirmation Agreement notice of the Default within two Business Days after it receives actual notice of such occurrence.

Section 6.06 Reports by Indenture Trustee to Holders. The Indenture Trustee shall deliver to each Noteholder such information specifically requested by each Noteholder and in the Indenture Trustee's possession and as may be reasonably required to enable such Noteholder to prepare its federal and state income tax returns.

Section 6.07 Compensation and Indemnity. As compensation for its services hereunder, the Indenture Trustee shall be entitled to receive, on each Payment Date, the Indenture Trustee's Fee pursuant to Section 8.02(c) hereof (which compensation shall not be limited by any law on compensation of a trustee of an express trust) and shall be entitled to reimbursement by the Servicer for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Indenture Trustee's agents, counsel, accountants and experts. The Issuer agrees to cause the Servicer to indemnify the Indenture Trustee, the Paying Agent and their officers, directors, employees and agents against any and all loss, liability or expense (including reasonable attorneys' fees) incurred by it or them in connection with the administration of this trust and the performance of its or their duties under the Basic Documents. The Indenture Trustee shall notify the Issuer and the Servicer promptly of any claim for which it may seek indemnity. Failure by

the Indenture Trustee so to notify the Issuer and the Servicer shall not relieve the Issuer or the Servicer of its or their obligations hereunder. The Issuer shall, or shall cause the Servicer to, defend any such claim; provided, however, that if the defendants with respect to any such claim include the Issuer and/or the Servicer and the Indenture Trustee, and the Indenture Trustee shall have reasonably concluded that there may be legal defenses available to it which are different from or in addition to those defenses available to the Issuer or the Servicer, as the case may be, the Indenture Trustee shall have the right, at the expense of the Servicer, to select separate counsel to assert such legal defenses and to otherwise defend itself against such claim. Neither the Issuer nor the Servicer need reimburse any expense or indemnify against any loss, liability or expense incurred by the Indenture Trustee through the Indenture Trustee's own willful misconduct, negligence or bad faith.

The Issuer's payment obligations to the Indenture Trustee pursuant to this Section 6.07 shall survive the discharge of this Indenture and the termination or resignation of the Indenture Trustee. When the Indenture Trustee incurs expenses after the occurrence of a Default specified in Section 5.01(f) or (g) hereof with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or similar law.

Notwithstanding anything in this Section 6.07 to the contrary, all amounts due the Indenture Trustee hereunder shall be payable in the first instance by the Servicer and, if not paid by the Servicer within 60 days after payment is requested from the Servicer by the Indenture Trustee, in accordance with the priorities set forth in Section 5.01 of the Sale and Servicing Agreement.

Section 6.08 Replacement of Indenture Trustee. No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee shall become effective until the acceptance of appointment by the successor Indenture Trustee pursuant to this Section 6.08. The Indenture Trustee may resign at any time by so notifying the Issuer. The Majority Noteholders may remove the Indenture Trustee (with the consent of the Majority Certificateholders, not to be unreasonably withheld) by so notifying the Indenture Trustee and may appoint a successor Indenture Trustee; provided, that all of the reasonable costs and expenses incurred by the Indenture Trustee in connection with such removal shall be reimbursed to it prior to the effectiveness of such removal. The Issuer shall remove the Indenture Trustee if:

(a) the Indenture Trustee fails to comply with Section 6.11 hereof;

(b) the Indenture Trustee is adjudged a bankrupt or insolvent;

(c) a receiver or other public officer takes charge of the Indenture Trustee or its property; or

(d) the Indenture Trustee otherwise becomes incapable of acting.

If the Indenture Trustee resigns or is removed or if a vacancy exists in the office of Indenture Trustee for any reason (the Indenture Trustee in such event being referred to herein as the retiring Indenture Trustee), the Issuer shall promptly appoint a successor Indenture Trustee.

A successor Indenture Trustee shall deliver a written acceptance of its appointment to the retiring Indenture Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Indenture Trustee shall become effective, and the successor Indenture Trustee shall have all the rights, powers and duties of the Indenture Trustee under this Indenture. The successor Indenture Trustee shall mail a notice of its succession to Noteholders. The retiring Indenture Trustee shall promptly transfer all property held by it as Indenture Trustee to the successor Indenture Trustee.

If a successor Indenture Trustee does not take office within 60 days after the retiring Indenture Trustee resigns or is removed, the retiring Indenture Trustee, the Issuer or the Majority Noteholders may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

If the Indenture Trustee fails to comply with Section 6.11 hereof, any Noteholder may petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

Notwithstanding the replacement of the Indenture Trustee pursuant to this Section 6.08, the Issuer's and the Administrator's obligations under Section 6.07 hereof shall continue for the benefit of the retiring Indenture Trustee.

Section 6.09 Successor Indenture Trustee by Merger. If the Indenture Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Indenture Trustee; provided, however, that such corporation or banking association shall otherwise be qualified and eligible under Section 6.11 hereof. The Indenture Trustee shall provide the Majority Noteholders prior written notice of any such transaction.

In case at the time such successor or successors by merger, conversion or consolidation to the Indenture Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Indenture Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Indenture Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Indenture Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Indenture Trustee shall have.

Section 6.10 Appointment of Co-Indenture Trustee or Separate Indenture Trustee.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Collateral may at the time be located, the Indenture Trustee shall have the power and may execute and deliver all instruments to

appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust, and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders, such title to the

Collateral, or any part hereof, and, subject to the other provisions of this Section 6.10, such powers, duties, obligations, rights and trusts as the Indenture Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 hereof and no notice to Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08 hereof.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Indenture Trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Indenture Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Indenture Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Indenture Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Indenture Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Indenture Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, jointly with the Indenture Trustee, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Indenture Trustee. Every such instrument shall be filed with the Indenture Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Indenture Trustee its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Indenture Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 6.11 Eligibility. The Indenture Trustee shall (1) have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition or (ii) otherwise be acceptable in writing to the Majority Noteholders.

ARTICLE VII

NOTEHOLDERS' LISTS AND REPORTS

Section 7.01 Issuer to Furnish Indenture Trustee Names and Addresses of Noteholders. The Issuer will furnish or cause to be furnished to the Indenture Trustee (a) not more than five days after the earlier of (i) each Record Date and (ii) three months after the last Record Date, a list, in such form as the Indenture Trustee may reasonably require, of the names and addresses of the Noteholders as of such Record Date, (b) at such other times as the Indenture Trustee may request in writing, within 30 days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than 10 days prior to the time such list is furnished; provided, however, that so long as the Indenture Trustee is the Note Registrar, no such list shall be required to be furnished.

Section 7.02 Preservation of Information. The Indenture Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Noteholders contained in the most recent list furnished to the Indenture Trustee as provided in Section 7.01 hereof and the names and addresses of Noteholders received by the Indenture Trustee in its capacity as Note Registrar. The Indenture Trustee may destroy any list furnished to it as provided in such Section 7.01 upon receipt of a new list so furnished.

Section 7.03 144A Information. The Indenture Trustee, to the extent it has any such information in its possession, shall provide to any Noteholder and any prospective transferee designated by any such Noteholder information regarding the Notes and the Loans and such other information as shall be necessary to satisfy the condition to eligibility set forth in Rule 144A(d)(4) under the Securities Act for transfer of any such Note without registration thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A under the Securities Act.

ARTICLE VIII

ACCOUNTS, DISBURSEMENTS AND RELEASES

Section 8.01 Collection of Money. General. Except as otherwise expressly provided herein, the Indenture Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any intermediary, all money and other property payable to or receivable by the Indenture Trustee pursuant to this Indenture. The Indenture Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Collateral, the Indenture Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V hereof.

Section 8.02 Trust Accounts; Distributions.

(a) On or prior to the Closing Date, the Issuer shall cause the Servicer to establish and maintain, in the name of the Indenture Trustee for the benefit of the Noteholders, or on behalf of the Owner Trustee for the benefit of the Securityholders, the Trust Accounts as provided in the Sale and Servicing Agreement. The Servicer shall deposit amounts into each of the Trust Accounts in accordance with the terms hereof, the Sale and Servicing Agreement and the Payment Statements.

(b) Collection Account. With respect to the Collection Account, the Paying Agent shall make such withdrawals and distributions as specified in Section 5.01(c)(1) of the Sale and Servicing Agreement in accordance with the terms thereof.

(c) Distribution Account. With respect to the Distribution Account, the Paying Agent shall make (i) such deposits as specified in Sections 5.01(c)(2)(A), 5.01(c)(2)(B), 5.05(e), 5.05(f), 5.05(g), and 5.05(h) of the Sale and Servicing Agreement and (ii) such withdrawals and distributions as specified in Section 5.01(c)(3) of the Sale and Servicing Agreement in accordance with the terms thereof.

(d) Transfer Obligation Account. With respect to the Transfer Obligation Account, the Paying Agent shall make (1) such deposits as specified in Section 5.01 (c)(3)(vii) of the Sale and Servicing Agreement and (ii) such withdrawals and distributions as specified in Sections 5.05(d), 5.05(e), 5.05(f), 5.05(g), 5.05(h), and 5.05(i) of the Sale and Servicing Agreement in accordance with the terms thereof.

(e) Reserved.

(f) Advance Account. With respect to the Advance Account, the Issuer shall cause the Servicer to make such withdrawals specified in Section 2.06 of the Sale and Servicing Agreement.

Section 8.03 General Provisions Regarding Trust Accounts.

(a) All or a portion of the funds in the Collection Account and the Transfer Obligation Account shall be invested in Permitted Investments in accordance with the provisions of Section 5.03(b) of the Sale and Servicing Agreement. The Indenture Trustee will not make any investment of any funds or sell any investment held in the Collection Account or the Transfer Obligation Account (other than in Permitted Investments in accordance with Section 5.03(b) of the Sale and Servicing Agreement) unless the security interest Granted and perfected in such account will continue to be perfected in such investment or the proceeds of such sale, in either case without any further action by any Person, as evidenced by an Opinion of Counsel delivered to the Indenture Trustee by the Initial Noteholder or the Servicer, as the case may be.

(b) Subject to Section 6.01(c) hereof, the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in the Collection Account or the Transfer Obligation Account resulting from any loss on any Eligible Investment included therein.

(c) If (i) the Initial Noteholder or the Servicer, as the case may be, shall have failed to give investment directions for any funds on deposit in the Collection Account or the Transfer Obligation Account to the Indenture Trustee by 2:00 p.m. New York City time (or such other time as may be agreed by the Issuer and Indenture Trustee) on any Business Day or (ii) a Default or Event of Default shall have occurred and be continuing with respect to the Notes but the Notes shall not have been declared due and payable pursuant to Section 5.02 hereof or (iii) if such Notes shall have been declared due and payable following an Event of Default, amounts collected or receivable from the Collateral are being applied in accordance with Section 5.05 hereof as if there had not been such a declaration, then the Indenture Trustee shall, to the fullest extent practicable, invest and reinvest funds in the Collection Account and the Transfer Obligation Account in one or more Permitted Investments specified in item (3) in the definition thereof.

Section 8.04 The Paying Agent. The initial Paying Agent shall be the Servicer. The Paying Agent may be removed by the Initial Noteholder in its sole discretion at any time. Upon removal of the Paying Agent, the Initial Noteholder will appoint a successor Paying Agent within 30 days; provided that the Indenture Trustee will be the Paying Agent until such successor is appointed. Upon receiving written notice from the Initial Noteholder that the Paying Agent has been terminated, the Indenture Trustee will immediately terminate the Paying Agent's access to any and all Trust Accounts.

Section 8.05 Release of Collateral.

(a) Subject to the payment of its reasonable fees and expenses pursuant to Section 6.07 hereof, the Indenture Trustee may, and when required by the provisions of this Indenture shall, execute instruments acceptable to it and prepared and delivered to it by the Issuer to release property from the lien of this Indenture, or convey the Indenture Trustee's interest in the same, without recourse, representation or warranty in a-manner as provided in the Custodial Agreement and under circumstances that are not inconsistent with the provisions of this Indenture and the other Basic Documents. No party relying upon an instrument executed by the Indenture Trustee as provided in this Article VIII shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(b) The Indenture Trustee shall, at such time as there are no Notes Outstanding and all sums due to the Noteholders (and their Affiliates), the Initial Noteholder, the Sales Agents, the Indenture Trustee, the Owner Trustee and the Custodian under the Basic Documents have been paid, release any remaining portion of the Collateral that secured the Notes from the lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds then on deposit in the Trust Accounts. At such time as the lien of this Indenture is released, the Indenture Trustee shall cause a termination statement to be filed in any jurisdiction where UCC financing statement has been filed hereunder with respect to the Collateral. The Indenture Trustee shall release property from the lien of this Indenture pursuant to this subsection (b) only upon receipt of an Issuer Request accompanied by an Officer's Certificate and an Opinion of Counsel meeting the applicable requirements of Section 11.01 hereof.

Section 8.06 Opinion of Counsel. Except to the extent specifically permitted by the terms of the Basic Documents, the Indenture Trustee shall receive at least seven Business Days' prior notice when requested by the Issuer to take any action pursuant to Section 8.05(a) hereof, accompanied by copies of any instruments involved, and the Indenture Trustee may also require, as a condition to such action, an Opinion of Counsel, in form and substance satisfactory to the Indenture Trustee, from the Issuer concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely impair the security for the Notes or the rights of the Noteholders in contravention of the provisions of this Indenture; provided, however, that such Opinion of Counsel shall not be required to express an opinion as to the fair value of the Collateral. Counsel rendering any such opinion may rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to the Indenture Trustee in connection with any such action.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01 Supplemental Indentures Without the Consent of the Noteholders. Without the consent of any Noteholder but with prior notice to the Majority Noteholders, the Issuer and the Indenture Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another Person to the Issuer, and the assumption by any such successor of the covenants of the Issuer herein and in the Notes contained;

(iii) to add to the covenants of the Issuer, for the benefit of the Noteholders, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein or in any supplemental indenture that may be inconsistent with any other provision herein or in any supplemental indenture or to make any other provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture; provided, however, that such action shall not adversely affect the interests of the Noteholders; or

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor trustee with respect to the Notes and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Article VI hereof.

The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

Section 9.02 Supplemental Indentures with Consent of Noteholders. The Issuer and the Indenture Trustee, when authorized by an Issuer Order, also may, with the consent of the Majority Noteholders, by Act of such Noteholders delivered to the Issuer and the Indenture Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of any Noteholder under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of each Noteholder affected thereby:

(a) change the date of payment of any installment of principal of or interest on any Note, or reduce the principal balance thereof, the interest rate thereon or the Termination Price with respect thereto, change the provisions of this Indenture relating to the application of collections on, or the proceeds of the sale of, the Collateral to payment of principal of or interest on the Notes, or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of the provisions of this Indenture requiring the application of funds available therefor, as provided in Article V hereof, to the payment of any such amount due on the Notes on or after the respective due dates thereof (or, in the case of redemption, on or after the Redemption Date);

(b) reduce the Percentage Interest, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture;

(c) modify or alter the provisions of the definition of the term "Outstanding" or "Percentage Interest";

(d) reduce the Percentage Interest of the Outstanding Notes, the consent of the Holders of which is required to direct the Indenture Trustee to direct the Issuer to sell or liquidate the Collateral pursuant to Section 5.04 hereof;

(e) modify any provision of this Section 9.02 except to increase any percentage specified herein or to provide that certain additional provisions of this Indenture or the Basic Documents cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby;

(f) modify any of the provisions of this Indenture in such manner as to affect the calculation of the amount of any payment of interest or principal due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation) or to adversely affect the rights of the Noteholders to the benefit of any provisions for the mandatory redemption of the Notes contained herein; or

(g) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Collateral or, except as otherwise permitted or

contemplated herein, terminate the lien of this Indenture on any property at any time subject hereto or deprive any Noteholder of the security provided by the lien of this Indenture.

The Indenture Trustee may in its discretion determine whether or not any Notes would be affected by any supplemental indenture and any such determination shall be conclusive upon each Noteholder, whether theretofore of thereafter authenticated and delivered hereunder. The Indenture Trustee shall not be liable for any such determination made in good faith.

In connection with requesting the consent of the Noteholders pursuant to this Section 9.02, the Indenture Trustee shall mail to the Holders of the Notes to which such amendment or supplemental indenture relates a notice prepared by the Issuer setting forth in general terms the substance of such supplemental indenture. It shall not be necessary for any Act of Noteholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.03 Execution of Supplemental Indentures. In executing, or permitting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modification thereby of the trusts created by this Indenture, the Indenture Trustee shall be entitled to receive, and subject to Sections 6.01 and 6.02 hereof, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Indenture Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

Section 9.04 Effect of Supplemental Indentures. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and shall be deemed to be modified and amended in accordance therewith with respect to the Notes affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Indenture Trustee, the Issuer and the Holders of the Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.05 Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and if required by the Indenture Trustee shall, bear a notation in form approved by the Indenture Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Indenture Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Indenture Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Indenture Trustee in exchange for Outstanding Notes.

ARTICLE X

REDEMPTION OF NOTES; PUT OPTION

Section 10.01 Redemption. The Servicer may, at its option, effect an early redemption of the Notes on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination in the manner specified in and subject to the provisions of Section 10.02 of the Sale and Servicing Agreement.

The Servicer shall furnish the Indenture Trustee with notice of any such redemption in order to facilitate the Indenture Trustee's compliance with its obligation to notify the Noteholders of such redemption in accordance with Section 10.02 hereof.

Section 10.02 Form of Redemption Notice. Notice of redemption under Section 10.01 hereof shall be by first-class mail, postage prepaid, or by facsimile mailed or transmitted not later than 10 days prior to the applicable Redemption Date to each Noteholder, as of the close of business on the Record Date preceding the applicable Redemption Date, at such Noteholder's address or facsimile number appearing in the Note Register.

All notices of redemption shall state:

(i) the Redemption Date;

(ii) that on the Redemption Date Noteholders shall receive the Note Redemption Amount; and

(iii) the place where such Notes are to be surrendered for payment of the Termination Price (which shall be the office or agency of the Issuer to be maintained as provided in Section 3.02 hereof).

Notice of redemption of the Notes shall be given by the Indenture Trustee in the name of the Issuer and at the expense of the Servicer. Failure to give to any Noteholder notice of redemption, or any defect therein, shall not impair or affect the validity of the redemption of any other Note.

Section 10.03 Notes Payable on Redemption Date. The Notes to be redeemed shall, following notice of redemption as required by Section 10.02 hereof (in the case of redemption pursuant to Section 10.01) hereof, on the Redemption Date become due and payable at the Note Redemption Amount and (unless the Issuer shall default in the payment of the Note Redemption Amount) no interest shall accrue thereon for any period after the date to which accrued interest is calculated for purposes of calculating the Note Redemption Amount. The Issuer may not redeem the Notes unless all outstanding obligations under the Notes have been paid in full.

Section 10.04 Put Option. The Majority Noteholders may, at their option, put all or any portion of the Note Principal Balance of the Notes to the Issuer on any date upon giving notice in the manner set forth in Section 10.05. On each Put Date, the Issuer shall purchase the Note Principal Balance in the manner specified in and subject to the provisions of Section 10.04 of the Sale and Servicing Agreement.

Section 10.05 Form of Put Option Notice. Notice of exercise of a Put Option under Section 10.04 hereof shall be given by the Majority Noteholders (including to the Indenture Trustee) by first-class mail, postage prepaid, or by facsimile mailed or transmitted not later than 5 days prior to the date on which the Notes shall be repurchased by the Issuer.

Section 10.06 Notes Payable on Put Date. The Note Principal Balance to be put to the Issuer shall, following notice of the exercise of the Put Option as required by Section 10.05 hereof, on the Put Date become due and payable at the Note Redemption Amount and (unless the Issuer shall default in the payment of the Note Redemption Amount) no interest shall accrue thereon for any period

after the date to which accrued interest is calculated for purposes of calculating the Note Redemption Amount.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Compliance Certificates and Opinions, etc. Upon any application or request by the Issuer to the Indenture Trustee to take any action under any provision of this Indenture (except with respect to the Servicer's servicing activity in the ordinary course of its business), the Issuer shall furnish to the Indenture Trustee (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and (ii) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

Section 11.02 Form of Documents Delivered to Indenture Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons

as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such officer's certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Servicer, the Loan Originator, the Issuer or the Administrator, stating that the information with respect to such factual matters is in the possession of the Servicer, the Loan Originator, the Issuer or the Administrator, unless such counsel knows, or in the exercise of reasonable care should know, that lie certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and

form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Indenture Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Indenture Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI hereof.

Section 11.03 Acts of Noteholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01 hereof) conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Section 11.03.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Indenture Trustee deems sufficient.

(c) The ownership of Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Noteholder shall bind the Holder of every Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Indenture Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 11.04 Notices, etc., to Indenture Trustee and Issuer. Any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by this Indenture shall be in writing and if such request, demand, authorization, direction, notice, consent, waiver or act of Noteholders is to be made upon, given or furnished to or filed with:

(i) the Indenture Trustee by any Noteholder or by the Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing (including by facsimile) to or with the Indenture Trustee at its Corporate Trust Office, or

(ii) the Issuer by the Indenture Trustee or by any Noteholder shall be sufficient for every purpose hereunder if in writing and made, given, furnished, filed or transmitted via facsimile to the Issuer at: Option One Owner Trust 2003-4, c/o Wilmington Trust Company as Owner Trustee, One Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Department, telecopy number: (302) 636-4144, telephone number: (302) 636-1000, or at any other address or facsimile number previously furnished in writing to the Indenture Trustee by the Issuer or the Administrator. The Issuer shall promptly transmit any notice received by it from the Noteholders to

the Indenture Trustee.

Section 11.05 Notices to Noteholders: Waiver. Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid to each Noteholder affected by such event, at his address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have duly been given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture,

then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Section 11.06 Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 11.07 Successors and Assigns. All covenants and agreements in this Indenture and the Notes by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Indenture Trustee in this Indenture shall bind its successors, co-trustees and agents.

Section 11.08 Separability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.09 Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Noteholders, and any other party secured hereunder, and any other Person with an ownership interest in any part of the Collateral, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 11.10 Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

Section 11.11 GOVERNING LAW. THIS INDENTURE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW BUT OTHERWISE WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 11.12 Counterparts. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original,

but all such counterparts shall together constitute but one and the same instrument.

Section 11.13 Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Issuer and at its expense accompanied by an Opinion of Counsel (which may be counsel to the Indenture Trustee or any other counsel reasonably acceptable to the Indenture Trustee; provided, however, that the expense of such Opinion of Counsel shall in no event be an expense of the Indenture Trustee) to the effect that such recording is necessary either for the protection of the Noteholders or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Indenture Trustee under this Indenture.

Section 11.14 Trust Obligation. No recourse may be taken, directly or indirectly. with respect to the obligations of the Issuer, the Owner Trustee or the Indenture Trustee on the Notes or, except as expressly provided for in Article VI hereof, under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee, agent or "control person" within the meaning of the Securities Act and the Exchange Act, of the Indenture Trustee or the Owner Trustee in its individual capacity, any holder of a beneficial interest in the Issuer, the Owner Trustee or the Indenture Trustee or of any successor or assign of the Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may expressly have agreed (it being understood that the Indenture Trustee and the Owner Trustee have no such obligations in their individual capacity) and except that any such partner, owner or beneficiary of the Issuer shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity. For all purposes of this Indenture, in the performance of any duties or obligations of the Issuer hereunder, the Owner Trustee shall be subject to, and entitled to the benefits of, the terms and provisions of Articles VI, VII and VIII of the Trust Agreement.

Section 11.15 No Petition. The Indenture Trustee, by entering into this Indenture, and each Noteholder, by accepting a Note, hereby covenant and agree that they will not at any time institute against the Depositor or the Issuer, or join in any institution against the Depositor or the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law, in connection with any obligations relating to the Notes, this Indenture or any of the Basic Documents.

Section 11.16 Inspection. The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Indenture Trustee, during the Issuer's normal business hours, to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited by Independent certified public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees, and Independent certified public accountants, all at such reasonable times and as often as may reasonably be requested and at the expense of the Servicer. The Indenture Trustee shall and shall cause its representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Indenture Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder.

Section 11.17 Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Indenture is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2003-4, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations,

undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein,

all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Indenture or any other related documents.

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Indenture to be duly executed by their respective officers, thereunto duly authorized and duly attested, all as of the day and year first above written.

OPTION ONE OWNER TRUST 2003-4

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

By: /s/ Joann A. Rozell

Name: Joann A. Rozell
Title: Financial Services Officer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee

By: _____
Name: _____
Title: _____

Signature Page
to
Indenture

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Indenture to be duly executed by their respective officers, thereunto duly authorized and duly attested, all as of the day and year first above written.

OPTION ONE OWNER TRUST 2003-4

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

By: _____
Name: _____
Title: _____

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Amy Doyle

Name: Amy Doyle
Title: Vice President

Signature Page
to
Indenture

STATE OF DELAWARE
ss.:
COUNTY OF NEW CASTLE

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Joann A. Rozell, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee on behalf of OPTION ONE OWNER TRUST 2003-4, a Delaware statutory trust, and that such person executed the same as the act of said statutory trust for the purpose and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of August, 2003.

/s/ Anita E. Dallago

Notary Public

(Seal)

ANITA E. DALLAGO
NOTARY PUBLIC
MY Commission Expires August 3, 2003

My commission expires:
_____

Signature Page
to
Indenture

STATE OF Maryland
ss.:
COUNTY OF Howard

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Amy Doyle, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, and that such person executed the same as the act of said corporation for the purpose and consideration therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 8th day of August, 2003.

/s/ Lisa C. Carr

Notary Public

(Seal)

My commission expires:
_____

LISA C. CARR
NOTARY PUBLIC
HOWARD COUNTY
MARYLAND

MY COMMISSION EXPIRES OCTOBER 17, 2005

Signature Page
to
Indenture

EXHIBIT A

FORM OF NOTES

THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE MAXIMUM NOTE PRINCIPAL BALANCE SHOWN ON THE FACE HEREOF. ANY PURCHASER OF THIS NOTE MAY ASCERTAIN THE OUTSTANDING PRINCIPAL AMOUNT HEREOF BY INQUIRY OF THE INDENTURE TRUSTEE.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (B) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE 1933 ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A)(l), (2),(3) OR (7) OF RULE 501 UNDER THE 1933 ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE 1933 ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

THIS NOTE MAY NOT BE TRANSFERRED UNLESS THE INDENTURE TRUSTEE HAS RECEIVED A CERTIFICATE FROM THE TRANSFEREE TO THE EFFECT THAT EITHER (I) THE TRANSFEREE IS NOT AN EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN OR (II) IF THE TRANSFEREE IS A PLAN OR IS ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN, THE CONDITIONS FOR EXEMPTIVE RELIEF UNDER AT LEAST ONE OF THE FOLLOWING PROHIBITED TRANSACTION CLASS EXEMPTIONS HAVE BEEN SATISFIED: PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (RELATING TO TRANSACTIONS EFFECTED BY AN "IN-

HOUSE ASSET MANAGER"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) AND PTCE 84-14 (RELATING TO TRANSACTIONS EFFECTED BY A "QUALIFIED PROFESSIONAL ASSET MANAGER").

Maximum Note Principal Balance: $_____
Initial Percentage Interest: _____%
No._____

OPTION ONE OWNER TRUST 2003-4

MORTGAGE-BACKED NOTES

OPTION ONE OWNER TRUST 2003-4, a Delaware statutory trust (the "Issuer"), for value received, hereby promises to pay to_____, or registered assigns (the "Noteholder"), the principal sum of_____ ($_____) or so much thereof as may be advanced and outstanding hereunder and to pay interest on such principal sum or such part thereof as shall remain unpaid from time to time, at the rate and at the times provided in the Sale and Servicing Agreement and the Indenture. Principal of this Note is payable on each Payment Date in an amount equal to the result obtained by multiplying (i) the Percentage Interest of this Note by (ii) the principal amount distributed in respect of such Payment Date.

The Outstanding Note Principal Balance of this Note bears interest at the Note Interest Rate. On each Payment Date amounts in respect of interest on this Note will be paid in an amount equal to the result obtained by multiplying (i) the Percentage Interest of this Note by (ii) the aggregate amount paid in respect of interest on the Notes with respect to such Payment Date.

Capitalized terms used but not defined herein have the meanings set forth in the Indenture (the "Indenture"), dated as of August 8, 2003 between the Issuer and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee (the "Indenture Trustee") or, if not defined therein, the Sale and Servicing Agreement (the "Sale and Servicing Agreement"), dated as of August 8, 2003 among the Issuer, the Depositor, the Servicer, the Loan Originator and the Indenture Trustee on behalf of the Noteholders.

By its acceptance of this Note, each Noteholder covenants and agrees, until the earlier of (a) the termination of the Revolving Period and (b) the Maturity Date, on each Transfer Date to advance amounts in respect of Additional Note Principal Balance hereunder to the Issuer, subject to and in accordance with the terms of the Indenture, the Sale and Servicing Agreement and the Note Purchase Agreement.

In the event of an advance of Additional Note Principal Balance by the Noteholders as provided in Section 2.01(c) of the Sale and Servicing Agreement, each Noteholder shall, and is hereby authorized to, record on the schedule attached to its Note the date and amount of any Additional Note Principal Balance advanced by it, and each repayment thereof; provided that failure to make any such recordation on such schedule or any error in such schedule shall not adversely affect any Noteholder's rights with respect to its Additional Note Principal Balance and its right to receive interest payments in respect of the Additional Note Principal Balance held by such Noteholder.

Absent manifest error, the Note Principal Balance of each Note as set forth in the notations made by the related Noteholder on such Note shall be binding upon the Indenture

Trustee and the Issuer; provided that failure by a Noteholder to make such recordation on its Note or any error in such notation shall not adversely affect any Noteholder's rights with respect to its Note Principal Balance and its right to receive principal and interest payments in respect thereof.

The Servicer may, at its option, effect an early redemption of the Notes for an amount equal to the Note Redemption Amount on any Payment Date on or after the Clean-up Call Date. The Servicer shall effect such early termination by providing notice thereof to the Indenture Trustee and Owner Trustee and by purchasing all of the Loans at a purchase price, payable in cash, equal to the Termination Price.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

The statements in the legend set forth above are an integral part of the terms of this Note and by acceptance hereof each Holder of this Note agrees to be subject to and bound by the terms and provisions set forth in such legend.

Unless the Certificate of authentication hereon shall have been executed by an authorized officer of the Indenture Trustee, by manual signature, this Note shall not entitle the Noteholder hereof to any benefit under the Indenture or the Sale and Servicing Agreement and/or be valid for any purpose.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK AND WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PROVISIONS THEREOF.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer, as of the date set forth below.

Date: [_____]

OPTION ONE OWNER TRUST 2003-4

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: [_____]

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, as Indenture Trustee

By:
Authorized Signatory

[Reverse of Note]

This Note is one of the duly authorized Notes of the Issuer, designated as its Mortgage-Backed Notes (herein called the "Notes"), all issued under the Indenture. Reference is hereby made to the Indenture and all indentures supplemental thereto, and the Sale and Servicing Agreement for a statement of the respective rights and obligations thereunder of the Issuer, the Indenture Trustee and the Holders of the Notes. To the extent that any provision of this Note contradicts or is inconsistent with the provisions of the Indenture or the Sale and Servicing Agreement, the provisions of the Indenture or the Sale and Servicing Agreement, as applicable, shall control and supersede such contradictory or inconsistent provision herein. The Notes are subject to all terms of the Indenture and the Sale and Servicing Agreement.

The principal of and interest on this Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Note shall be applied in accordance with the Indenture and the Sale and Servicing Agreement.

The entire unpaid principal amount of this Note shall be due and payable on the earlier of the Maturity Date, the Redemption Date and the Final Put Date, if any, pursuant to Articles X of the Sale and Servicing Agreement and the Indenture. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable on the date on which an Event of Default shall have occurred and be continuing and the Indenture Trustee, at the direction or upon the prior written consent of the Majority Noteholders, has declared the Notes to be immediately due and payable in the manner provided in Section 5.02 of the Indenture. All principal payments on the Notes shall be made pro rata to the Holders of the Notes entitled thereto.

The Collateral secures this Note and all other Notes equally and ratably without prejudice, priority or distinction between any Note and any other Note. The Notes are nonrecourse obligations of the Issuer and are limited in right of payment to amounts available from the Collateral, provided in the Indenture. The Issuer shall not otherwise be liable for payments on the Notes, and none of the owners, agents, officers, directors, employees, or successors or assigns of the Issuer shall be personality liable for any amounts payable, or performance due, under the Notes or the Indenture.

Any installment of interest or principal on this Note shall be paid on the applicable Payment Date to the Person in whose name this Note (or one or more Predecessor Notes) is registered in the Note Register as of the close of business on the related Record Date by wire transfer in immediately available funds to the account specified in writing by the related Noteholder to the extent provided by the Indenture and otherwise by check mailed to the Noteholder.

Any reduction in the principal amount of this Note (or any one or more Predecessor Notes) effected by any payments made on any Payment Date shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon. Any increase in the principal amount of this Note (or any one or more Predecessor Notes) effected by payments to the Issuer

of Additional Note Principal Balances shall be binding upon the Issuer and shall inure to the benefit of all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register upon surrender of this Note for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by a written instrument of transfer in the form attached hereto duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Securities Transfer Agent's Medallion Program ("STAMP"), and thereupon one or more new Notes of authorized denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Note, but the Issuer may require the Noteholder to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange.

Each Noteholder, by acceptance of a Note or a beneficial interest in a Note, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer, the Owner Trustee or the Indenture Trustee on the Notes or under the Indenture or any certificate or other writing delivered in connection therewith, against (i) the Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in-the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director employee or "control person" within the meaning of the 1933 Act and the Exchange Act of the Indenture Trustee or the Owner Trustee in

its individual capacity, any holder of a beneficial interest in the Issuer, the Owner Trustee or the Indenture Trustee or of any successor or assign of the Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may have expressly agreed and except that any such partner, owner or beneficiary shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity.

Each Noteholder, by acceptance of a Note or a beneficial interest in a Note, covenants and agrees by accepting the benefits of the Indenture that such Noteholder will not at any time institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Notes or the Basic Documents.

The Issuer has entered into the Indenture and this Note is issued with the intention that, for federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness of the Issuer secured by the Collateral. Each Noteholder, by acceptance of a Note, agrees to treat the Notes for federal, state and local income, single business and franchise tax purposes as indebtedness of the Issuer. Each Noteholder, by its acceptance of a Note, represents and warrants that the number of ICA Owners with respect to all of its Notes shall not exceed four.

Prior to the due presentment for registration of transfer of this Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name this Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Note be overdue, and none of the Issuer, the Indenture Trustee or any such agent shall be affected by notice to the contrary.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Notes under the Indenture at any time by the Issuer with the consent of the Majority Noteholders. The Indenture also contains provisions permitting the Holders of Notes representing specified Percentage Interests of the Outstanding Notes, on behalf of all of the Noteholders, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note (or any one or more Predecessor Notes) shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in-lieu hereof whether or not notation of such consent or waiver is made upon this Note. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of any Noteholder.

The term "Issuer" as used in this Note includes any successor to the Issuer under the Indenture.

The Notes are issuable only in registered form in denominations as provided in the Indenture, subject to certain limitations therein set forth.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency herein prescribed.

Anything herein to the contrary notwithstanding, except as expressly provided in the Basic Documents, none of the Issuer in its individual capacity, the Owner Trustee in its individual capacity, any owner of a beneficial interest in the Issuer, or any of their respective partners, beneficiaries, agents, officers, directors, employees or successors or assigns shall be personally

liable for, nor shall recourse be had to any of them for, the payment of principal of or interest on this Note or performance of, or omission to perform, any of the covenants, obligations or indemnifications contained in the Indenture. The Holder of this Note by its acceptance hereof agrees that, except as expressly provided in the Basic Documents, in the case of an Event of Default under the Indenture, the Holder shall have no claim against any of the foregoing for any deficiency, loss or claim therefrom; provided, however, that nothing contained herein shall be taken to prevent recourse to, and enforcement against, the assets of the Issuer for any and all liabilities, obligations and undertakings contained in the Indenture or in this Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee:

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:____
(name and address of assignee)
the within Note and all rights thereunder, aid hereby irrevocably constitutes and appoints, attorney, to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____________________

_____________________________________*/

Signature Guaranteed:
_____________________________________*/

____
*/NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular, without alteration, enlargement or any change whatever. Such signature must be guaranteed by an "eligible guarantor institution" meeting the requirements of STAMP.

Schedule to Note
dated as of [_________________]
of OPTION ONE OWNER TRUST 2003-4

Date of advance of Additional Note Principal Balance	Amount of advance of Additional Note Principal Balance	Percentage Interest	Aggregate Note Principal Balance	Note Principal Balance of Note
		100%		

---	---	---	---	---
---	---	---	---	---
---	---	---	---	---
---	---	---	---	---

EXHIBIT B-1

FORM OF RULE 144A TRANSFEROR CERTIFICATE

Wells Fargo Bank Minnesota, National Association
9062 Old Annapolis Road
Columbia, Maryland 21045

Re: Option One Owner Trust 2003-4

Reference is hereby made to the Indenture dated as of August 8, 2003 (the "INDENTURE") between Option One Owner Trust 2003-4 (the "TRUST") and Wells Fargo Bank Minnesota. National Association (the "INDENTURE TRUSTEE"). Capitalized terms used but not defined herein shall have the meanings given to them in the Sale and Servicing Agreement dated as of August 8, 2003 among the Trust, Option One Loan Warehouse Corporation (the "DEPOSITOR"), Option One Mortgage Corporation (the "SERVICER" and the "LOAN ORIGINATOR") and the Indenture Trustee.

The undersigned (the "TRANSFEROR") has requested a transfer of $_____ current principal balance Notes to [insert name of transferee].

In connection with such request, and in respect of such Notes, the Transferor hereby certifies that such Notes are being transferred in accordance with (i) the transfer restrictions set forth in the Indenture and the Notes and (ii) Rule 144A under the Securities Act of 1933, as amended to a purchaser that the Transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A purchasing for its own account or for the account of a "qualified institutional buyer," which purchaser is aware that the sale to it is being made in reliance upon Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction.

This certificate and the statements contained herein are made for your benefit and the benefit of the Depositor.

_____
[Name of Transferor]

By:_____
Name:
Title:

Dated: _____,_____

EXHIBIT B-2

FORM OF TRANSFEREE CERTIFICATE FOR
INSTITUTIONAL ACCREDITED INVESTOR

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services - Option One Owner Trust 2003-4

Re: Option One Owner Trust 2003-4

In connection with our proposed purchase of $_____Note Principal Balance Mortgage-Backed Notes (the "Offered Notes") issued by Option One Owner Trust 2003-4, we confirm that:

(1) We understand that the Offered Notes have not been, and will not be. registered under the Securities Act of 1933, as amended (the "1933 ACT") or any state securities laws, and may not be sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell any Offered Notes we will do so only (A) pursuant to a registration statement which has been declared effective under the 1933 Act. (B) for so long as the Offered Notes are eligible for resale pursuant to Rule 144A under the 1933 Act, to a Person we reasonably believe is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A. (C) to an institutional "accredited investor" within the meaning of subparagraph (a)(l), (2), (3) or (7) of Rule 501 under the 1933 Act (an "INSTITUTIONAL ACCREDITED INVESTOR") that is acquiring the Offered Notes for its own account, or for the account of such an Institutional Accredited Investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act, in each case in compliance with the requirements of the Indenture dated as of August 8, 2003 between Option One Owner Trust 2003-4 and Wells Fargo Bank Minnesota National Association, as Indenture Trustee, and applicable state securities laws; and we further agree, in the capacities stated above, to provide to any person purchasing any of the Offered Notes from us a notice advising such purchaser that resales of the Offered Notes are restricted as stated herein.

(2) We understand that, in connection with any proposed resale of any Offered Notes to an Institutional Accredited Investor, we will be required to furnish to the Indenture Trustee and the Depositor a certification from such transferee as provided in Section 2.12 of the Indenture to confirm that the proposed sale is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and applicable state securities laws. We further understand that the Offered Notes purchased by us will bear a legend to the foregoing effect.

(3) We are acquiring the Offered Notes for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act. We have such knowledge and experience in financial and business matters as to be capable of

evaluating the merits and risks of our investment in the Offered Notes, and we and any account for which we are acting are each able to bear the economic risk of such investment.

(4) We are an Institutional Accredited Investor and we are acquiring the Offered Notes purchased by us for our own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which we exercise sole investment discretion.

(5) We have received such information as we deem necessary in order to make our investment decision.

(6) We either (i) are not, and are not acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA or Section 4975 of the Code, or (b) are, or are acquiring the Offered Notes on behalf of or with the assets of an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA of Section 4975 of the Code and the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager"), PTCE

95-60 (relating to transactions involving insurance company general accounts), PTCE 91-38 (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts), and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

Terms used in this letter which are not otherwise defined herein have the respective meanings assigned thereto in the Indenture.

You and the Depositor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

_____
[Name of Transferor]

By:_____
Name:
Title:

Dated: _____,_____

EXHIBIT B-3

FORM OF RULE 144A TRANSFEREE CERTIFICATE

Wells Fargo Bank Minnesota, National Association
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services - Option One Owner Trust 2003-4

Re: Option One Owner Trust 2003-4

1. The undersigned is the _____ of_____ _____ (the "INVESTOR"), a [corporation duly organized] and existing under the laws of _____ on behalf of which he makes this affidavit.

2. The Investor either (i) is not, and is not acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA or Section 4975 of the Code, or (b) is, or is acquiring the Offered Notes on behalf of or with the assets of, an employee benefit plan or other retirement plan or arrangement subject to Title I of ERISA of Section 4975 of the Code and the conditions for exemptive relief under at least one of the following prohibited transaction class exemptions have been satisfied: Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions effected by an "in-house asset manager'), PTCE 93-60 (relating to transactions involving insurance company general accounts), PTCE 91-3f (relating to transactions involving bank collective investment funds), PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts), and PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager").

3. The Investor understands that the Offered Notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "1933 Act") or any state securities laws, and may not be sold except as permitted in the following sentence. The Investor agrees, on its own behalf and on behalf of any accounts for which it is acting as hereinafter stated, that if it should sell any Offered Notes it will do so only (A) pursuant to a registration statement which has been declared effective under the 1933 Act, (B) for so long as the Offered Notes are eligible for resale pursuant to Rule 144A under the 1933 Act, to a Person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given

that the transfer is being made in reliance on Rule 144A, (C) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the 1933 Act (an "Institutional Accredited Investor") that is acquiring the Offered Notes for its own account, or for the account of such an Institutional Accredited Investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the 1933 Act, in each case in compliance with the requirements of the Indenture dated as of August 8, 2003 between Option One Owner Trust 2003-4 and Wells Fargo Bank Minnesota, National Association, as Indenture Trustee, and applicable state securities laws; and the Investor further agrees, in the capacities stated above, to provide to any person purchasing any of the Offered Notes from it a notice advising such purchaser that resales of the Offered Notes are restricted as stated herein.

[FOR TRANSFERS IN RELIANCE UPON RULE 144A]

4. The Investor is a "qualified institutional buyer" (as such term is defined under Rule 144A under the Securities Act of 1933, as amended (the "1933 ACT"), and is acquiring the Offered Notes for its own account or as a fiduciary or agent for others (which others also are "qualified institutional buyers"). The Investor is familiar with Rule 144A under the 1933 Act, and is aware that the transferor of the Offered Notes and other parties intend to rely on the statements made herein and the exemption from the registration requirements of the 1933 Act provided by Rule 144A.

_____
[Name of Transferor]

By:_____
Name:
Title:

Dated: _____,_____

EXHIBIT C

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (B) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE 1933 ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE 1933 ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE 1933 ACT, IN EACH CASE IN COMPLIANCE WITH THE REQUIREMENTS OF THE INDENTURE AND APPLICABLE STATE SECURITIES LAWS.

THIS NOTE MAY NOT BE TRANSFERRED UNLESS THE INDENTURE TRUSTEE HAS RECEIVED A CERTIFICATE FROM THE TRANSFEREE TO THE EFFECT THAT EITHER (I) THE TRANSFEREE IS NOT AN EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT PLAN OR

ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A"PLAN"), AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN OR (II) IF THE TRANSFEREE IS A PLAN, OR IS ACTING ON BEHALF OF OR INVESTING THE ASSETS OF A PLAN, THE CONDITIONS FOR EXEMPTIVE RELIEF UNDER AT LEAST ONE OF THE FOLLOWING PROHIBITED TRANSACTION CLASS EXEMPTIONS HAVE BEEN SATISFIED: PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (RELATING TO TRANSACTIONS EFFECTED BY AN "IN-HOUSE ASSET MANAGER"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) AND PTCE 84-14 (RELATING TO TRANSACTIONS EFFECTED BY A "QUALIFIED PROFESSIONAL ASSET MANAGER").

EXHIBIT 10.66

==========

EXECUTION COPY

NOTE PURCHASE AGREEMENT

Dated as of August 8, 2003

among

OPTION ONE MORTGAGE CORPORATION,
as the Servicer,

OPTION ONE LOAN WAREHOUSE CORPORATION,
as the Depositor,

OPTION ONE OWNER TRUST 2003-4,
as the Issuer,

FALCON ASSET SECURITIZATION CORPORATION,
JUPITER SECURITIZATION CORPORATION, and
PREFERRED RECEIVABLES FUNDING CORPORATION,
as the Conduit Purchasers,

THE FINANCIAL INSTITUTIONS PARTY HERETO,
as the Committed Purchasers,

and

BANK ONE, NA (MAIN OFFICE CHICAGO),
as the Note Agent

==========

TABLE OF CONTENTS

THIS NOTE PURCHASE AGREEMENT dated as of August 8, 2003, is among OPTION ONE MORTGAGE CORPORATION, a California corporation, as Servicer, OPTION ONE LOAN WAREHOUSE CORPORATION, a Delaware corporation, as Depositor, OPTION ONE OWNER TRUST 2003-4, a Delaware business trust, as the Issuer, FALCON ASSET SECURITIZATION CORPORATION, a Delaware corporation ("Falcon"), JUPITER SECURITIZATION CORPORATION, a Delaware corporation ("Jupiter") PREFERRED RECEIVABLES FUNDING CORPORATION, Delaware corporation ("PREFCO") (Falcon, Jupiter and PREFCO are collectively referred to as the "Conduit Purchasers" and each, individually, a "Conduit Purchaser"), THE FINANCIAL INSTITUTIONS PARTY HERETO FROM TIME TO TIME, as committed purchasers (the "Committed Purchasers" and, together with the Conduit Purchaser, the "Purchasers") and BANK ONE, NA (MAIN OFFICE CHICAGO), a national banking association ("Bank One"), as agent (the "Note Agent") for the Purchasers and the other "Owners" (as defined below).

In consideration of the representations, warranties and agreements herein

contained, the parties agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01. Defined Terms. As used herein, the following terms shall have the meanings specified below. Capitalized terms used herein that are not otherwise defined shall have the meanings ascribed thereto in the Sale and Servicing Agreement or the Indenture, as the case may be.

"Act" means the Securities Act of 1933, as amended.

"Additional Amounts" means, for each Accrual Period, an amount equal to the sum of (i) the aggregate amount payable to all Affected Parties pursuant to Sections 2.07, 2.08 and 2.09 in respect of such Accrual Period and (ii) the aggregate of such amounts with respect to prior Accrual Periods which remain unpaid.

"Adjusted LIBO Rate" means, for any Accrual Period, an interest rate per annum equal to the rate per annum obtained by dividing (i) the LIBO Rate in effect for such Accrual Period by (ii) a percentage equal to 100% minus the Eurodollar Reserve Percentage for such Accrual Period.

"Affected Party" means each Purchaser, the Note Agent, each Liquidity Provider, and any permitted assignee of any Purchaser or any Liquidity Provider.

"Agreement" or "Note Purchase Agreement" means this note purchase agreement and any supplements, amendments, exhibits and schedules hereto.

"Alternate Base Rate" means a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Bank One in Chicago, Illinois, from time to time as Bank One's prime rate;

(b) 1/2 of one percent above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly on each Monday (or, if any such day is not a Business Day on the next succeeding Business Day) for the three-week period ending on the previous Friday by Bank One on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Bank One from three New York certificate of deposit dealers of recognized standing selected by Bank One, in either case adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent; or

(c) 1/2 of one percent per annum above the Federal Funds Rate.

"Assignee Rate" for any Accrual Period means an interest rate per annum equal to the Adjusted LIBO Rate plus 3.0%; provided, however, that (i) in the case of any Accrual Period of less than one month, the "Assignee Rate" for such Accrual Period shall be calculated as the Adjusted LIBO Rate as if such Accrual Period has a duration of one month; and (ii) if it shall become unlawful for Bank One to obtain funds in the London interbank market in order to make, fund or maintain the Note Principal Balance or deposits in dollars (in the applicable amounts) are not being offered by Bank One in the London interbank market, then the "Assignee Rate" for any Accrual Period shall be calculated using an interest rate per annum equal to the Alternate Base Rate.

"Asset Purchase Agreement" means any one or more asset purchase, transfer or similar liquidity agreement, entered into at any time pursuant to which a Purchaser may from time to time assign part or all of its interests in the Note held by such Purchaser to a Liquidity Provider, as such agreements may be amended, restated, supplemented or modified from time to time.

"Bank One" means Bank One, NA, a national banking association.

"Breakage Costs" means, for each Owner for each funding period, to the extent that an Owner is funding the maintenance of its investment in the Note during such funding period through the issuance of Commercial Paper Notes or at the Adjusted LIBO Rate, during which the amount of such investment is reduced (in whole or in part) prior to the end of the period for which it was originally scheduled to remain outstanding (the amount of such reduced investment being referred to as the "Allocated Amount"), the excess of (i) the sum of (a) the discount or interest that would have accrued on the Allocated Amount during the remainder of such funding period if such reduction had not occurred and (b) other costs and expenses incurred by such Owner as a result of such reduction (including costs incurred due to the related early termination of any agreement entered into for the purpose of hedging such Owner's obligations under this Agreement) over (ii) the net income scheduled to be received by such Owner from investing the Allocated Amount for the remainder of such funding period, it being understood that in investing

such Allocated Amount such Owner will, but without limitation to its discretion, endeavor to minimize the associated Breakage Costs.

"Business Day" means a day that is (i) a "Business Day" as such term is defined in the Sale and Servicing Agreement and (ii) when used in connection with the Adjusted LIBO Rate, a day other than a day on which banking institutions in London, England, trading in Dollar deposits in the London interbank market are authorized or obligated by law or executive order to be closed.

"Closing" shall have the meaning specified in Section 3.01.

"Closing Date" shall have the meaning specified in Section 3.01.

"Collection Date" means the earliest Business Day following the termination (as opposed to suspension) of the Revolving Period on which the Note Principal Balance shall have been reduced to zero and all Monthly Interest and all other amounts due to the Owners shall have been paid in full.

"Commercial Paper Notes" means short-term promissory notes issued or to be issued by a Conduit Purchaser to fund its investments in accounts receivable and other financial assets.

"Commitment" means with respect to each Committed Purchaser on any date, the dollar amount set forth next to such Committed Purchaser's name on Schedule I hereto, as such amount may be reduced pursuant to Section 2.03 and as such amount may be increased from time to time on terms and conditions acceptable to the Depositor and such Committed Purchaser in its sole discretion; provided, that upon any other Person becoming a Committed Purchaser hereunder as a result of any assignment pursuant to Section 9.04, the Commitment of the assigning Committed Purchaser as in effect immediately prior to such assignment shall be allocated as between the assigning Committed Purchaser and such assignee Committed Purchaser as such Persons shall so designate in a notice to the Note Agent, and thereafter such respective allocated amounts shall be such Committed Purchasers' respective Commitments.

"Commitment Termination Date" means August 6, 2004, as such date may be extended in accordance with Section 2.05.

"Committed Purchaser" shall have the meaning specified in the Preamble hereto.

"Conduit Purchaser" shall have the meaning specified in the Preamble hereto.

"CP Rate" means, for each Conduit Purchaser for any Accrual Period, the per annum rate equivalent to the weighted average of the per annum rates paid or payable by such Conduit Purchaser from time to time as interest on or otherwise (by means of interest rate hedges or otherwise) in respect of the Commercial Paper Notes issued by such Conduit Purchaser that are allocated, in whole or in part, by the Note Agent (on behalf of such Conduit Purchaser) to fund or maintain its interest in the Note during such Accrual Period, as determined by the Note Agent (on behalf of such Conduit Purchaser) and reported to the Servicer and the Indenture Trustee,

which rates shall reflect and give effect to the commissions of placement agents and dealers in respect of such promissory notes, to the extent such commissions are allocated, in whole or in part, to such promissory notes by the Note Agent (on behalf of such Conduit Purchaser); provided, however, that if any component of such rate is a discount rate, in calculating the "CP Rate" for such Accrual Period, the Note Agent shall for such component use the rate resulting from converting such discount rate to an interest bearing equivalent rate per annum.

"Depositor" means Option One Loan Warehouse Corporation, in its capacity as depositor under the Sale and Servicing Agreement.

"Eurocurrency Liabilities" shall have the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Reserve Percentage" for any Accrual Period means the reserve percentage applicable to Bank One during such Accrual Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Accrual Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for Bank One in respect of liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Accrual Period.

"Excluded Taxes" shall have the meaning specified in Section 2.09(a).

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day for such transactions received by Bank One from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" means the letter agreement, dated as of the Closing Date, among the Depositor, the Servicer, and the Note Agent, regarding certain fees payable under or in connection with this Agreement, as the same may be amended, restated, supplemented or otherwise modified form time to time.

"Fees" shall have the meaning specified in Section 2.04 hereof.

"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,

"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.

"Increase Date" shall have the meaning specified in Section 2.03(c).

"Indenture" means the Indenture, dated as of August 8, 2003, between the Issuer and the Indenture Trustee, as the same may be amended, supplemented or otherwise modified from time to time.

"Indenture Trustee" means Wells Fargo Bank Minnesota, National Association, a national banking association, in its capacity as trustee under the Indenture, its successors in interest and any successor indenture trustee under the Indenture.

"Interpretation" as used in Sections 2.07 and 2.08 with respect to any law or regulation, means the interpretation or application of such law or regulation by any Governmental Authority (including any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government), central bank, accounting standards board (including the Financial Accounting Standards Board), financial services industry advisory body or any comparable entity.

"Issuer" means Option One Owner Trust 2003-4, a Delaware business trust.

"LIBO Rate" means, with respect to any Accrual Period, the rate per annum equal the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two Business Days prior to the first day of the relevant Accrual Period, and having a maturity equal to such Accrual Period, provided that, (1) if Reuters Screen FRBD is not available to the Note Agent for any reason, the applicable LIBO Rate for the relevant Accrual Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Accrual Period, and having a maturity equal to such Accrual Period, and (2) if no such British Bankers' Association Interest Settlement Rate is available to the Note Agent, the applicable LIBO Rate for the relevant Accrual Period shall instead be the rate determined by the Note Agent to be the rate at which it offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Accrual Period, in the approximate amount to be funded at the LIBO Rate and having a maturity equal to such Accrual Period.

"Liquidity Provider" means a financial institution providing liquidity support to or for the account of any Conduit Purchaser pursuant to or in connection with an Asset Purchase Agreement.

"Losses" shall have the meaning specified in Section 7.01(a).

"Maximum Note Principal Balance" means $1,000,000,000, as such amount may be increased or decreased in accordance with the terms of this Agreement.

"Monthly Interest" means with respect to any Payment Date, an amount equal to the sum of (i) the product of (a) the Note Interest Rate in effect with respect to the Accrual Period ending immediately prior to such Payment Date, (b) the average daily Note Principal Balance during such Accrual Period, and (c) a fraction the numerator of which is the actual number of days in such Accrual

Period and the denominator of which is 360, plus (ii) all Breakage Costs incurred by Owners during the immediately preceding Accrual Period, plus (iii) all Fees owed to the Note Agent and the Owners for the Accrual Period ending immediately prior to such Payment Date.

"Note" means the Option One Owner Trust 2003-4 Mortgage-Backed Note issued by the Issuer pursuant to the Indenture.

"Note Interest Rate" means, for any Accrual Period:

(i) to the extent that a Conduit Purchaser funds or maintains its interest in the Note by issuing its Commercial Paper Notes, the CP Rate,

(ii) if and to the extent that a Conduit Purchaser elects in its sole discretion not to fund or maintain, or is not able to fund or maintain, its interest in the Note for such Accrual Period by the issuance of its Commercial Paper Notes, or if and to the extent that a Committed Purchaser funds or maintains an interest in the Note, a rate equal to the Assignee Rate for such Accrual Period.

(iii) at any time following the occurrence of an Event of Default, the "Note Interest Rate" for each Accrual Period shall be the sum of the Alternate Base Rate plus 3.0% per annum.

"Other Taxes" means any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment or deposit required to be made hereunder, under the Sale and Servicing Agreement or the Indenture or from the execution, delivery or registration of, or otherwise with respect to, any of the foregoing.

"Owner" means each Purchaser, each Liquidity Provider, and all other owners by assignment, participation or otherwise of the Note or any interest therein.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity but solely as owner trustee under the Trust Agreement.

"Principal Balance Increase" shall have the meaning specified in Section 2.03.

"Purchaser" shall have the meaning specified in the preamble hereto.

"Required Owners" means, at any time, those Owners owning interests in the Note aggregating 66-2/3% of the Note Principal Balance at such time.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement, dated as of August 8, 2003, among the Issuer, the Depositor, the Servicer and the Indenture Trustee, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Taxes" shall have the meaning specified in Section 2.09(a).

"Transferee" shall have the meaning specified in Section 9.04(d).

"Trust Agreement" means the Trust Agreement dated as of August 8, 2003, between the Depositor and the Owner Trustee, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"UCC" means the Uniform Commercial Code as from time to time in effect in the applicable jurisdiction.

SECTION 1.02. Accounting Terms; Other Terms. All accounting terms used in this Agreement shall, unless otherwise specifically provided, have the meanings customarily given to them in accordance with generally accepted United States accounting principles or United States regulatory accounting principles, as

applicable, as in effect from time to time, and all financial computations hereunder shall, unless otherwise specifically provided, be computed in accordance with generally accepted United States accounting principles or United States regulatory accounting principles, as applicable, as in effect from time to time, consistently applied. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

SECTION 1.03. Other Rules of Construction. References in this Agreement to sections, schedules and exhibits are to sections of and schedules and exhibits to this Agreement unless otherwise indicated. The words "hereof, "herein", "hereunder" and comparable terms refer to the entirety of this Agreement and not to any particular article, Section or other subdivision hereof or attachment hereto. Words in the singular include the plural and in the plural include the singular. Unless the context otherwise requires, the word "or" is not exclusive. The word "including" shall be deemed to mean "including, without limitation". The Section and article headings and table of contents contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Except as otherwise specified herein, all references herein (i) to any Person shall be deemed to include such Person's successors and assigns and (ii) to any Governmental Rule or contract specifically defined or referred to herein shall be deemed references to such Governmental Rule or contract as the same

may be supplemented, amended, waived, consolidated, replaced or modified from time to time, but only to the extent permitted by, and effected in accordance with, the terms thereof.

SECTION 1.04. Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

ARTICLE II
PURCHASE AND SALE; PURCHASE COMMITMENT

SECTION 2.01. Purchase and Sale of the Note. On the terms and subject to the conditions set forth in this Agreement (including, without limitation, the conditions precedent set forth in Article IV), and in reliance on the covenants, representations, warranties and agreements herein set forth, the Issuer agrees to sell, transfer and deliver to the Note Agent, for the benefit of the Purchasers, at the Closing, and the Purchasers agree to purchase from the Issuer, at the Closing, the Note.

SECTION 2.02. [Reserved].

SECTION 2.03. Increases and Decreases in the Note Principal Balance; Decreases in the Maximum Note Principal Balance.

(a) Subject to the terms and conditions set forth in Section 4.02 hereof, the Conduit Purchasers may, in their sole discretion, and the Committed Purchasers shall during the Revolving Period, fund the applicable portion of any increase to the Note Principal Balance (a "Principal Balance Increase") requested by the Issuer from the Purchasers in accordance with the procedures described in Section 2.06 of the Sale and Servicing Agreement; provided, however, that at no time shall (i) the Principal Balance exceed the Maximum Principal Balance, or (ii) the Note Principal Balance allocable to any Committed Purchasers exceed such Committed Purchaser's Commitment.

(b) Each request for a Principal Balance Increase shall be deemed to be a request that the Conduit Purchasers fund such Principal Balance Increase. To the extent a Conduit Purchaser elects not to fund its share of any Principal Balance Increase requested by the Issuer, each related Committed Purchaser shall fund its pro rata share of the portion of such Principal Balance Increase allocated to such Conduit Purchaser. Each Conduit Purchaser shall provide prompt notice to

the Note Agent if such Conduit Purchaser elects not to fund its share of a Principal Balance Increase (and the Note Agent shall forward such notice to the Servicer, the Depositor and the Issuer).

(c) Upon the satisfaction of the conditions precedent set forth in Section 4.02 hereof on the date on which the Issuer has requested a Principal Balance Increase to occur (the "Increase Date"), each Purchaser funding a portion of the requested Principal Balance Increase shall deliver to the Note Agent funds in an amount equal to the portion of the Principal Balance Increase allocated to such Purchaser by the Note Agent. Upon its receipt of such funds, the Note

Agent will remit such amount, in same day funds, to the Advance Account in accordance with the Sale and Servicing Agreement.

(d) On any date, the Note Principal Balance may be decreased in accordance with the Sale and Servicing Agreement. Any such reductions to the Note Principal Balance and any such reductions on any other date to the Note Principal Balance shall be applied to reduce the Note Principal Balances allocated to the interests in the Note held by Purchasers hereunder as determined by the Note Agent, provided, that each such Purchaser which is a Committed Purchaser shall be allocated its pro rata share of any such reduction.

(e) Notwithstanding anything to the contrary contained herein, if any Principal Balance Increase is not made on the date specified by the Issuer in its written request therefor delivered pursuant to Section 2.06 of the Sale and Servicing Agreement, the Issuer shall indemnify each Affected Party against any reasonable loss, cost or expense incurred by such Affected Party as a result of such occurrence, including, without limitation, any reasonable loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Affected Party to fund such anticipated Principal Balance Increase; provided, however, that the Issuer shall not be obligated to indemnify the Affected Parties for such losses, costs or expenses if it provides notice to the Note Agent by no later than 11:00 a.m. on the Business Day immediately preceding the Increase Date of its request to cancel the proposed Principal Balance Increase or to reduce the amount of the proposed Principal Balance Increase.

(f) At any time the Issuer may, upon at least 30 Business Days' prior written notice to the Note Agent, reduce the Maximum Note Principal Balance to an amount not less than the Note Principal Balance. Reductions of the Maximum Note Principal Balance pursuant to this subsection 2.03 (f) shall be allocated to the aggregate Commitments of the Committed Purchasers pro rata based on their relative Commitments or as the Note Agent, each related Conduit Purchaser and each Committed Purchaser whose Commitment is to be reduced less than such respective amount may otherwise agree in writing; provided, however, that in the event the Note Agent makes a claim on behalf of any Purchaser for any amounts payable pursuant to Sections 2.07 or 2.06, the Issuer need only give 2 Business Days' prior written notice to the Note Agent to effect a reduction in the Maximum Note Principal Balance.

SECTION 2.04. Fees. From and after the Closing Date until the Collection Date, the fees set forth in the Fee Letter (the "Fees") shall be paid in accordance with Section 5.04 of the Indenture.

SECTION 2.05. Extension of Term.

(a) The Issuer may, at any time during the period which is not less than 45 days and not more than 75 days prior to the Commitment Termination Date then in effect hereunder (as such date may have previously been extended pursuant to this Section 2.05, the "Existing Termination Date"), request that the Existing Termination Date be extended for an additional 364 days from the Existing Termination Date. Any such request shall be in writing and delivered to the Note Agent (which shall then deliver it to each Committed Purchaser), and shall be subject to the following conditions: (i) at no time will this Agreement have a remaining term

of more than 364 days and, if any such request would result in a remaining term of more than 364 days, such request shall be deemed to have been made for such number of days so that, after giving effect to such extension on the date requested, such remaining term will not exceed 364 days, (ii) neither the Note Agent nor any Committed Purchaser shall have any obligation to extend the Commitment Termination Date at any time, and (iii) any such extension shall be effective only upon the written agreement of the Note Agent, the applicable Committed Purchaser, the Depositor, the Issuer and the Servicer. Each Committed Purchaser, acting in its sole discretion, shall, by written notice to the Note Agent (which shall notify the Issuer and the other Purchasers) given on or before the date (herein, the "Consent Date") that is 30 days prior to Existing Termination Date (except that, if such date is not a Business Day, the Consent Date shall be the next succeeding Business Day), advise the Note Agent whether or not such Committed Purchaser intends to extend the Existing Termination Date; provided, that each Committed Purchaser that determines not to extend the Existing Termination Date (a "Non-extending Committed Purchaser") shall notify the Note Agent (which shall notify the Issuer and the other Purchasers) of such fact within 30 days of the Issuer's request for the extension of the Existing Termination Date; provided, further, however, that any Committed Purchaser that does not advise the Note Agent of its decision whether or not to extend the Existing Termination Date on or before the Consent Date shall be deemed to be a Non-extending Committed Purchaser.

(b) The Note Agent shall have the right on the Existing Termination Date to replace any Committed Purchaser with, and/or otherwise add to this Agreement, one or more other Committed Purchasers (which may include any existing Committed Purchaser; each such Person prior to the Existing Termination Date, an "Additional Committed Purchaser") (but only with the prior written consent of the Issuer which consent shall not be unreasonably withheld or delayed) each of which Additional Committed Purchasers shall, effective as of the Existing Termination Date, undertake a commitment to fund Principal Balance Increases in accordance with Section 2.03(b) hereof (and, if any such Additional Committed Purchaser is already a Committed Purchaser, its Commitment shall be increased by the applicable amount on such date). If the Note Agent is unable to replace a Non-extending Committed Purchaser, then on the Existing Termination Date the Maximum Principal Balance shall be reduced to an amount equal to the aggregate of the Commitments of the Committed Purchasers which have extended their respective Commitments in accordance with Section 2.05(a) above.

SECTION 2.06. Calculation and Payment of Monthly Interest.

(a) The amount of interest payable on each Payment Date in respect of the Note shall equal the Monthly Interest for such Payment Date. The Note Agent shall notify the Servicer, the Owner Trustee, the Indenture Trustee and the Purchasers of the Monthly Interest for the related Payment Date and the Note Interest Rate for the related Accrual Period on or before the Business Day immediately following the end of such Accrual Period.

(b) Out of the Monthly Interest received by the Note Agent for each Accrual Period as contemplated in Section 8.01(b), the Note Agent shall remit to each Owner an amount of interest equal to the product of (i) the Note Interest Rate applicable to such Owner for such Accrual Period and (ii) such Owner's allocable share of the Note Principal Balance during such

Accrual Period, plus the amount of any Breakage Costs and Fees applicable to such Owner in respect of such Payment Date.

(c) All computations of interest and other amounts under this Agreement shall be made on the basis of a year of 360 days and the actual number of days elapsed. Whenever any payment or deposit to be made hereunder shall be due on a day other than a Business Day, such payment or deposit shall be made on the next

succeeding Business Day and such extension of time shall be included in the computation of such payment or deposit.

SECTION 2.07. Increased Costs.

(a) If due to the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in or in the Interpretation of any law, regulation or accounting principle or the imposition of any guideline or request from any central bank or other Governmental Authority after the date hereof, there shall be an increase in the cost to an Affected Party of making, funding or maintaining any investment in the Note or any interest therein or of agreeing to purchase or invest in the Note or any interest therein, as the case may be (other than by reason of any Interpretation of or change in laws or regulations relating to Taxes or Excluded Taxes), such Affected Party shall promptly submit to the Depositor, the Servicer and the Note Agent a certificate setting forth in reasonable detail, the calculation of such increased costs incurred by such Affected Party. In determining such amount, such Affected Party may use any reasonable averaging and attribution methods, consistent with the averaging and attribution methods generally used by such Affected Party in determining amounts of this type. The amount of increased costs set forth in such certificate (which certificate shall, in the absence of manifest error, be prima facie evidence as to such amount) shall be included in the Additional Amounts for (i) the first full Accrual Period immediately succeeding the date on which the certificate specifying the amount owing was delivered and (ii) to the extent remaining outstanding, each Accrual Period thereafter until paid in full, and shall be paid to the Note Agent pursuant to Section 5.04 of the Indenture. The Note Agent shall, out of amounts received by it (as contemplated in Section 8.01(b)) in respect of the Additional Amounts on any Payment Date (as contemplated in Section 8.01(b)), pay to each Affected Party, any increased costs due pursuant to this Section 2.07; provided, however, that if the amount distributable in respect of the Additional Amounts on any Payment Date is less than the aggregate amount payable to all Affected Parties pursuant to Sections 2.07, 2.08 and 2.09 for the corresponding Accrual Period, the resulting shortfall shall be allocated among such Affected Parties on a pro rata basis (determined by the amount owed to each). Failure on the part of any Affected Party to demand compensation for any amount pursuant to this Section for any period shall not constitute a waiver of such Affected Party's right to demand compensation for such period. For the avoidance of doubt, if the issuance of FASB Interpretation No. 46, or any other change in accounting standards or the issuance of any other pronouncement, release or interpretation, causes or requires the consolidation of all or a portion of the assets and liabilities of Company or Seller with the assets and liabilities of the Agent, any Financial Institution or any other Funding Source, such event shall constitute a circumstance on which such Funding Source may base a claim for reimbursement under this Section.

(b) Each Owner agrees that it shall use its reasonable efforts to take (or cause any Affected Party claiming through such Owner to take) such steps as would eliminate or reduce the amount of any increased costs described in this Section 2.07 incurred by such Owner or Affected Party; provided that no such steps shall be required to be taken if, in the reasonable judgment of such Owner or Affected Party, such steps would be disadvantageous to such Owner or Affected Party or inconsistent with its internal policy and legal and regulatory restrictions.

SECTION 2.08. Increased Capital.

(a) If the introduction of or any change in or in the Interpretation of any law, regulation or accounting principle or the imposition of any guideline or request from any central bank or other Governmental Authority, in each case, after the date hereof, affects or would affect the amount of capital required or expected to be maintained by any Affected Party, and such Affected Party determines that the amount of such capital is increased as a result of (i) the existence of the Purchaser's agreement to make or maintain an investment in the Note or any interest therein and other similar agreements or facilities or (ii)

the existence of any agreement by Affected Parties to make or maintain an investment in the Note or any interest therein or to fund any such investment and any other commitments of the same type, such Affected Party shall promptly submit to the Depositor, the Servicer and the Note Agent a certificate setting forth the additional amounts required to compensate such Affected Party in light of such circumstances. In determining such amount, such Affected Party may use any reasonable averaging and attribution methods, consistent with the averaging and attribution methods generally used by such Affected Party in determining amounts of this type. The amount set forth in such certificate (which certificate shall, in the absence of manifest error, be prima facie evidence as to such amount) shall be included in the Additional Amounts for (i) the first full Accrual Period immediately succeeding the date on which the certificate specifying the amount owing was delivered and (ii) to the extent remaining outstanding, each Accrual Period thereafter until paid in full, and shall be paid to the Note Agent pursuant to Section 5.04 of the Indenture. The Note Agent shall, out of amounts received by it in respect of the Additional Amounts on any Payment Date (as contemplated in Section 8.01(b)), pay to each Affected Party any amount due pursuant to this Section, provided, however, that if the amount distributable in respect of the Additional Amounts on any Payment Date is less than the aggregate amount payable to all Affected Parties pursuant to Sections 2.07, 2.08 and 2.09 for the corresponding Accrual Period, the resulting shortfall shall be allocated among such Affected Parties on a pro rata basis (determined by the amount owed to each). Failure on the part of any Affected Party to demand compensation for any amount pursuant to this Section 2.08 for any period shall not constitute a waiver of such Affected Party's right to demand compensation for such period. For the avoidance of doubt, if the issuance of FASB Interpretation No. 46, or any other change in accounting standards or the issuance of any other pronouncement, release or interpretation, causes or requires the consolidation of all or a portion of the assets and liabilities of Company or Seller with the assets and liabilities of the Agent, any Financial Institution or any other Funding Source, such event shall constitute a circumstance on which such Funding Source may base a claim for reimbursement under this Section.

(b) Each Owner agrees that it shall use its reasonable efforts to take (or cause any Affected Party claiming through such Owner to take) such steps as would eliminate or reduce the

amount of any increased costs described in this Section 2.08 incurred by such Owner or Affected Party; provided that no such steps shall be required to be taken if, in the reasonable judgment of such Owner or Affected Party, such steps would be disadvantageous to such Owner or Affected Party or inconsistent with its internal policy and legal and regulatory restrictions.

SECTION 2.09. Taxes.

(a) Subject to Section 2.09(d), any and all payments and deposits required to be made hereunder or under the Sale and Servicing Agreement or the Indenture by the Depositor or the Indenture Trustee to or for the benefit of the Note Agent or any Owner shall be made, to the extent allowed by law, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto imposed by any Governmental Authority, excluding, in the case of each Owner and the Note Agent, (i) taxes, levies, imposts, deductions, charges or withholdings imposed on, or measured by reference to, the net income of such Owner or the Note Agent, as applicable, franchise taxes imposed on such Owner or the Note Agent, as applicable (including, branch profits taxes, minimum taxes and taxes computed under alternative methods, at least one of which is based on net income), and any other taxes (other than withholding taxes not imposed by Section 1446 of the Code and Other Taxes), levies, imposts, deductions, charges or withholdings based or imposed on income or the receipts or gross receipts of such Owner or the Note Agent, as applicable, in each case, by any of (A) the United States or any State thereof, (B) the state or foreign jurisdiction under the laws of which such Owner or the Note Agent, as applicable, is organized, with which it has a present or former connection (other than solely by reason of

this Agreement), or in which it is otherwise doing business or (C) any political subdivision thereof; (ii) any taxes, levies, imposts, duties, charges or fees to the extent of any credit or other benefit actually realized by such Note Agent or Owner, as applicable, as a result thereof; and (iii) any taxes, levies, imposts, duties, charges or fees imposed as a result of a change by the Note Agent or Owner, as applicable, of the office in which all or any part of its interest in the Note is acquired, accounted for or booked (all such excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being referred to herein as "Excluded Taxes" and all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being referred to herein as "Taxes"). If the Depositor or the Indenture Trustee shall be required by law to deduct any Taxes from or in respect of any sum required to be paid or deposited hereunder to or for the benefit any Owner or the Note Agent, then, subject to Section 2.09(d), (i) such sum shall be increased as may be necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section 2.09), such Owner or the Note Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Depositor or the Indenture Trustee (as appropriate) shall make such deductions and (iii) the Depositor or the Indenture Trustee (as appropriate) shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) Subject to Section 2.09(d), each Owner and the Note Agent shall be reimbursed for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts otherwise payable under this Section 2.09) paid by such Owner or the Note Agent (as the case may be) and any liability (including penalties,

interest and expenses) arising therefrom or with respect thereto. Each Owner and the Note Agent agrees to promptly notify the Depositor and the Servicer of any payment of such Taxes or Other Taxes made by it and, if practicable, any request, demand or notice received in respect thereof prior to such payment. In addition, in the event any Owner is required, in accordance with and pursuant to the terms of any agreement or other document providing liquidity support, credit enhancement or other similar support to such Owner in connection with the Note or the funding or maintenance of an interest therein, to compensate a bank or other financial institution in respect of taxes under circumstances similar to those described in this Section, then, subject to Section 2.09(d), such Owner shall be reimbursed for any such compensation so paid by it. A certificate as to the amount of any indemnification pursuant to this Section 2.09 submitted to the Depositor by such Owner or the Note Agent, as the case may be, setting forth in reasonable detail the basis for and the calculation thereof, shall (absent manifest error) be prima facie evidence as to such amount.

(c) Within 30 days after the date of any payment of Taxes or Other Taxes, the Depositor (on behalf of the Issuer) will furnish to the Note Agent the original or a certified receipt evidencing payment thereof.

(d) Any amounts payable to an Owner or the Note Agent pursuant to this Section shall be included in the Additional Amounts for (i) in the case of amounts payable pursuant to Section 2.09(a), the Accrual Period in respect of which the payment subject to withholding is made, (ii) in the case of amounts payable pursuant to Section 2.09(b), the first full Accrual Period immediately succeeding the date on which the certificate specifying the amount owing was delivered and (iii) in either case, to the extent remaining outstanding, each Accrual Period thereafter until paid in full, and shall be paid to the Note Agent pursuant to Section 5.04 of the Indenture. The Note Agent shall, out of amounts received by it in respect of the Additional Amounts on any Payment Date (as contemplated in Section 8.01(b)), pay to each Owner and itself, as applicable, any reimbursement due pursuant to this Section, provided, however, that if the amount distributable in respect of the Additional Amounts on any Payment Date is less than the aggregate amount payable to all Affected Parties pursuant to Sections 2.07, 2.08 and 2.09 for the corresponding Accrual Period, the resulting shortfall shall be allocated among such Affected Parties on a pro

rata basis (determined by the amount owed to each).

(e) The Note Agent and each Owner (i) that is organized under the laws of a jurisdiction outside the United States hereby agrees to complete, execute and deliver to the Indenture Trustee from time to time prior to the initial Payment Date on which such Person will be entitled to receive distributions pursuant to the Indenture and this Agreement, Internal Revenue Service form W-8ECI (or any successor form), (ii) at the request of the Depositor (on behalf of the Issuer), hereby agree to complete, execute and deliver to the Indenture Trustee from time to time prior to the first Payment Date on which such Person will be entitled to receive distributions pursuant to the Indenture and this Agreement, Internal Revenue Service form W-9 (or any successor form), and (iii) hereby agree to complete, execute and deliver to the Indenture Trustee from time to time prior to the first Payment Date on which such Person will be entitled to receive distributions pursuant to the Indenture and this Agreement, such other forms or certificates as may be required under the laws of any applicable jurisdiction in order to permit the Depositor or the Indenture Trustee to make payments to, and deposit funds to or for the account

of, such Person hereunder and under the Sale and Servicing Agreement and the Indenture without any deduction or withholding for or on account of any United States tax. Each of the Note Agent and each Owner agrees to provide like additional subsequent duly executed forms on or before the date that any such form expires or becomes obsolete, or upon the occurrence of any event requiring an amendment, resubmission or change in the most recent form previously delivered by it and to provide such extensions or renewals as may be reasonably requested by the Depositor or the Indenture Trustee. Each of the Note Agent and each Owner certifies, represents and warrants that as of the date of this Agreement, or in the case of an Owner which is an assignee as of the date of such assignment, that (i) it is entitled (A) to receive payments under this Agreement without deduction or withholding of any United States federal income taxes (other than taxes subject to withholding pursuant to Code Section 1446) and (B) to an exemption from United States backup withholding tax, and (ii) it will pay any taxes attributable to its ownership of an interest in the Note. Each of the Note Agent and each Owner further agrees that compliance with this Section 2.09(e) (including by reason of Section 9.04(c) in the case of any sale or assignment of any interest in Note) is a condition to the payment of any amount otherwise due pursuant to Sections 2.09(a) and 2.09(b). Notwithstanding anything to the contrary herein, each of the Paying Agent, Servicer and Indenture Trustee shall be entitled to withhold any amount that it reasonably determines in its sole discretion is required to be withheld pursuant to Section 1446 of the Code and such amount shall be deemed to have been paid to the Note Agent or Owner, as applicable, for all purposes of the Agreement.

(f) Any Owner entitled to the payment of any additional amount pursuant to this Section 2.09 shall use its reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to take such steps as would eliminate or reduce the amount of such payment; provided that no such steps shall be required to be taken if, in the reasonable judgment of such Owner, such steps would be materially disadvantageous to such Owner.

(g) Without prejudice to the survival of any other agreement of the Depositor hereunder, the agreements and obligations of the Depositor contained in this Section 2.09 shall survive the termination of this Agreement.

ARTICLE III
CLOSING

SECTION 3.01. Closing. The closing of the purchase and sale of the Note (the "Closing") shall take place at the offices of Manatt, Phelps & Phillips, LLP, 650 Town Center Drive, Suite 1250, Costa Mesa, California 92626, on August 8, 2003, or, if the conditions to closing set forth in Article IV 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 3.02. Transactions to be Effected at the Closing. At the Closing, the Issuer shall deliver the Note with an aggregate maximum principal amount equal to the Maximum Note Principal Balance to the Note Agent on behalf of the Purchasers.

ARTICLE IV
PURCHASER CONDITIONS PRECEDENT

SECTION 4.01. Conditions Precedent to the Purchase of the Note. The obligation of the Purchasers to purchase and pay for the Note on the Closing Date is subject to the satisfaction at the time of the Closing of the following conditions:

(a) Performance by the Issuer, the Servicer, the Loan Originator and the Depositor. All the terms, covenants, agreements and conditions of this Agreement and the other Basic Documents to be complied with and performed by the Issuer, the Servicer, the Loan Originator or the Depositor, as applicable, by the Closing shall have been complied with and performed in all respects.

(b) Representations and Warranties of the Issuer, the Servicer, the Loan Originator and the Depositor. Each of the representations and warranties of the Depositor, the Servicer, the Loan Originator and the Issuer made in this Agreement and the other Basic Documents, shall be true and correct in all respects as of the time of the Closing as though made as of such time (except to the extent they expressly relate to an earlier time).

(c) Officers' Certificate. The Note Agent shall have received from the Servicer, in form and substance reasonably satisfactory to the Purchasers and the Note Agent, an Officer's Certificate, dated the Closing Date, certifying as to the satisfaction of the conditions set forth in Sections 4.01 (a) and 4.0 1(b) with respect to the Servicer, the Loan Originator, the Depositor and the Issuer, respectively.

(d) Certain Opinions of Counsel. The Note Agent shall have received from (1) Manatt, Phelps & Phillips, LLP, acting as counsel for the Depositor, the Servicer, the Loan Originator and/or certain other parties, as applicable, and (2) in-house counsel for the Loan Originator, favorable opinions, dated the Closing Date and reasonably satisfactory in form and substance to the Purchasers, the Note Agent and their counsel.

(e) Opinions of Counsel for the Indenture Trustee and the Owner Trustee. The Note Agent shall have received from:

(i) Kennedy Covington Lobdell & Hickman, L.L.P., counsel for the Indenture Trustee, a favorable opinion, dated the Closing Date and reasonably satisfactory in form and substance to the Purchasers, the Note Agent and their counsel.

(ii) Richards, Layton & Finger, P.A., counsel for the Owner Trustee and the Issuer, a favorable opinion, dated the Closing Date and reasonably satisfactory in form and substance to the Purchasers, the Note Agent and their counsel.

(f) Financing Statements. The Note Agent shall have received evidence reasonably satisfactory to the Purchasers and the Note Agent that, on or before the Closing Date, (i) UCC-1 financing statements have been filed in the offices of the Secretary of State or comparable offices of the applicable states and in the appropriate office or offices in such other locations as may be

specified in the relevant opinions of counsel delivered pursuant to Section

4.01(d) and in such other jurisdictions as its counsel deems appropriate, reflecting the assignments contemplated by such opinions of counsel and the respective interests of the applicable parties and (ii) all other recording, registrations and filings (including, without limitation, recording of Assignments of Mortgage) as may be necessary, or in the opinion of the Note Agent and the Purchasers desirable, to perfect the security interest of the Indenture Trustee in the Collateral (including, without limitation, the Loans) have been completed.

(g) Receipt of Certain Documents. The Note Agent shall have received a fully executed copy of each of the Basic Documents and the other instruments, documents and agreements required to be delivered thereunder. Each of the Basic Documents shall have been duly authorized, executed and delivered by the Depositor, the Servicer, the Loan Originator, the Issuer, the Owner Trustee and the Indenture Trustee, as applicable, and shall be in full force and effect on the Closing Date.

(h) No 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 by the Issuer, the Depositor, the Servicer, the Loan Originator, the Note Agent or the Purchasers of, or to invalidate, the transactions contemplated by this Agreement, any of the other Basic Documents or any of the Asset Purchase Agreements in any respect.

(i) Approvals and Consents. All Governmental Actions of Governmental Authorities required by the Note Agent, the Issuer, the Purchasers, the Servicer, the Loan Originator or the Depositor with respect to the transactions contemplated by this Agreement, the other Basic Documents and the Asset Purchase Agreements shall have been obtained or made.

(j) Payment of Fees. All Fees required to be paid to the Note Agent or the Purchasers in connection with the Closing pursuant to the Fee Letter shall have been paid.

(k) Accounts. The Note Agent shall have received evidence reasonably satisfactory to it that each Trust Account has been established in accordance with the terms of the Sale and Servicing Agreement.

(l) Proceedings in Contemplation of Sale of the Note. All actions and proceedings undertaken by the Issuer, the Loan Originator, the Depositor and the Servicer in connection with the issuance and sale of the Note as herein contemplated shall be satisfactory in all respects to the Note Agent, the Purchasers and their counsel.

(m) Financial Covenants. The Loan Originator and the Servicer shall be in compliance with the financial covenants set forth in Section 7.02 of the Sale and Servicing Agreement.

(n) Trust Accounts Control Agreements. The Note Agent shall have received control agreements relating to the Trust Accounts in form and substance satisfactory to the Note Agent.

(o) Other Documents. The Servicer, the Loan Originator, the Depositor and the Issuer shall have furnished to the Purchasers or the Note Agent, as the case may be, such other

information, certificates and documents as the Purchasers, the Note Agent or their counsel may reasonably request.

SECTION 4.02. Conditions Precedent to Principal Balance Increases. The obligation of the Purchasers to make any Principal Balance Increase is subject to the satisfaction, as of the applicable Increase Date, of each of the following conditions:

(a) the request with respect to such Principal Balance Increase shall have

been delivered to the Note Agent and the Servicer by the time, and shall otherwise conform to the requirements, specified in Section 2.06 of the Sale and Servicing Agreement;

(b) each of the conditions set forth in Section 2.06 of the Sale and Servicing Agreement shall have been satisfied;

(c) after giving effect to such Principal Balance Increase, the Note Principal Balance shall not exceed the Maximum Note Principal Balance;

(d) no Default, Event of Default or Servicer Event of Default has occurred and is continuing or would result from such Principal Balance Increase;

(e) the Revolving Period shall not have ended as of such Increase Date;

(f) each of the representations and warranties of the Issuer, the Servicer, the Loan Originator and the Depositor set forth in the Basic Documents, shall be true and correct as though made on and as of such Increase Date (except to the extent they expressly relate to an earlier date);

(g) the Issuer, the Servicer, the Loan Originator and the Depositor shall be in compliance with all of their respective covenants contained in the Basic Documents and the Note;

(h) the Note Agent shall have received evidence satisfactory to it of the completion of all recordings, registrations, and filings as may be necessary or, in the opinion of the Note Agent, desirable to perfect or evidence the assignments required to be effected on such Increase Date in accordance with the Sale and Servicing Agreement including, without limitation, the assignment of the Loans and the proceeds thereof required to be assigned pursuant to the related LPA Assignment, S&SA Assignment and the Indenture; and

(i) after giving effect to such Principal Balance Increase, no Overcollateralization Shortfall shall exist.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

SECTION 5.01. Representations and Warranties of the Depositor. The Depositor hereby represents and warrants to the Owners and the Note Agent, as of the date of this Agreement, as of the Closing Date, and as of (and as a condition to any Principal Balance Increase occurring on) each Increase Date, in each case with reference to the facts and circumstances then existing, as follows:

(a) Corporate Existence. The Depositor is a corporation, duly organized, validly existing and in good standing under the laws of Delaware, with full power and authority under such laws to own its properties and conduct its business as such properties are presently owned and such business is presently conducted and to execute, deliver and perform its obligations under this Agreement and each Basic Document to which it is a party.

(b) Corporate Authority. The Depositor has the corporate power and authority to execute, deliver and perform this Agreement and each Basic Document to which it is a party and all the transactions contemplated hereby and thereby and has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and each Basic Document to which it is a party; and, when executed and delivered, each of this Agreement and each Basic Document to which it is a party will constitute its legal, valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, receivership, conservatorship and other laws relating to or affecting the enforcement of creditors rights. The enforceability of its obligations under such agreements is also subject to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, and no

representation or warranty is made with respect to the enforceability of its obligations under any indemnification provisions in such agreements to the extent that indemnification is sought in connection with securities laws violations and is contrary to public policy.

(c) No Consents Required. No consent, license, approval or authorization of, or registration with, any Governmental Authority is required to be obtained by the Depositor in connection with the execution, delivery or performance by the Depositor of each of this Agreement and the Basic Documents to which it is a party, that has not been duly obtained and which is not and will not be in full force and effect on the Closing Date or the relevant Increase Date, as applicable.

(d) No Violation. The execution, delivery and performance of each of this Agreement and the Basic Documents to which it is a party do not violate any provision of any existing law or regulation applicable to the Depositor, any order or decree of any court or other judicial authority to which it is subject, its charter or by-laws or any mortgage, indenture, contract or other agreement to which it is a party or by which it or any of its properties is bound.

(e) No Proceeding. There is no action, litigation or proceeding before any court, tribunal or governmental body presently pending or, to the knowledge of the Depositor threatened against the Depositor with respect to this Agreement, the Basic Documents to which it

is a party, the transactions contemplated hereby or thereby or the issuance of the Note, and there is no such litigation or proceeding against it or any of its properties.

(f) Trust Indenture Act. Neither the Indenture nor the Sale and Servicing Agreement is required to be qualified under the Trust Indenture Act of 1939.

(g) Investment Company Act. The Depositor is not required to be registered under the Investment Company Act of 1940, as amended.

(h) No Event of Default or Default. No Event of Default or Default has occurred and is continuing, both before and immediately after giving effect to the purchase or issuance of the Note or the relevant Principal Balance Increase, as applicable.

(i) The Note. The Note has been duly and validly authorized, and, when executed and authenticated in accordance with the terms of the Indenture and delivered to the Note Agent in accordance with this Agreement, will be duly and validly issued and outstanding, and will be entitled to the benefits of, as applicable, this Agreement and the applicable Basic Documents.

(j) Taxes, Etc. Any taxes, fees and other charges of Governmental Authorities imposed upon the Depositor in connection with the execution, delivery and performance by the Depositor of this Agreement, the other Basic Documents and the Note or otherwise in connection with the Issuer have been paid or will be paid by the Depositor at or prior to the Closing Date or the relevant Increase Date, as applicable, to the extent then due.

(k) Disclosure. All written factual information heretofore furnished by the Depositor or any of its representatives to the Note Agent or any Owner or any of their representatives for purposes of or in connection with this Agreement, including, without limitation, information relating to the Loans and the Depositor's mortgage loan businesses, when considered with other information provided to the Note Agent, other Owners or their representatives, as well as information publicly available to them, was true and correct in all material respects on the date such information was furnished by the Depositor or, if such information specifically relates to an earlier date, on such earlier date.

(l) Location of Offices. The Depositor's principal place of business and chief executive office is located in the State of California, or such other

jurisdiction with respect to which the requirements specified in Section 6.04 have been satisfied.

(m) Sale and Servicing Agreement Representations and Warranties. Its representations and warranties in Section 3.01 of the Sale and Servicing Agreement are true and correct in all material respects as of the dates they were made (unless they specifically refer to an earlier date, in which case they were true and correct on such earlier date).

SECTION 5.02. Representations and Warranties of the Servicer. The Servicer hereby represents and warrants to the Owners and the Note Agent, as of the date of this Agreement, as of the Closing Date, and as of (and as a condition to any Principal Balance Increase occurring

on) each Increase Date, in each case with reference to the facts and circumstances then existing, as follows:

(a) Corporate Existence. The Servicer is a corporation, duly organized, validly existing and in good standing under the State of California, with full power and authority under such laws to own its properties and conduct its business as such properties are presently owned and such business is presently conducted and to execute, deliver and perform its obligations under this Agreement and each Basic Document to which it is a party.

(b) Corporate Authority. The Servicer has the corporate power, authority and right to make, execute, deliver and perform this Agreement and each Basic Document to which it is a party and all the transactions contemplated hereby and thereby and has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and each Basic Document to which it is a party; and, when executed and delivered, each of this Agreement and the Basic Documents to which it is a party will constitute its legal, valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, receivership, conservatorship and other laws relating to or affecting the enforcement of creditors rights. The enforceability of its obligations under such agreements is also subject to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, and no representation or warranty is made with respect to the enforceability of its obligations under any indemnification provisions in such agreements to the extent that indemnification is sought in connection with securities laws violations and is contrary to public policy.

(c) No Consents Required. No consent, license, approval or authorization of, or registration with, any Governmental Authority is required to be obtained by the Servicer in connection with the execution, delivery or performance by the Servicer of each of this Agreement and the Basic Documents to which it is a party, that has not been duly obtained and which is not and will not be in full force and effect on the Closing Date or the relevant Increase Date, as applicable.

(d) No Violation. The execution, delivery and performance of each of this Agreement and the Basic Documents to which it is a party do not violate any provision of any existing law or regulation applicable to the Servicer any order or decree of any court or other judicial authority to which it is subject, its charter or by-laws or any mortgage, indenture, contract or other agreement to which it is a party or by which it or any of its properties is bound.

(e) Financial Statements. Prior to the Closing Date, the Servicer has delivered or caused to be delivered to the Note Agent, or, if such financial statements are publicly available, the Agent has otherwise obtained, complete and correct copies of, the audited consolidated balance sheet of Option One Mortgage Corporation and its subsidiaries as of April 30, 2003, and the related audited consolidated statements of income and cash flows of Option One Mortgage Corporation and its subsidiaries for the fiscal year then ended, accompanied by the opinion of Option One Mortgage Corporation's independent certified public

accountants. Such financial statements are complete and correct in all material respects and fairly present the financial condition of Option One Mortgage Corporation and its subsidiaries as of their respective dates

and the results of operations of Option One Mortgage Corporation and its subsidiaries for the applicable periods then ended, subject to year-end adjustments in the case of unaudited information, all in accordance with generally accepted accounting principles or regulatory accounting principles, as applicable, consistently applied.

(f) No Proceeding. There is no action, litigation or proceeding before any court, tribunal or governmental body presently pending or, to the knowledge of the Servicer threatened against the Servicer with respect to this Agreement, the Basic Documents to which it is a party, the transactions contemplated hereby or thereby or the issuance of the Note, and there is no such litigation or proceeding against it or any of its properties.

(g) Trust Indenture Act. Neither the Indenture nor Sale and Servicing Agreement is required to be qualified under the Trust Indenture Act of 1939.

(h) Investment Company Act. The Servicer is not required to be registered under the Investment Company Act of 1940, as amended.

(i) No Event of Default or Default. No Event of Default or Default has occurred and is continuing, both before and immediately after giving effect to the purchase or issuance of the Note or the relevant Principal Balance Increase, as applicable.

(j) The Note. The Note has been duly and validly authorized, and, when executed and authenticated in accordance with the terms of the Indenture and delivered to the Note Agent in accordance with this Agreement, will be duly and validly issued and outstanding, and will be entitled to the benefits of, as applicable, this Agreement and the applicable Basic Documents.

(k) Taxes, Etc. Any taxes, fees and other charges of Governmental Authorities imposed upon the Servicer in connection with the execution, delivery and performance by the Servicer of this Agreement any other Basic Document and the Note or otherwise in connection with the Issuer have been paid or will be paid by the Servicer at or prior to the Closing Date or the relevant Increase Date, as applicable, to the extent then due.

(l) Disclosure. All written factual information heretofore furnished by the Servicer or any of its representatives to the Note Agent or any Owner or any of their representatives for purposes of or in connection with this Agreement, including, without limitation, information relating to the Loans and the Servicer's mortgage loan businesses, when considered with other information provided to the Note Agent, other Owners or their representatives, as well as information publicly available to them, was true and correct in all material respects on the date such information was furnished by the Servicer or, if such information specifically relates to an earlier date, on such earlier date.

(m) Location of Offices. The Servicer's principal place of business and chief executive office is located in the State of California, or such other jurisdiction with respect to which the requirements specified in Section 6.04 have been satisfied.

(n) Sale and Servicing Agreement Representations and Warranties. Its representations and warranties in Sections 3.03 of the Sale and Servicing Agreement are true and correct in all material respects as of the dates they were made (unless they specifically refer to an earlier date, in which case they were true and correct on such earlier date).

SECTION 5.03. Representations and Warranties of the Issuer. The Issuer hereby represents and warrants to the Owners and the Note Agent as of the date of this Agreement, as of the Closing Date, and as of (and as a condition to any Principal Balance Increase occurring on) each Increase Date, in each case with reference to the facts and circumstances then existing, as follows:

(a) Due Organization. The Issuer is Delaware statutory trust organized, validly existing and in good standing under the laws of the State of Delaware, with full power and authority under such laws to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, to execute, deliver and perform its obligations under this Agreement and each Basic Document to which it is a party and to issue the Note.

(b) Authorization of the Basic Documents. The Issuer has the power, authority and right to make, execute, deliver and perform this Agreement and each Basic Document to which it is a party and all the transactions contemplated hereby and thereby and to issue the Note, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and each Basic Document to which it is a party and to issue the Note; and, when executed and delivered, each of this Agreement and the Basic Documents to which it is a party will constitute its legal, valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, receivership, conservatorship and other laws relating to or affecting the enforcement of rights of creditors from time to time in effect. The enforceability of its obligations under such agreements is also subject to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, and no representation or warranty is made with respect to the enforceability of its obligations under any indemnification provisions in such agreements to the extent that indemnification is sought in connection with securities laws violations and is contrary to public policy.

(c) No Consents Required. No consent, license, approval or authorization of, or registration with, any Governmental Authority is required to be obtained by the Issuer in connection with the execution, delivery or performance by the Issuer of each of this Agreement and the Basic Documents to which it is a party, that has not been duly obtained and which is not and will not be in full force and effect on the Closing Date or the relevant Increase Date, as applicable.

(d) No Violation. The execution, delivery and performance of each of this Agreement and the Basic Documents to which it is a party do not violate any provision of any existing law or regulation applicable to the Issuer any order or decree of any court or other judicial authority to which it is subject, the Trust Agreement, any organizational documents or bylaws or any mortgage, indenture, contract or other agreement to which it is a party or by which

it or any significant portion of its properties is bound (other than violations of such laws, regulations, orders, decrees, mortgages, indentures, contracts and other agreements which, individually or in the aggregate, would not have a material adverse effect on the Issuer's ability to perform its obligations under, or the validity or enforceability of, this Agreement or the Basic Documents).

(e) No. Proceeding. There is no action, litigation or proceeding before any court, tribunal or governmental body presently pending or, to the knowledge of the Issuer, threatened against the Issuer with respect to this Agreement, the Basic Documents, the transactions contemplated hereby or thereby or the issuance of the Note, and there is no such litigation or proceeding against it or any significant portion of its properties which would have a material adverse effect on the transactions contemplated by, or its ability to perform its obligations under, this Agreement or any Basic Document to which it is a party.

(f) Investment Company Act. The Issuer is not required to be registered under the Investment Company Act of 1940, as amended.

(g) The Note. The Note has been duly and validly authorized, and, when executed and authenticated in accordance with the terms of the Indenture and delivered to the Note Agent in accordance with this Agreement, will be duly and validly issued and outstanding, and will be entitled to the benefits of, as applicable, this Agreement and the applicable Basic Documents.

(h) Taxes, Etc. Any taxes, fees and other charges of Governmental Authorities imposed upon the Issuer in connection with the execution, delivery and performance by the Issuer of this Agreement any other Basic Document and the Note has been paid or will be paid by the Issuer at or prior to the Closing Date or the relevant Increase Date, as applicable, to the extent then due.

(i) Disclosure. All written factual information heretofore furnished by the Issuer to the Note Agent or any Owner or any of their representatives for purposes of or in connection with this Agreement or the Note, when considered with other information provided to the Note Agent, other Owners or their representatives, as well as information publicly available to them, was true and correct in all material respects on the date such information was furnished by the Issuer or, if such information specifically relates to an earlier date, on such earlier date.

SECTION 5.04. Representations and Warranties of the Note Agent and the Purchasers. The Note Agent and each of the Purchasers hereby represents and warrants to the Issuer, the Depositor and the Servicer as of the date of this Agreement, as follows:

(a) Each of the Note Agent and such Purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the purchase of an interest in the Note. Each of the Note Agent and such Purchaser (i) is (A) a "qualified institutional buyer" as defined under Rule 144A promulgated under the Securities Act of 1933, as amended (the "1933 Act"), acting for its own account or the accounts of other "qualified institutional buyers" as defined under Rule 144A, or (B) an "accredited investor" within the meaning of Regulation D promulgated under the 1933 Act, and (ii) is aware that the

Issuer intends to rely on the exemption from registration requirements under the 1933 Act provided by Rule 144A or Regulation D, as applicable.

(b) Each of the Note Agent and such Purchaser understands that neither the Note nor interests in the Note have been registered or qualified under the 1933 Act, nor under the securities laws of any state, and therefore neither the Note nor interests in the Note can be resold unless they are registered or qualified thereunder or unless an exemption from registration or qualification is available.

(c) It is the intention of the Note Agent and such Purchaser to acquire interests in the Note (a) for investment for its own account, or (b) for resale to "qualified institutional buyers" in transactions under Rule 144A, and not in any event with the view to, or for resale in connection with, any distribution thereof. Each of the Note Agent and such Purchaser understands that the Note and interests therein have not been registered under the 1933 Act by reason of a specific exemption from the registration provisions of the 1933 Act which depends upon, among other things, the bona fide nature of the Purchaser's investment intent (or intent to resell only in Rule 144A transactions) as expressed herein.

The Note Agent shall, and does hereby agree to, indemnify the Issuer, the Owner Trustee, the Depositor, the Trustee and the Servicer against any liability that may result from a breach of the foregoing representations.

ARTICLE VI
COVENANTS OF THE ISSUER, THE DEPOSITOR AND THE SERVICER

SECTION 6.01. Covenants of the Issuer, the Depositor and the Servicer.

Each of the Issuer, the Depositor and the Servicer will (with respect to itself only and not with respect to the other), from the date hereof until the Collection Date, unless, in each case, the Note Agent shall otherwise consent in writing:

(a) Preservation of Corporate Existence. Except as permitted by the Sale and Servicing Agreement, preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification is reasonably likely to materially adversely affect the interests of the Note Agent or any Owner under this Agreement or the Note.

(b) Security Interest; Further Assurances. The Issuer shall take all action necessary to maintain vested in the Indenture Trustee under the Indenture, a first priority perfected security interest in the Collateral. The Depositor and Servicer each agrees to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the Note Agent more fully to effect the purposes of this Agreement.

(c) Access to Information. From the Closing Date until the Collection Date, at any time and from time to time during regular business hours, on reasonable notice to the Depositor or Servicer, as applicable, permit the Note Agent, or its agents or representatives, at the

Servicer's expense (once during any calendar year prior to the occurrence of an Event of Default), (i) to examine all books, records and documents (including computer tapes and disks) in the possession or under the control of the Depositor or Servicer, as the case may be, relating to the Loans or the Basic Documents, and (ii) to visit the offices and properties of the Depositor or the Servicer, as applicable, for the purpose of examining such materials described in clause (i) above.

SECTION 6.02. Reporting Requirements of the Depositor and the Servicer. The Depositor and the Servicer will (with respect to itself only and not with respect to the other), from the date hereof until the Collection Date, unless, in each case, the Note Agent shall otherwise consent in writing, furnish to the Note Agent:

(a) a copy of each certificate, report, statement, notice or other communication furnished by or on behalf of the Depositor or the Servicer to the Indenture Trustee or any Rating Agency pursuant to the Sale and Servicing Agreement or the Indenture, concurrently therewith, and promptly after receipt thereof, a copy of each notice, demand or other communication received by or on behalf of the Depositor or the Servicer under the Sale and Servicing Agreement or the Indenture;

(b) as soon as possible and in any event within five Business Days after the occurrence thereof, notice of each "Event of Default" or "Default" under and as defined in the Indenture or "Servicer Event of Default" under and as defined in the Sale and Servicing Agreement or event that with the giving of notice or lapse of time or both would constitute such a Servicer Event of Default;

(c) copies of all amendments to any Basic Document;

(d) prompt notice of any failure on the part of any party thereto to observe or perform any material term of any Basic Document;

(e) (i) within 120 days following the end of each fiscal year of Option One Mortgage Corporation, beginning with the fiscal year ending April 30, 2004, the audited consolidated balance sheet of Option One Mortgage Corporation and its subsidiaries as of the end of such fiscal year, and the related audited consolidated statements of income and cash flows of Option One Mortgage Corporation and its subsidiaries for such fiscal year, accompanied by the opinion of nationally-recognized independent certified public accountants and

(ii) within 60 days following the end of each fiscal quarter of Option One Mortgage Corporation, beginning with the fiscal quarter ending July 31, 2003, the unaudited consolidated balance sheet of Option One Mortgage Corporation and its subsidiaries as of the end of such fiscal quarter, and the related unaudited consolidated statements of income and cash flows of Option One Mortgage Corporation and its subsidiaries for such fiscal quarter; provided, however, that the financial statements required to be delivered in accordance with this Section 6.02(e) will only be required to be delivered hereunder if such items are not publicly available at the time indicated at no expense to the Note Agent;

(f) such other information, documents, records or reports respecting the Depositor, the Servicer, the Loan Originator, or the Issuer or the condition or operations, financial or otherwise, of the Depositor, the Servicer, the Loan Originator or the Issuer as the Note Agent may from time to time reasonably request; and

(g) such other information, documents, records or reports respecting the Loans or the servicing thereof as the Note Agent may from time to time reasonably request.

SECTION 6.03. Optional Repurchase. The Issuer shall not exercise its right to redeem the Note pursuant to Section 10.01 of the Indenture unless the Owners and the Note Agent have been paid, or will be paid upon such redemption, the Note Principal Balance, all interest thereon and all other amounts owing hereunder in full.

SECTION 6.04. Change in Name; Jurisdiction of Organization. The Depositor shall not (1) make any change to its name indicated on the public record of its jurisdiction of organization which shows it to have been organized, or (2) change its jurisdiction of organization, in either case, unless it shall have given the Note Agent at least 30 days' prior written notice of such relocation and shall have filed such UCC financing statements and other items and delivered such opinions as the Note Agent deems reasonably necessary to maintain the Indenture Trustee's perfected security interest in the Receivables.

ARTICLE VII
INDEMNIFICATION

SECTION 7.01. Indemnification by the Depositor and the Servicer.

(a) The Depositor shall indemnify and hold harmless each Owner, the Note Agent, their respective Affiliates and their respective officers, directors, employees, stockholders, agents and representatives, against any and all losses, claims, damages, liabilities or reasonable expenses (including legal and accounting fees) (collectively, "Losses"), as incurred (payable promptly upon written request), for or on account of or arising from or in connection with or otherwise with respect to any breach of any representation or warranty of the Depositor or the Issuer set forth in this Agreement any other Basic Document or in any certificate delivered pursuant hereto or thereto; provided, however, that the Depositor shall not be so required to indemnify any such Person or otherwise be liable to any such Person hereunder for (i) any Losses incurred for or on account of or arising from or in connection with or otherwise with respect to any breach of any representation or warranty set forth in the Sale and Servicing Agreement a remedy for the breach of which is provided in Section 3.06 of the Sale and Servicing Agreement or (ii) any Losses to the extent they result from the gross negligence or willful misconduct of any Affected Party.

(b) The Servicer shall indemnify and hold harmless each Owner, the Note Agent, their respective Affiliates and their respective officers, directors, employees, stockholders, agents and representatives, against any and all Losses, as incurred (payable promptly upon written request), for or on account of or arising from or in connection with or otherwise with respect to any breach of any representation or warranty of the Servicer set forth in this Agreement or the

Sale and Servicing Agreement or in any certificate delivered pursuant hereto or thereto; provided, however, that the Servicer shall not be so required to indemnify any such Person or otherwise be liable to any such Person hereunder for (i) any Losses incurred for or on account of or arising from or in connection with or otherwise with respect to any breach of any representation or warranty set forth in the Sale and Servicing Agreement a remedy for the breach of which is provided in Section 3.06 of the Sale and Servicing Agreement or (ii) any Losses to the extent they result from the gross negligence or willful misconduct of any Affected Party.

(c) In case any action or proceeding (including any governmental or regulatory investigation or proceeding) shall be instituted involving any Affected Party in respect of which indemnity may be sought pursuant to this Section 7.01, such Affected Party shall promptly notify the Issuer and the Depositor in writing and, upon request of the Affected Party, the Issuer and the Depositor shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Affected Party to represent such Affected Party and any others the indemnifying party may designate and shall pay the reasonable fees and disbursements of such counsel related to such proceeding; provided that failure to give such notice or deliver such documents shall not affect the rights to indemnity hereunder unless such failure materially prejudices the rights of the indemnifying party. The Affected Party will have the right to employ its own counsel in any such action in addition to the counsel of the Issuer and/or the Depositor, but the reasonable fees and expenses of such counsel will be at the expense of such Affected Party, unless (i) the employment of counsel by the Affected Party at its expense has been reasonably authorized in writing by the Depositor or the Issuer, (ii) the Depositor or the Issuer has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action or (iii) the named parties to any such action or proceeding (including any impleaded parties) include the Depositor or the Issuer and one or more Affected Parties, and the Affected Parties shall have been advised by counsel that there may be one or more legal defenses available to them which are different from or additional to those available to the Depositor or the Issuer. Reasonable expenses of counsel to any Affected Party shall be reimbursed by the Issuer and the Depositor as they are incurred. The Issuer and the Depositor shall not be liable for any settlement of any proceeding affected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the Affected Party from and against any loss or liability by reason of such settlement or judgment. Neither the Issuer nor the Depositor will, without the prior written consent of the Affected Party, effect any settlement of any pending or threatened proceeding in respect of which any Affected Party is or could have been a party and indemnity could have been sought hereunder by such Affected Party, unless such settlement includes an unconditional release of such Affected Party from all liability on claims that are the subject matter of such proceeding.

SECTION 7.02. Costs and Expenses. Each of the Depositor and the Servicer agree to pay on demand (a) to the Note Agent and the Purchasers all reasonable costs and expenses in connection with the preparation, execution, delivery and administration (including any amendments, waivers or consents, other than amendments, waivers and consents made solely at the request of any Purchaser or the Note Agent, as opposed to the Depositor or the Servicer) of this Agreement and the other documents to be delivered hereunder or in connection herewith, including, without limitation, (i) the reasonable fees and out-of-pocket expenses of counsel for

each of the Note Agent and the Purchasers, with respect thereto and with respect to advising each of the Note Agent and the Purchasers, as to its respective rights and remedies under this Agreement and the other documents delivered

hereunder or in connection herewith, (ii) rating agency fees, costs and expenses incurred in connection with the purchase by the Purchasers of the Note, (iii) the reasonable fees, costs and expenses of any third party auditors and (iv) other reasonable fees, costs and expenses incurred by any Purchaser or the Note Agent in connection with the purchase by such Purchaser of the Note (including trustee's fees, costs and expenses), and (b) to the Note Agent and any other Affected Party, all reasonable costs and expenses, if any (including reasonable counsel fees and expenses), in connection with the enforcement of this Agreement, and the other documents delivered hereunder or in connection herewith.

ARTICLE VIII
THE NOTE AGENT

SECTION 8.01. Authorization and Action.

(a) Each of the Owners hereby designates and appoints Bank One as Note Agent hereunder, and authorizes the Note Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Note Agent under this Agreement and any related agreement, instrument and document as are delegated to the Note Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto. The Note Agent reserves the right, in its sole discretion to exercise any rights and remedies under this Agreement or any related agreement, instrument or document executed and delivered pursuant hereto, or pursuant to applicable law, and also to agree to any amendment, modification or waiver of this Agreement or any related agreement, instrument and document, in each instance, on behalf of the Owners. The Note Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Owner, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Note Agent shall be read into this Agreement or otherwise exist for the Note Agent. In performing its functions and duties hereunder, the Note Agent does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Depositor or the Issuer or any of its successors or assigns. Notwithstanding anything herein or elsewhere to the contrary, the Note Agent shall not be required to take any action which exposes the Note Agent to personal liability or which is contrary to this Agreement or applicable law.

(b) Each Purchaser and each subsequent Owner from time to time hereby acknowledges and agrees that all payments in respect of the Note and in respect of fees and other amounts owing to the Owners under this Agreement shall, except as otherwise expressly provided herein, be remitted by the applicable payor to the Note Agent on behalf of the Owners, and the Note Agent shall distribute all such amounts, promptly following receipt thereof, to the applicable parties in interest according to their respective interests therein, determined by reference to the terms of the Sale and Servicing Agreement, the Indenture, this Agreement and the Note Agent's books and records relating to the Note (it being agreed that the entries made in such books and records of the Note Agent shall be conclusive and binding for all purposes absent manifest error).

SECTION 8.02. Note Agent's Reliance, Etc. Neither the Note Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as Note Agent under or in connection with this Agreement or any related agreement, instrument or document except for its or their own gross negligence or willful misconduct. Without limiting the foregoing, the Note Agent: (i) may consult with legal counsel (including counsel for the Depositor, the Servicer, the Issuer, the Owner Trustee or the Indenture Trustee), 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, accountants or experts; (ii) makes no warranty or representation to any Owner and shall not be responsible to any Owner for any statements, warranties or representations made in or in connection with this Agreement or in connection with any related agreement, instrument or document; (iii) 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 Agreement or any related agreement, instrument or document on the part of the Depositor, the Servicer, the Issuer, the Owner Trustee or the Indenture Trustee or to inspect the property (including the books and records) of the Depositor, the Servicer, the Issuer, the Owner Trustee or the Indenture Trustee; (iv) shall not be responsible to any Owner for the due execution, legality, validity, enforceability, genuineness or sufficiency of value of this Agreement or any related agreement, instrument or document; (v) shall not be deemed to be acting as any Owner's trustee or otherwise in a fiduciary capacity hereunder or in connection with any related agreement, instrument or document; and (vi) shall incur no liability under or in respect of this Agreement or any related agreement, instrument or document by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by telex or facsimile) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03. Note Agent and Affiliates. To the extent that the Note Agent or any of its Affiliates shall become an Owner, the Note Agent or such Affiliate, in such capacity, shall have the same rights and powers under this Agreement and each related agreement, instrument and document as would any Owner and may exercise the same as though it were not the Note Agent or such Affiliate, as the case may be. The Note Agent and its Affiliates may generally engage in any kind of business with the Depositor, the Servicer, the Issuer, the Owner Trustee or the Indenture Trustee, any Obligor or any of their respective Affiliates and any Person who may do business with or own securities of any of the foregoing, all as if it were not the Note Agent or such Affiliate, as the case may be, and without any duty to account therefor to the Owners.

SECTION 8.04. Purchase Decision. Each Owner acknowledges that it has, independently and without reliance upon the Note Agent, any other Owner or any of their respective Affiliates, and based on such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement and to invest in the Note (or such interest therein as such Owner may hold). Each Owner also acknowledges that it will, independently and without reliance upon the Note Agent, any other Owner or any of their respective Affiliates, and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under this Agreement or any related agreement, instrument or other document.

SECTION 8.05. Indemnification. Each Owner (other than the Purchasers) agrees to indemnify the Note Agent (to the extent not reimbursed by the Depositor, the Servicer or the Issuer), ratably according to its share of the Note Principal Balance from time to time, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Note Agent in any way relating to or arising out of this Agreement or any related agreement, instrument or document, or any action taken or omitted by the Note Agent under this Agreement, or any related agreement, instrument or document; provided, however, that no Owner shall not liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Note Agent's gross negligence or willful misconduct. Without limitation of the generality of the foregoing, each Owner (including the Purchasers, but only to the extent the Purchasers are reimbursed by the Depositor, the Servicer or the Issuer for such a expenses) agrees to reimburse the Note Agent, ratably according to its share of the Note Principal Balance from time to time, promptly upon demand, for any out-of-pocket expenses (including reasonable counsel fees) incurred by the Note Agent in connection with the administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or and related agreement, instrument or document.

SECTION 8.06. Successor Note Agent. The Note Agent may resign at any time by giving 30 days' notice thereof to the Owners, the Depositor, the Issuer, the

Servicer and the Indenture Trustee and such resignation shall become effective upon the appointment and acceptance of a successor Note Agent as described below. Upon any such resignation, the Owners shall have the right to appoint a successor Note Agent approved by the Depositor (which approval will not be unreasonably withheld or delayed). If no successor Note Agent shall have been so appointed by the Owners and accepted such appointment within 30 days after the retiring Note Agent's giving of notice of resignation, then the retiring Note Agent may, on behalf of the Owners, appoint a successor Note Agent approved by the Depositor (which approval will not be unreasonably withheld or delayed), which successor Note Agent shall be (i) either (a) a commercial bank having a combined capital and surplus of at least $250,000,000 or (b) an Affiliate of such bank and (ii) experienced in the types of transactions contemplated by this Agreement. Upon the acceptance of any appointment as Note Agent hereunder by a successor Note Agent, such successor Note Agent shall thereupon succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Note Agent, and the retiring Note Agent shall be discharged from its duties and obligations hereunder. After any retiring Note Agent's resignation or removal hereunder as Note Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Note Agent hereunder.

ARTICLE IX
MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Depositor or the Servicer herefrom, shall in any event be effective unless the same shall be in writing and signed by the Depositor, the Servicer, the Issuer, the Required Owners and the Note Agent. Notwithstanding the foregoing,

without the prior written consent of each Purchaser, no such amendment shall (i) decrease the amount of, or extend the time for payment of, the Note Principal Balance or the Monthly Interest, (ii) change the definition of "Required Owners," or (iii) amend this Section 9.01. Any such amendment, waiver or consent shall be effective in any event only in the specific instance and for the specific purpose for which given.

SECTION 9.02. Notices, Etc. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including telecopies) and mailed, telecopied or delivered, as to each party hereto, at its address set forth on Schedule II attached hereto or at such other address as shall be designated by such party in a written notice to the other party hereto. All such notices and communications shall, when mailed or telecopied, be effective when deposited in the mails or telecopied (with telephonic acknowledgement of receipt). Notwithstanding the foregoing, requests for Principal Balance Increases may be transmitted by electronic mail to the address provided by the Note Agent from time to time and will be deemed to be effective upon being sent.

SECTION 9.03. 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 9.04. Binding Effect; Assignability.

(a) This Agreement shall be binding upon each of and inure to the benefit of the Depositor, the Servicer, the Note Agent, the Owners and their respective successors and permitted assigns.

(b) Neither the Depositor nor the Servicer may assign any of its rights and obligations hereunder or any interest herein without the prior written consent of the Required Owners and the Note Agent.

(c) An Owner may, at any time, subject to the terms and conditions hereinafter set forth and the terms and conditions of the Indenture, (i) without the consent of the Depositor, assign, or grant undivided participation interests in, any or all of its rights and obligations hereunder or under the Note to any Purchaser, any Liquidity Provider, Bank One or any other commercial paper conduit managed by Bank One, and (ii) with the prior written consent of the Issuer, such consent not to be unreasonably withheld, assign, or grant undivided participation interests in, any or all of its rights and obligations hereunder or under the Note to any other Person; provided, however, that (A) without the prior written consent of the Issuer, such consent not to be unreasonably withheld, no participant (other than a Purchaser, any Liquidity Provider, or Bank One) or Affected Party claiming through a participant (other than a Purchaser, any Liquidity Provider, or Bank One) shall be entitled to receive any payment pursuant to Sections 2.07, 2.08, 2.09 or 8.02 in excess of the amount that the Owner granting such participation interest would have been entitled to receive had such participation interest not been sold to such participant; (B) in the case of any transfer by sale, assignment or participation, the

transferee as a condition of transfer shall be subject to compliance with Sections 2.09(e) and (f) hereof; (C) the aggregate number of Owners at any time shall not exceed ten (excluding, if applicable, any Federal Reserve Bank to which a pledge is made); and (D) no assignment or participation hereunder shall be effective unless the Note Agent shall have first consented thereto in writing, such consent being required for the purpose of assuring compliance with the requirements of this Section. Any assignment or grant of a participation interest by an Owner pursuant to this Section shall be effected pursuant to documentation satisfactory in form and substance to the Note Agent. Upon the consummation of any such assignment or sale hereunder, the assignee shall be subject to all of the obligations and entitled to all of the rights and benefits of the assignor hereunder. The Note Agent shall promptly notify the Depositor of any sale, assignment or participation under this Section. Each Purchaser hereby agrees that promptly following the sale of any assignment or participation by any Liquidity Provider of all or any portion of its rights and obligations under the applicable Asset Purchase Agreement, such Purchaser, to the extent that the Depositor's prior consent to such assignment or participation is not required hereunder, shall notify the Depositor thereof, specifying the transferor, the transferee and the extent of the applicable assignment or participation.

(d) It is expressly agreed that, in connection with any assignment, sale or other transfer or any proposed assignment, sale or other transfer of the Note or any interest therein, each Owner making or proposing to make such assignment, sale or other transfer may provide such information regarding the Loans, the Issuer, the Sale and Servicing Agreement, the Indenture and the other Basic Documents as such Owner may deem appropriate to any such assignee, purchaser or other transferee or proposed assignee, purchaser or other transferee, as applicable (any such Person being a "Transferee"), of the Note or such interest therein, provided that prior to any such disclosure of such information, such Transferee shall have agreed to maintain the confidentiality of such information designated by the Depositor as confidential on substantially the basis set forth in Section 9.10.

(e) The Note Agent may not assign at any time its rights and obligations hereunder and interests herein as Note Agent without the consent of the Owners, the Depositor, the Servicer or the Issuer (which consent shall not be unreasonably withheld or delayed).

(f) Each Owner may assign and pledge all or a portion of such Owner's interest in the Note to any Federal Reserve Bank as collateral to secure any obligation of such Owner to such Federal Reserve Bank. Notwithstanding anything to the contrary herein or in the Indenture, such assignment may be made at any time without notice or other obligation with respect to the assignment.

(g) This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full

force and effect until the Collection Date; provided, however, that the rights and remedies with respect to any breach of any representation or warranty made by the Depositor and the Servicer pursuant to Article VI and the provisions of Sections 8.01, 8.02, and 10.07 shall be continuing and shall survive any termination of this Agreement.

SECTION 9.05. Note as Evidence of Indebtedness. It is the intent of each of the parities hereto that, for all federal, state, local and foreign taxes, the Note will be evidence of indebtedness of the Issuer. Each of the parties hereto and the other Owners agrees to treat the Note for purposes of all federal, state, local and foreign taxes as indebtedness of the Issuer secured by the Collateral.

SECTION 9.06. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICTS OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW) AND THE RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 9.07. No Proceedings.

(a) The Issuer, the Servicer and the Depositor, each Owner and the Note Agent each hereby agrees that it will not, prior to the date that is one year and one day after the latest maturing commercial paper note, medium term note or other debt instrument issued by any Conduit Purchaser has been issued, acquiesce, petition or otherwise invoke or cause such Conduit Purchaser to invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against such Conduit Purchaser under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of such Conduit Purchaser or any substantial part of its property or ordering the winding-up or liquidation of the affairs of such Conduit Purchaser. The Issuer, the Servicer, the Depositor, each Owner and the Note Agent each hereby further agrees that prior to the date that is one year and one day after the latest maturing commercial paper note, medium term note or other debt instrument issued by any Conduit Purchaser has been issued, amounts payable by such Conduit Purchaser under or in connection with this Agreement as reimbursement for out-of-pocket expenses or indemnification shall be payable only to the extent that payment thereof will not render such Conduit Purchaser insolvent and is made from funds of such Conduit Purchaser that are freely distributable by such Conduit Purchaser at such Conduit Purchaser's discretion.

(b) Each Owner and the Note Agent hereby agrees that it will not, prior to the date that is one year and one day after the termination of the Trust Agreement, acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against the Issuer or the Depositor under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of its property or ordering the winding-up or liquidation of the affairs of the Issuer or the Depositor. Each Owner and the Note Agent each further agrees that prior to the date that is one year and one day after the termination of the Trust Agreement with respect to the Depositor, amounts payable by the Depositor under or in connection with this Agreement as reimbursement for out-of-pocket expenses or indemnification shall be payable only to the extent that payment thereof will not render the Depositor insolvent and is made from funds of the Depositor that are freely distributable by the Depositor at the Depositor's discretion.

(c) The provisions of this Section 9.07 shall survive the termination of this Agreement.

SECTION 9.08. Execution in Counterparts; Severability. 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. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 9.09. No Recourse.

(a) No recourse under or with respect to any obligation, covenant or agreement (including, without limitation, the payment of any fees or any other obligations) of any Purchaser (whether in its capacity as a Purchaser or as an Owner under this Agreement) as contained in this Agreement or any other agreement, instrument or document entered into by it pursuant hereto or in connection herewith shall be had against any incorporator, affiliate, stockholder, officer, employee or director of such Purchaser, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise (except to the extent that recourse against any such Person arises from the gross negligence or willful misconduct of such Person); it being expressly agreed and understood that the agreements of each Purchaser contained in this Agreement and all of the other agreements, instruments and documents entered into by it pursuant hereto or in connection herewith are, in each case, solely the corporate obligations of such Purchaser, and that no personal liability whatsoever shall attach to or be incurred by any incorporator, stockholder, affiliate, officer, employee or director of any Purchaser, as such, or any of them, under or by reason of any of the obligations, covenants or agreements of any Purchaser contained in this Agreement or in any other such instruments, documents or agreements, or which are implied therefrom, and that any and all personal liability of each incorporator, stockholder, affiliate, officer, employee or director of any Purchaser, or any of them, for breaches by any Purchaser of any such obligations, covenants or agreements, which liability may arise either at common law or at equity, or by statute or constitution, or otherwise, is hereby expressly waived except to the extent that such personal liability of any such Person arises from the gross negligence or willful misconduct of such Person.

(b) Notwithstanding anything contained in this Agreement, no Conduit Purchaser shall have any obligation to pay any amount required to be paid by it hereunder to any of the Liquidity Provider, the Note Agent or any Owner, in excess of any amount available to such Conduit Purchaser after paying or making provision for the payment of its Commercial Paper Notes. All payment obligations of each Conduit Purchaser hereunder are contingent upon the availability of funds in excess of the amounts necessary to pay Commercial Paper Notes; and each of the Liquidity Provider, the Note Agent and each Owner agrees that they shall not have a claim under Section 101(5) of the United States Bankruptcy Code if and to the extent that any such payment obligation exceeds the amount available to such Conduit Purchaser to pay such amounts after paying or making provision for the payment of its Commercial Paper Notes.

(c) The provisions of this Section 9.09 shall survive the termination of this Agreement.

SECTION 9.10. Confidentiality. Notwithstanding anything contained herein to the contrary, unless the Depositor has otherwise given its prior written consent, each Affected Person and the Note Agent hereby agrees to protect and maintain the confidentiality of the information relating to the business and operations of the Issuer, the Depositor and the Servicer and to the Loans as the Issuer, the Depositor or the Servicer may from time to time disclose to each Affected Person and the Note Agent; provided, however, that none of the Affected Persons or the Note Agent shall be obligated to take or observe any such measure (i) with respect to disclosures to Bank One, any Affected Person under an Asset Purchase Agreement, any Person providing credit support to a Purchaser or any

rating agency and (ii) if to do so would, in the reasonable judgment of such Affected Person or the Note Agent, as the case may be, (a) be inconsistent with any Requirement of Law or compliance by such Affected Person or the Note Agent with any binding request of any regulatory body having jurisdiction over such Affected Person or the Note Agent, as the case may be, or (b) materially and adversely affect the ability of such Affected Person or the Note Agent to perform its obligations hereunder or in connection herewith or to enforce its rights hereunder or in connection herewith.

Notwithstanding anything herein to the contrary, each party hereto (and each employee, representative, or other agent of any of the foregoing) may disclose to any and all persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transaction contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are or have been provided to any of the foregoing relating to such tax treatment or tax structure, and it is hereby confirmed that each of the foregoing has been so authorized since the commencement of discussions regarding the transaction contemplated hereby.

SECTION 9.11. Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Note Purchase Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Owner Trustee of Option One Owner Trust 2003-4, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Note Purchase Agreement or any other related documents.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

By: /s/ William L. O'Neill

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

OPTION ONE MORTGAGE CORPORATION, as Servicer

By: /s/ William L. O'Neill

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

OPTION ONE OWNER TRUST 2003-4, as Issuer

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

By:_____
Name:
Title:

Signature Page
to
Note Purchase Agreement

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

By: _____
Name:
Title:

OPTION ONE MORTGAGE CORPORATION, as Servicer

By: _____
Name:
Title:

OPTION ONE OWNER TRUST 2003-4, as Issuer

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

By: /s/ Patricia A. Evans

Name: Patricia A. Evans
Title: Assistant Vice President

Signature Page
to
Note Purchase Agreement

FALCON ASSET SECURITIZATION CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Authorized Signatory

JUPITER SECURITIZATION CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Authorized Signatory

PREFERRED RECEIVABLES FUNDING CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Authorized Signatory

BANK ONE, N.A., as a Committed Purchaser
and as Note Agent

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Managing Director

Signature Page
to
Note Purchase Agreement

SCHEDULE I

COMMITMENTS

COMMITTED PURCHASER	COMMITMENT
Bank One, N.A.	$1,020,000,000

SCHEDULE II

NOTICE ADDRESSES

If to Falcon Asset Securitization Corporation:

c/o Bank One, NA, as Note Agent
Asset Backed Finance
Suite IL1-0079, 1-19
1 Bank One Plaza
Chicago, Illinois 60670-0079
Facsimile No.: (312) 732-1844
Telephone No.: (312) 732-2960

With a copy to the Note Agent;

If to Jupiter Securitization Corporation:

c/o Bank One, NA, as Note Agent
Asset Backed Finance
Suite IL1-0079, 1-19
1 Bank One Plaza
Chicago, Illinois 60670-0079
Facsimile No.: (312) 732-1844
Telephone No.: (312) 732-2960

With a copy to the Note Agent;

If to Preferred Receivables Funding Corporation:

c/o Bank One, NA, as Note Agent
Asset Backed Finance
Suite IL1-0079, 1-19
1 Bank One Plaza
Chicago, Illinois 60670-0079
Facsimile No.: (312) 732-1844
Telephone No.: (312) 732-2960

With a copy to the Note Agent;

If to the Note Agent:

Asset Backed Finance
Suite IL1-0596, 1-21
1 Bank One Plaza
Chicago, Illinois 60670-0596
Facsimile No.: (312) 732-4487
Telephone No.: (312) 732-2960

If to the Issuer:

Option One Owner Trust 2003-4
c/o Wilmington Trust Company
One Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration
Facsimile No.: (302) 636-4144
Telephone No.: (302) 636-1000

If to the Depositor:

Option One Loan Warehouse Corporation
3 Ada Drive
Irvine, California 92618
Attention: William O'Neill
Facsimile No.: (949) 790-7540
Telephone No.: (949) 790-7504

If to the Servicer:

Option One Mortgage Corporation
3 Ada Drive
Irvine, California 92618
Attention: William O'Neill
Facsimile No.: (949) 790-7540
Telephone No.: (949) 790-7504

Exhibit 10.67

AMENDMENT NO. 1
TO
NOTE PURCHASE AGREEMENT

This AMENDMENT NO. 1 (the "Amendment") dated as of August 6, 2004, to the Note Purchase Agreement dated as of August 8, 2003 (as amended, supplemented or otherwise modified hereby and from time to time hereafter, the "Note Purchase Agreement") by and among Option One Owner Trust 2003-4 (the "Issuer"), Option One Mortgage Corporation (the "Servicer"), Option One Loan Warehouse Corporation (the "Depositor"), Falcon Asset Securitization Corporation ("Falcon"), Jupiter Securitization Corporation ("Jupiter"), Preferred Receivables Funding Corporation ("Prefco" and, together with Flacon and Jupiter, the "Conduit Purchasers"), the financial institutions party thereto (the "Committed Purchasers") and Bank One, NA (Main Office Chicago) (the "Note Agent"). Capitalized terms used herein but not specifically defined herein shall have the meanings given to such terms in the Note Purchase Agreement.

PRELIMINARY STATEMENTS:

(1) The Issuer, the Servicer, the Depositor, the Conduit Purchasers, the Committed Purchasers and the Note Agent are parties to the Note Purchase Agreement.

(2) The Issuer has requested that the Committed Purchasers extend the Commitment Termination Date for an additional 364 days.

(3) In consideration of the mutual agreements contained herein, and for other valuable consideration, receipt of which is hereby acknowledged, the parties hereto have agreed to amend the Note Purchase Agreement as set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Amendment. Effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, the definition of "Commitment Termination Date" set forth in Section 1.01 of the Note Purchase Agreement is hereby amended by deleting the reference to "August 6, 2004" and substituting therefor a reference to "August 5, 2005".

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date hereof when, and only when, the Note Agent shall have received an executed counterpart of this Amendment from each of the parties hereto.

SECTION 3. Representations and Warranties. Each of the parties hereto represents and warrants that this Amendment and the Note Purchase Agreement, as amended by this Amendment, constitute legal, valid and binding obligations of such Person enforceable against such Person in accordance with their terms, except as enforceability may be limited by

bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles.

SECTION 4. Reference to and the Effect on the Note Purchase Agreement.

(a) On and after the effective date of this Amendment, each reference in the Note Purchase Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Note Purchase Agreement and each reference to the Note Purchase Agreement in any certificate delivered in connection therewith, shall mean and be a reference to the Note Purchase Agreement as amended hereby.

(b) Each of the parties hereto hereby agrees that, except as specifically amended above, the Note Purchase Agreement is hereby ratified and confirmed and shall continue to be in full force and effect and enforceable, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and general equitable principles.

SECTION 5. Costs and Expenses. The Issuer agrees to pay on demand all reasonable costs and expenses of the Note Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Note Agent with respect thereto and with respect to advising the Note Agent as to its respective rights and responsibilities hereunder and thereunder.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 7. Governing Law. This Amendment shall be construed in accordance with, and governed by the laws of the State of New York, without giving effect to its conflicts of law provisions.

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

OPTION ONE OWNER TRUST 2003-4,
as Issuer

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

By:_____
Name:
Title:

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

By: _____
Name:
Title:

OPTION ONE MORTGAGE CORPORATION, as Servicer

By: _____
Name:
Title:

Signature Page
to
Amendment No. 1 to Note Purchase Agreement

FALCON ASSET SECURITIZATION CORPORATION, as a Conduit Purchaser

By:_____
Name: Beth M. Provanzana
Title: Authorized Signer

JUPITER SECURITIZATION CORPORATION,
as a Conduit Purchaser

By:_____
Name: Beth M. Provanzana
Title: Authorized Signer

PREFERRED RECEIVABLES FUNDING
CORPORATION, as a Conduit Purchaser

By:_____
Name: Beth M. Provanzana
Title: Authorized Signer

BANK ONE, N.A., as a Committed Purchaser
and as Note Agent

By:_____
Name: Beth M. Provanzana
Title: Vice President

Signature Page
to
Amendment No. 1 to Note Purchase Agreement

EXHIBIT 10.68

EXECUTION COPY

AMENDMENT NO. 2
TO
NOTE PURCHASE AGREEMENT

This AMENDMENT NO. 2 (the "Amendment") dated as of August 24, 2004, to the Note Purchase Agreement dated as of August 8, 2003 (as amended, supplemented or otherwise modified hereby and from time to time hereafter, the "Note Purchase Agreement") by and among Option One Owner Trust 2003-4 (the "Issuer"), Option One Mortgage Corporation (the "Servicer"), Option One Loan Warehouse Corporation (the "Depositor"), Falcon Asset Securitization Corporation ("Falcon"), Jupiter Securitization Corporation ("Jupiter"), Preferred Receivables Funding Corporation ("Prefco" and, together with Falcon and Jupiter, the "Conduit Purchasers"), the financial institutions party thereto (the "Committed Purchasers") and Bank One, NA (Main Office Chicago) (the "Note Agent"). Capitalized terms used herein but not specifically defined herein shall have the meanings given to such terms in the Note Purchase Agreement.

PRELIMINARY STATEMENTS:

(1) The Issuer, the Servicer, the Depositor, the Conduit Purchasers, the Committed Purchasers and the Note Agent are parties to the Note Purchase Agreement.

(2) The Issuer has requested that the Purchasers agree to increase the Maximum Note Principal Balance.

(3) In consideration of the mutual agreements contained herein, and for other valuable consideration, receipt of which is hereby acknowledged, the parties hereto have agreed to amend the Note Purchase Agreement as set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Amendment. Effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, the Note Purchase Agreement is hereby amended as follows:

(a) The definition of "Maximum Note Principal Balance" set forth in Section 1.01 of the Note Purchase Agreement is hereby restated in its entirety as follows:

> "Maximum Note Principal Balance" means (i) from August 24, 2004 through October 31, 2004, $1,500,000,000 and (ii) thereafter, $1,000,000,000, in each case, as such amount may be increased or decreased in accordance with the terms of this Agreement.

(b) Schedule I to the Note Purchase Agreement is hereby replaced with Schedule I attached hereto.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date hereof when, and only when, the Note Agent shall have received the following:

(a) an executed counterpart of this Amendment from each of the parties hereto;

(b) a Note payable to the order of Bank One, NA (Main Office Chicago), with a Maximum Note Principal Balance of $1,500,000,000, executed by the Issuer and authenticated by the Indenture Trustee; and

(c) confirmation that the Note issued to Bank One, NA on August 8, 2003 with a Maximum Note Principal Balance of $1,000,000,000 has been cancelled by the Indenture Trustee pursuant to the terms of Section 2.07 of the Indenture.

SECTION 3. Representations and Warranties. Each of the parties hereto represents and warrants that this Amendment and the Note Purchase Agreement, as amended by this Amendment, constitute legal, valid and binding obligations of such Person enforceable against such Person in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles.

SECTION 4. Reference to and the Effect on the Note Purchase Agreement.

(a) On and after the effective date of this Amendment, each reference in the Note Purchase Agreement to "this Agreement", "hereunder", "hereof, "herein" or words of like import referring to the Note Purchase Agreement and each reference to the Note Purchase Agreement in any certificate delivered in connection therewith, shall mean and be a reference to the Note Purchase Agreement as amended hereby.

(b) Each of the parties hereto hereby agrees that, except as specifically amended above, the Note Purchase Agreement is hereby ratified and confirmed and shall continue to be in full force and effect and enforceable, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and general equitable principles.

SECTION 5. Costs and Expenses. The Issuer agrees to pay on demand all reasonable costs and expenses of the Note Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Note Agent with respect thereto and with respect to advising the Note Agent as to its respective rights and responsibilities hereunder and thereunder.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 7. Governing Law. This Amendment shall be construed in accordance with, and governed by the laws of the State of New York, without giving effect to its conflicts of law provisions.

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

OPTION ONE OWNER TRUST 2003-4,
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
CORPORATION, as Depositor

By: _____
Name:
Title:

OPTION ONE MORTGAGE CORPORATION, as
Servicer

By: _____
Name:
Title:

Signature Page
to

Amendment No. 2 to Note Purchase Agreement

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

OPTION ONE OWNER TRUST 2003-4,
as Issuer

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

By: _____
Name:
Title:

OPTION ONE LOAN WAREHOUSE
CORPORATION, as Depositor

By: /s/ Charles R. Fulton

Name: Charles R. Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION, as
Servicer

By: /s/ Charles R. Fulton

Name: Charles R. Fulton
Title: Vice President

Signature Page
to

Amendment No. 2 to Note Purchase Agreement

FALCON ASSET SECURITIZATION
CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Managing Director

JUPITER SECURITIZATION CORPORATION,
as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Managing Director

PREFERRED RECEIVABLES FUNDING
CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Managing Director

BANK ONE, N. A., as a Committed Purchaser and
as Note Agent

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Managing Director

Signature Page
to

Amendment No. 2 to Note Purchase Agreement

SCHEDULE I

COMMITMENTS

COMMITTED PURCHASER	COMMITMENT
Bank One, N.A.	(i) from August 24, 2004 through October 31, 2004, $1,500,000,000 and (ii) thereafter, $1,000,000,000

EXHIBIT 10.69

EXECUTION COPY

AMENDMENT NO. 3
TO
NOTE PURCHASE AGREEMENT

This AMENDMENT NO. 3 (the "Amendment") dated as of October 29, 2004, to the Note Purchase Agreement dated as of August 8, 2003 (as amended, supplemented or otherwise modified hereby and from time to time hereafter, the "Note Purchase Agreement") by and among Option One Owner Trust 2003-4 (the "Issuer"), Option One Mortgage Corporation (the "Servicer"), Option One Loan Warehouse Corporation (the "Depositor"), Falcon Asset Securitization Corporation ("Falcon"), Jupiter Securitization Corporation ("Jupiter"), Preferred Receivables Funding Corporation ("Prefco" and, together with Falcon and Jupiter, the "Conduit Purchasers"), the financial institutions party thereto (the "Committed Purchasers") and Bank One, NA (Main Office Chicago) (the "Note Agent"). Capitalized terms used herein but not specifically defined herein shall have the meanings given to such terms in the Note Purchase Agreement.

PRELIMINARY STATEMENTS:

(1) The Issuer, the Servicer, the Depositor, the Conduit Purchasers, the Committed Purchasers and the Note Agent are parties to the Note Purchase Agreement.

(2) The Issuer has requested that the Purchasers agree to increase the Maximum Note Principal Balance.

(3) In consideration of the mutual agreements contained herein, and for other valuable consideration, receipt of which is hereby acknowledged, the parties hereto have agreed to amend the Note Purchase Agreement as set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Amendment. Effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, the Note Purchase Agreement is hereby amended as follows:

(a) The definition of "Maximum Note Principal Balance" set forth in Section 1.01. of the Note Purchase Agreement is hereby restated in its entirety as follows:

> "Maximum Note Principal Balance" means (i) from October 31, 2004 through November 30, 2004, $1,500,000,000 and (ii) thereafter, $1,000,000,000, in each case, as such amount may be increased or decreased in accordance with the terms of this Agreement.

(b) Schedule I to the Note Purchase Agreement is hereby replaced with Schedule I attached hereto.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date hereof when, and only when, the Note Agent shall have received the following:

(a) an executed counterpart of this Amendment from each of the parties hereto.

SECTIONS 3. Representations and Warranties. Each of the parties hereto represents and warrants that this Amendment and the Note Purchase Agreement, as amended by this Amendment, constitute legal, valid and binding obligations of such Person enforceable against such Person in accordance with their terms,

except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles.

SECTION 4. Reference to and the Effect on the Note Purchase Agreement.

(a) On and after the effective date of this Amendment, each reference in the Note Purchase Agreement to "this Agreement", "hereunder", "hereof, "herein" or words of like import referring to the Note Purchase Agreement and each reference to the Note Purchase Agreement in any certificate delivered in connection therewith, shall mean and be a reference to the Note Purchase Agreement as amended hereby.

(b) Each of the parties hereto hereby agrees that, except as specifically amended above, the Note Purchase Agreement is hereby ratified and confirmed and shall continue to be in full force and effect and enforceable, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and general equitable principles.

SECTION 5. Costs and Expenses. The Issuer agrees to pay on demand all reasonable costs and expenses of the Note Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Note Agent with respect thereto and with respect to advising the Note Agent as to its respective rights and responsibilities hereunder and thereunder.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 7. Governing Law. This Amendment shall be construed in accordance with, and governed by the laws of the State of New York, without giving effect to its conflicts of law provisions.

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

OPTION ONE OWNER TRUST 2003-4,
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 CORPORATION, as Depositor

By: _____
Name:
Title:

OPTION ONE MORTGAGE CORPORATION, as Servicer

By: _____
Name:

Title:

Signature Page
to

Amendment No. 3 to Note Purchase Agreement

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

OPTION ONE OWNER TRUST 2003-4,
as Issuer

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

By: _____
Name:
Title:

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

By: /s/ Charles R. Fulton

Name: Charles R. Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION, as Servicer

By: /s/ Charles R. Fulton

Name: Charles R. Fulton
Title: Vice President

Signature Page
to

Amendment No. 3 to Note Purchase Agreement

FALCON ASSET SECURITIZATION CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Authorized Signer

JUPITER SECURITIZATION CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Authorized Signer

PREFERRED RECEIVABLES FUNDING CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Authorized Signer

BANK ONE, N.A., as a Committed Purchaser and as Note Agent

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Managing Director

EXHIBIT 10.70

EXECUTION COPY

AMENDMENT NO. 4
TO
NOTE PURCHASE AGREEMENT

This AMENDMENT NO. 4 (the "Amendment") dated as of November 30, 2004, to the Note Purchase Agreement dated as of August 8, 2003 (as amended, supplemented or otherwise modified hereby and from time to time hereafter, the "Note Purchase Agreement") by and among Option One Owner Trust 2003-4 (the "Issuer"), Option One Mortgage Corporation (the "Servicer"), Option One Loan Warehouse Corporation (the "Depositor"), Falcon Asset Securitization Corporation ("Falcon"), Jupiter Securitization Corporation ("Jupiter"), Preferred Receivables Funding Corporation ("Prefco" and, together with Falcon and Jupiter, the "Conduit Purchasers"), the financial institutions party thereto (the "Committed Purchasers") and JPMorgan Chase Bank, N.A. (successor by merger to Bank One, NA (Main Office Chicago)) (the "Note Agent"). Capitalized terms used herein but not specifically defined herein shall have the meanings given to such terms in the Note Purchase Agreement.

PRELIMINARY STATEMENTS:

(1) The Issuer, the Servicer, the Depositor, the Conduit Purchasers, the Committed Purchasers and the Note Agent are parties to the Note Purchase Agreement.

(2) The Issuer has requested that the Purchasers agree to increase the Maximum Note Principal Balance.

(3) In consideration of the mutual agreements contained herein, and for other valuable consideration, receipt of which is hereby acknowledged, the parties hereto have agreed to amend the Note Purchase Agreement as set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Amendment. Effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, the Note Purchase Agreement is hereby amended as follows:

(a) The definition of "Maximum Note Principal Balance" set forth in Section 1.01 of the Note Purchase Agreement is hereby restated in its entirety as follows:

> "Maximum Note Principal Balance" means (i) from November 30, 2004 through January 31, 2005, $1,500,000,000 and (ii) thereafter, $1,000,000,000, in each case, as such amount may be increased or decreased in accordance with the terms of this Agreement.

(b) Schedule I to the Note Purchase Agreement is hereby replaced with Schedule I attached hereto.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date hereof when, and only when, the Note Agent shall have received the following:

(a) an executed counterpart of this Amendment from each of the parties hereto.

SECTION 3. Representations and Warranties. Each of the parties hereto represents and warrants that this Amendment and the Note Purchase Agreement, as amended by this Amendment, constitute legal, valid and binding obligations of

such Person enforceable against such Person in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles.

SECTION 4. Reference to and the Effect on the Note Purchase Agreement.

(a) On and after the effective date of this Amendment, each reference in the Note Purchase Agreement to "this Agreement", "hereunder", "hereof, "herein" or words of like import referring to the Note Purchase Agreement and each reference to the Note Purchase Agreement in any certificate delivered in connection therewith, shall mean and be a reference to the Note Purchase Agreement as amended hereby.

(b) Each of the parties hereto hereby agrees that, except as specifically amended above, the Note Purchase Agreement is hereby ratified and confirmed and shall continue to be in full force and effect and enforceable, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and general equitable principles.

SECTION 5. Costs and Expenses. The Issuer agrees to pay on demand all reasonable costs and expenses of the Note Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Note Agent with respect thereto and with respect to advising the Note Agent as to its respective rights and responsibilities hereunder and thereunder.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 7. Governing Law. This Amendment shall be construed in accordance with, and governed by the laws of the State of New York, without giving effect to its conflicts of law provisions.

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

OPTION ONE OWNER TRUST 2003-4,
as Issuer

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

By: /s/ Erwin M. Soriano

Name: ERWIN M. SORIANO
Titles: Assistant vice President

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

By: _____
Name:
Title:

OPTION ONE MORTGAGE CORPORATION, as Servicer

By: _____

Name:
Title:

Signature Page
to

Amendment No. 4 to Note Purchase Agreement

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

OPTION ONE OWNER TRUST 2003-4,
as Issuer

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

By: _____
Name:
Title:

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

By: /s/ Charles R. Fulton

Name: Charles R. Fulton
Title: Assistant Secretary

OPTION ONE MORTGAGE CORPORATION, as Servicer

By: /s/ Charles R. Fulton

Name: Charles R. Fulton
Title: Vice President

Signature Page
to

Amendment No. 4 to Note Purchase Agreement

FALCON ASSET SECURITIZATION CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Authorized Signer

JUPITER SECURITIZATION CORPORATION, as a Conduit Purchaser

BY: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Authorized Signer

PREFERRED RECEIVABLES FUNDING CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Authorized Signer

JPMORGAN CHASE BANK, N.A., successor by merger to BANK ONE, NA (Main Office Chicago), as a Committed Purchaser and as Note Agent

By: /s/ Daniel J. Clarke

Name: Daniel J. Clarke, Jr.
Title: Managing Director

Signature Page
to

Amendment No. 4 to Note Purchase Agreement

SCHEDULE I

COMMITMENTS

COMMITTED PURCHASER	COMMITMENT
JP Morgan Chase Bank, N.A., successor by merger to Bank One, NA (Main Office Chicago)	(i) from November 30, 2004 through January 31, 2005, $1,500,000,000 and (ii) thereafter, $1,000,000,000

Exhibit 10.71

EXECUTION COPY

AMENDMENT NO. 5
TO
NOTE PURCHASE AGREEMENT

This AMENDMENT NO. 5 (the "Amendment") dated as of January 31, 2005, to the Note Purchase Agreement dated as of August 8, 2003 (as amended, supplemented or otherwise modified hereby and from time to time hereafter, the "Note Purchase Agreement") by and among Option One Owner Trust 2003-4 (the "Issuer"), Option One Mortgage Corporation (the "Servicer"), Option One Loan Warehouse Corporation (the "Depositor"), Falcon Asset Securitization Corporation ("Falcon"), Jupiter Securitization Corporation ("Jupiter"), Preferred Receivables Funding Corporation ("Prefco" and, together with Falcon and Jupiter, the "Conduit Purchasers"), the financial institutions party thereto (the "Committed Purchasers") and JPMorgan Chase Bank, N.A. (successor by merger to Bank One, NA (Main Office Chicago)) (the "Note Agent"). Capitalized terms used herein but not specifically defined herein shall have the meanings given to such terms in the Note Purchase Agreement.

PRELIMINARY STATEMENTS:

(1) The Issuer, the Servicer, the Depositor, the Conduit Purchasers, the Committed Purchasers and the Note Agent are parties to the Note Purchase Agreement.

(2) The Issuer has requested that the Purchasers agree to increase the Maximum Note Principal Balance.

(3) In consideration of the mutual agreements contained herein, and for other valuable consideration, receipt of which is hereby acknowledged, the parties hereto have agreed to amend the Note Purchase Agreement as set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Amendment. Effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, the Note Purchase Agreement is hereby amended as follows:

(a) The definition of "Maximum Note Principal Balance" set forth in Section 1.01 of the Note Purchase Agreement is hereby restated in its entirety as follows:

> "Maximum Note Principal Balance" means (i) from January 31, 2005 through April 30, 2005, $1,500,000,000 and (ii) thereafter, $1,000,000,000, in each case, as such amount may be increased or decreased in accordance with the terms of this Agreement.

(b) Schedule I to the Note Purchase Agreement is hereby replaced with Schedule I attached hereto.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date hereof when, and only when, the Note Agent shall have received the following:

(a) an executed counterpart of this Amendment from each of the parties hereto.

SECTION 3. Representations and Warranties. Each of the parties hereto represents and warrants that this Amendment and the Note Purchase Agreement, as amended by this Amendment, constitute legal, valid and binding obligations of

such Person enforceable against such Person in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles.

SECTION 4. Reference to and the Effect on the Note Purchase Agreement.

(a) On and after the effective date of this Amendment, each reference in the Note Purchase Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Note Purchase Agreement and each reference to the Note Purchase Agreement in any certificate delivered in connection therewith, shall mean and be a reference to the Note Purchase Agreement as amended hereby.

(b) Each of the parties hereto hereby agrees that, except as specifically amended above, the Note Purchase Agreement is hereby ratified and confirmed and shall continue to be in full force and effect and enforceable, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and general equitable principles.

SECTION 5. Costs and Expenses. The Issuer agrees to pay on demand all reasonable costs and expenses of the Note Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Note Agent with respect thereto and with respect to advising the Note Agent as to its respective rights and responsibilities hereunder and thereunder.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 7. Governing Law. This Amendment shall be construed in accordance with, and governed by the laws of the State of New York, without giving effect to its conflicts of law provisions.

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

OPTION ONE OWNER TRUST 2003-4,
as Issuer

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

By: /s/ Mary Kay Pupillo

Name:
Title:

OPTION ONE LOAN WAREHOUSE CORPORATION, as Depositor

By: /s/ C.R. Fulton

Name:
Title:

OPTION ONE MORTGAGE CORPORATION, as Servicer

By: /s/ C.R. Fulton

Name:
Title:

Signature Page
to
Amendment No. 4 to Note Purchase Agreement

FALCON ASSET SECURITIZATION CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke, Jr.

Name: Daniel J. Clarke, Jr.
Title: Authorized Signer

JUPITER SECURITIZATION CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke, Jr.

Name: Daniel J. Clarke, Jr.
Title: Authorized Signer

PREFERRED RECEIVABLES FUNDING CORPORATION, as a Conduit Purchaser

By: /s/ Daniel J. Clarke, Jr.

Name: Daniel J. Clarke, Jr.
Title: Authorized Signer

JPMORGAN CHASE BANK, N.A., successor by merger to BANK ONE, NA (Main Office Chicago), as a Committed Purchaser and as Note Agent

By: /s/ Daniel J. Clarke, Jr.

Name: Daniel J. Clarke, Jr.
Title: Managing Director

Signature Page
to
Amendment No. 4 to Note Purchase Agreement

SCHEDULE I

COMMITMENTS

COMMITTED PURCHASER	COMMITMENT
JPMorgan Chase Bank, N.A., successor by merger to Bank One, NA (Main Office Chicago)	(i) from January 31, 2005 through April 30, 2005, $1,500,000,000 and (ii) thereafter, $1,000,000,000

.
.
.

EXHIBIT 12

H&R BLOCK, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(AMOUNTS IN THOUSANDS)

	2005	Restated 2004	Restated 2003	Restated 2002	Restated 2001
Pretax income before change in accounting principle	$1,017,715	$1,162,975	$ 855,564	$709,136	$459,169
FIXED CHARGES:					
Interest expense	87,924	84,556	92,644	116,141	242,551
Interest portion of net rent expense(a)	91,755	80,390	71,821	63,550	59,309
Total fixed charges	179,679	164,946	164,465	179,691	301,860
Earnings before income taxes and fixed charges	$1,197,394	$1,327,921	$1,020,029	$888,827	$761,029
Ratio of earnings to fixed charges	6.7	8.1	6.2	4.9	2.5

(a) One-third of net rent expense is the portion deemed representative of the interest factor.

EXHIBIT 21

SUBSIDIARIES OF H&R BLOCK, INC.

The following is a list of the direct and indirect subsidiaries of H&R Block, Inc., a Missouri corporation.

	NAME	JURISDICTION IN WHICH ORGANIZED
1)	H&R Block Group, Inc.	Delaware (1)
2)	HRB Management, Inc.	Missouri (2)
3)	H&R Block Tax and Financial Services Limited	United Kingdom (3)
4)	Companion Insurance, Ltd	Bermuda (3)
5)	H&R Block Services, Inc.	Missouri (2)
6)	H&R Block Tax Services, Inc.	Missouri (4)
7)	H&R Block of Dallas, Inc.	Texas (5)
8)	HRB Partners, Inc.	Delaware (6)
9)	HRB Texas Enterprises, Inc.	Missouri (5)
10)	H&R Block and Associates, L.P.	Delaware (7)
11)	H&R Block (Guam), Inc.	Guam (5)
12)	H&R Block Enterprises (Guam), Inc.	Guam (8)
13)	H&R Block Canada, Inc.	Canada (5)
14)	Financial Stop, Inc.	British Columbia (9)
15)	H&R Block Canada Financial Services, Inc.	Canada (9)
16)	H&R Block Enterprises, Inc.	Missouri (5)
17)	H&R Block Eastern Enterprises, Inc.	Missouri (4)
18)	HRB Royalty, Inc.	Delaware (4)
19)	H&R Block Limited	New South Wales (10)
20)	West Estate Investors, LLC	Missouri (11)
21)	H&R Block Global Solutions (Hong Kong) Limited	Hong Kong (4)
22)	Black Orchard Financial, Inc.	Delaware (4)
23)	Block Financial Corporation	Delaware (2)
24)	Option One Mortgage Corporation	California (12)
25)	Option One Mortgage Acceptance Corporation	Delaware (13)
26)	Option One Mortgage Securities Corp	Delaware (13)
27)	Option One Mortgage Securities II Corp	Delaware (13)
28)	Premier Trust Deed Services, Inc.	California (13)
29)	Premier Mortgage Services of Washington, Inc.	Washington (13)
30)	H&R Block Mortgage Corporation	Massachusetts (13)
31)	Option One Insurance Agency, Inc.	California (13)
32)	Woodbridge Mortgage Acceptance Corporation	Delaware (13)
33)	Option One Loan Warehouse Corporation	Delaware (13)
34)	Option One Advance Corporation	Delaware (13)
35)	AcuLink Mortgage Solutions, LLC	Florida (14)
36)	AcuLink of Alabama, LLC	Alabama (15)
37)	Companion Mortgage Corporation	Delaware (12)
38)	Franchise Partner, Inc.	Nevada (12)
39)	HRB Financial Corporation	Michigan (12)
40)	H&R Block Financial Advisors, Inc.	Michigan (16)
41)	OLDE Discount of Canada	Canada (17)
42)	H&R Block Insurance Agency of Massachusetts, Inc.	Massachusetts (17)
43)	HRB Property Corporation	Michigan (16)
44)	HRB Realty Corporation	Michigan (16)
45)	44 East Central, Inc.	Florida (18)
46)	4240 Hunt Road, Inc.	Ohio (18)
47)	4230 West Green Oaks, Inc.	Michigan (18)
48)	HRB Equipment Corporation	Michigan (16)
49)	Financial Marketing Services, Inc.	Michigan (12)
50)	2430472 Nova Scotia Co.	Nova Scotia (19)
51)	H&R Block Digital Tax Solutions, LLC	Delaware (20)
52)	TaxNet Inc.	California (21)
53)	BFC Transactions, Inc.	Delaware (12)
54)	RSM McGladrey Business Services, Inc.	Delaware (2)

55) RSM McGladrey, Inc.	Delaware (22)
56) RSM McGladrey Financial Process Outsourcing, L.L.C.	Minnesota (24)
57) Astute BPO Solutions Pvt. Ltd.	India (25)
58) Birchtree Financial Services, Inc.	Oklahoma (23)
59) Birchtree Insurance Agency, Inc.	Missouri (27)
60) Pension Resources, Inc.	Illinois (23)
61) FM Business Services, Inc.	Delaware (23)
62) O'Rourke Career Connections, LLC	California (26)
63) Credit Union Jobs, LLC	California (24)
64) PDI Global, Inc.	Delaware (22)
65) RSM Equico, Inc.	Delaware (22)
66) RSM Equico Capital Markets, LLC	Delaware (28)
67) Equico, Inc.	California (29)
68) Equico Europe Limited	United Kingdom (29)
69) RSM Equico Canada, Inc.	Canada (29)
70) RSM McGladrey Business Solutions, Inc.	Delaware (22)
71) RSM McGladrey Insurance Services, Inc.	Delaware (22)
72) PWR Insurance Services, Inc.	California (30)
73) RSM McGladrey Employer Services, Inc.	Georgia (31)
74) RSM Employer Services Agency, Inc.	Georgia (32)
75) RSM Employer Services Agency of Florida, Inc.	Florida (32)
76) H&R Block Small Business Resources, Inc.	Delaware (2)

Notes to Subsidiaries of H&R Block, Inc.:

(1) Wholly owned subsidiary of H&R Block, Inc.

(2) Wholly owned subsidiary of H&R Block Group, Inc.

(3) Wholly owned subsidiary of HRB Management, Inc.

(4) Wholly owned subsidiary of H&R Block Services, Inc.

(5) Wholly owned subsidiary of H&R Block Tax Services, Inc.

(6) Wholly owned subsidiary of H&R Block of Dallas, Inc.

(7) Limited partnership in which HRB Texas Enterprises, Inc. is a 1% general partner and HRB Partners, Inc. is a 99% limited partner

(8) Wholly owned subsidiary of H&R Block (Guam), Inc.

(9) Wholly owned subsidiary of H&R Block Canada, Inc.

(10) Wholly owned subsidiary of HRB Royalty, Inc.

(11) Limited liability company in which H&R Block Tax Services, Inc. has a 100% membership interest.

(12) Wholly owned subsidiary of Block Financial Corporation

(13) Wholly owned subsidiary of Option One Mortgage Corporation

(14) Limited liability company in which Option One Mortgage Corporation has a 100% membership interest.

(15) Limited liability company in which AcuLink Mortgage Solutions, LLC has a 100% membership interest.

(16) Wholly owned subsidiary of HRB Financial Corporation

(17) Wholly owned subsidiary of H&R Block Financial Advisors, Inc.

(18) Wholly owned subsidiary of HRB Realty Corporation

(19) Wholly owned subsidiary of Financial Marketing Services, Inc.

(20) Limited liability company in which Block Financial Corporation has a 100% membership interest.

(21) Wholly owned subsidiary of H&R Block Digital Tax Solutions, LLC.

(22) Wholly owned subsidiary of RSM McGladrey Business Services, Inc.

(23) Wholly owned subsidiary of RSM McGladrey, Inc.

(24) Limited liability company in which RSM McGladrey, Inc. has a 100% membership interest.

(25) Company in which RSM McGladrey Financial Process Outsourcing, LLC owns 70% of the issued and outstanding stock.

(26) Limited liability company in which RSM McGladrey, Inc. owns a 50% membership interest and the California Credit Union League owns a 50% membership interest

(27) Wholly owned subsidiary of Birchtree Financial Services, Inc.

(28) Limited liability company in which RSM Equico, Inc. has a 100% membership interest.

(29) Wholly owned subsidiary of RSM Equico, Inc.

(30) Wholly owned subsidiary of RSM McGladrey Insurance Services, Inc.

(31) Company in which RSM McGladrey Business Services, Inc. owns approximately 87% of the issued and outstanding stock.

(32) Wholly owned subsidiary of RSM McGladrey Employer Services, Inc.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

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

We consent to the incorporation by reference in the registration statements on Form S-3 (Nos. 333-33655 and 333-118020) of Block Financial Corporation and in the registration statements on Form S-3 (No. 333-33655-01) and Form S-8 (Nos. 333-119070, 333-42143, 333-42736, 333-42738, 333-42740, 333-56400, 333-70400, 333-70402, and 333-106710) of H&R Block, Inc. of our reports dated July 29, 2005, with respect to the consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended April 30, 2005, the related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of April 30, 2005 and the effectiveness of internal control over financial reporting as of April 30, 2005, which reports appear in the April 30, 2005 annual report on Form 10-K of H&R Block, Inc.

Our report dated July 29, 2005, on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of April 30, 2005, expresses our opinion that H&R Block, Inc. did not maintain effective internal control over financial reporting as of April 30, 2005 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states that the Company did not maintain sufficient resources in the corporate tax function to accurately identify, evaluate and report, in a timely manner, non-routine and complex transactions. In addition, the Company had not completed the requisite historical analysis and related reconciliations to ensure tax balances were appropriately stated prior to the completion of the Company's internal control activities. These deficiencies resulted in errors in the Company's accounting for income taxes. Because of these deficiencies there is a more than remote likelihood that a material misstatement of the Company's annual or interim financial statements due to errors in accounting for income taxes could occur and not be prevented or detected by its internal control over financial reporting.

Our report dated July 29, 2005, on the consolidated financial statements contains an explanatory paragraph stating that, as discussed in note 1 to the consolidated financial statements, the Company changed its method of accounting to adopt Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, and Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation —Transition and Disclosure*, during the year ended April 30, 2004.

Our report dated July 29, 2005, on the consolidated financial statements contains an explanatory paragraph stating that, as discussed in note 2 to the consolidated financial statements, the Company restated its financial statements for its fiscal year ended April 30, 2004.

/s/ KPMG LLP
Kansas City, Missouri
July 29, 2005

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-33655) of Block Financial Corporation and in the Registration Statements on Form S-3 (No. 333-33655-01) and Form S-8 (Nos. 33-64147, 333-42143, 333-42736, 333-42740, 333-56400, 333-70400, 333-70402, 333-106710) of H&R Block, Inc. of our report dated June 10, 2003, except for Note 2 as to which the date is July 29, 2005, relating to the financial statements of H&R Block, Inc., which appears in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated June 10, 2003, except for Note 2 as to which the date is July 29, 2005, relating to the financial statement schedule, which appears in this Annual Report on Form 10-K.

/s/PricewaterhouseCoopers LLP

Kansas City, Missouri
July 29, 2005

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark A. Ernst, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K 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: July 29, 2005

/s/ Mark A. Ernst

Mark A. Ernst
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William L. Trubeck, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K 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: July 29, 2005

/s/ William L. Trubeck

William L. Trubeck
Executive Vice President and 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 annual report of H&R Block, Inc. (the "Company") on Form 10-K for the fiscal year ending April 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark A. Ernst, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark A. Ernst

Mark A. Ernst
Chief Executive Officer
H&R Block, Inc.
July 29, 2005

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of H&R Block, Inc. (the "Company") on Form 10-K for the fiscal year ending April 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William L. Trubeck, Executive Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William L. Trubeck

William L. Trubeck
Executive Vice President and Chief Financial Officer
H&R Block, Inc.
July 29, 2005