SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 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: 1-6862

Credit Suisse First Boston (USA), Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-1898818**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Eleven Madison Avenue New York, New York	**10010**
(Address of principal executive offices)	(Zip Code)

(212) 325-2000

(Registrant's telephone number, including area code)

The Registrant meets the conditions set forth in General Instruction H (1) (a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.

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 ☐

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

All of the outstanding shares of common stock of the registrant, $0.10 par value, are held by Credit Suisse First Boston, Inc.

CREDIT SUISSE FIRST BOSTON (USA), INC.

Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2005

AVAILABLE INFORMATION

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission, or SEC. Our SEC filings are available to the public over the internet on the SEC's website at *www.sec.gov*. You may also view our annual, quarterly and current reports on our website at *www.csfb.com* (under "Company Information") as soon as is reasonably practicable after the report is electronically filed with, or furnished to, the SEC. The information on our website is not incorporated by reference into this Quarterly Report.

PART I
FINANCIAL INFORMATION
Item 1: Financial Statements

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Condition
(Unaudited)
(In millions)

	September 30, 2005	December 31, 2004
ASSETS		
Cash and cash equivalents	$ 623	$ 727
Collateralized short-term financings:		
Securities purchased under agreements to resell	52,067	48,887
Securities borrowed	95,822	82,912
Receivables:		
Customers	2,893	3,307
Brokers, dealers and other	12,366	11,094
Financial instruments owned (includes securities pledged as collateral of $70,605 and $54,663, respectively):		
U.S. government and agencies	39,689	32,841
Corporate debt	17,998	14,721
Mortgage whole loans	21,326	14,987
Equities	29,701	28,712
Commercial paper	2,882	1,171
Private equity and other long-term investments	3,698	3,127
Derivatives contracts	5,278	3,663
Other	3,135	3,665
Net deferred tax asset	931	1,103
Office facilities at cost (net of accumulated depreciation and amortization of $787 and $913, respectively)	433	420
Goodwill	529	527
Loans receivable from parent and affiliates	23,679	22,692
Other assets and deferred amounts	1,658	1,257
Total assets	$ 314,708	$ 275,813

See accompanying notes to condensed consolidated financial statements (unaudited).

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Condition (Continued)
(Unaudited)
(In millions, except share data)

	September 30, 2005	December 31, 2004
LIABILITIES AND STOCKHOLDER'S EQUITY		
Commercial paper and short-term borrowings	$ 17,671	$ 21,684
Collateralized short-term financings:		
Securities sold under agreements to repurchase	124,945	108,407
Securities loaned	49,735	45,148
Payables:		
Customers	10,439	6,767
Brokers, dealers and other	6,107	10,277
Financial instruments sold not yet purchased:		
U.S. government and agencies	24,053	20,154
Corporate debt	3,414	2,842
Equities	17,629	5,245
Derivatives contracts	3,090	2,295
Other	279	161
Obligation to return securities received as collateral	4,995	4,980
Accounts payable and accrued expenses	2,764	3,327
Other liabilities	5,825	4,521
Long-term borrowings	32,146	28,941
Total liabilities	303,092	264,749
Stockholder's Equity:		
Common stock ($0.10 par value; 50,000 shares authorized; 1,100 shares issued and outstanding)	—	—
Paid-in capital	8,967	8,538
Retained earnings	2,657	2,534
Accumulated other comprehensive loss	(8)	(8)
Total stockholder's equity	11,616	11,064
Total liabilities and stockholder's equity	$ 314,708	$ 275,813

See accompanying notes to condensed consolidated financial statements (unaudited).

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Unaudited)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Revenues:				
Principal transactions-net	$ 818	$ (174)	$ 1,379	$ 500
Investment banking and advisory	503	482	1,231	1,346
Commissions and fees	322	304	982	1,011
Interest and dividends, net of interest expense of $2,956, $1,512, $7,578 and $3,983, respectively	418	554	1,504	1,825
Other	19	17	44	48
Total net revenues	2,080	1,183	5,140	4,730
Expenses:				
Employee compensation and benefits	959	744	2,644	2,532
Occupancy and equipment rental	125	123	369	354
Brokerage, clearing and exchange fees	88	88	251	241
Communications	37	32	110	96
Professional fees	85	74	225	195
Merger-related costs	—	—	—	8
Other operating expenses	(8)	61	736	111
Total expenses	1,286	1,122	4,335	3,537
Income before provision (benefit) for income taxes, minority interests and cumulative effect of a change in accounting principle	794	61	805	1,193
Provision (benefit) for income taxes	196	(7)	18	220
Minority interests	212	49	670	495
Income before cumulative effect of a change in accounting principle	386	19	117	478
Cumulative effect of a change in accounting principle, net of income tax expense of $3	—	—	6	—
Net income	$ 386	$ 19	$ 123	$ 478

See accompanying notes to condensed consolidated financial statements (unaudited).

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholder's Equity
For the Nine Months Ended September 30, 2005 and 2004
(Unaudited)
(In millions)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balances as of December 31, 2003	$ —	$ 8,012	$ 1,787	$ (158)	$ 9,641
Net income	—	—	478	—	478
Decrease in pension liability	—	—	—	1	1
Total comprehensive income					479
CSG share plan activity, including tax benefit of $99	—	354	—	—	354
Balances as of September 30, 2004	$ —	$ 8,366	$ 2,265	$ (157)	$ 10,474
Balances as of December 31, 2004	$ —	$ 8,538	$ 2,534	$ (8)	$ 11,064
Net income	—	—	123	—	123
Total comprehensive income					123
CSG share plan activity, including tax benefit of $101	—	429	—	—	429
Balances as of September 30, 2005	$ —	$ 8,967	$ 2,657	$ (8)	$ 11,616

See accompanying notes to condensed consolidated financial statements (unaudited).

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In millions)

	For the Nine Months Ended September 30,	
	2005	2004
Cash flows from operating activities:		
Net income	$ 123	$ 478
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	130	133
Non-cash CSG share plan activity	386	277
Tax benefit for CSG share plan activity	101	99
Deferred taxes	158	26
Change in operating assets and operating liabilities:		
Securities borrowed	(12,910)	(5,455)
Receivables from customers	414	1,468
Receivables from brokers, dealers and other	(1,272)	(2,532)
Financial instruments owned	(18,782)	(19,045)
Other assets and deferred amounts and Other liabilities, net	(1,533)	61
Securities loaned	4,587	8,380
Payables to customers	3,672	1,130
Payables to brokers, dealers and other	(4,170)	(371)
Financial instruments sold not yet purchased	17,768	8,107
Obligation to return securities received as collateral	15	3,177
Accounts payable and accrued expenses	(563)	62
Net cash used in operating activities	(11,876)	(4,005)
Cash flows from investing activities:		
Net payments for:		
Loans receivable from parent and affiliates	(987)	(1,823)
Office facilities, net	(130)	(152)
Net cash used in investing activities	(1,117)	(1,975)
Cash flows from financing activities:		
Net proceeds from (payments for):		
Commercial paper and short-term borrowings	(4,013)	2,147
Securities sold under agreements to repurchase, net of securities purchased under agreements to resell	13,358	2,029
Issuances of long-term borrowings	6,274	3,483
Redemptions and maturities of long-term borrowings	(2,672)	(1,618)
Dividend equivalents on CSG share plan activity	(58)	(22)
Net cash provided by financing activities	12,889	6,019
(Decrease) increase in cash and cash equivalents	(104)	39
Cash and cash equivalents as of the beginning of period	727	334
Cash and cash equivalents as of the end of period	$ 623	$ 373
SUPPLEMENTAL DISCLOSURES		
Cash payments for interest	$ 7,371	$ 3,929
Cash payments for income taxes, net of refunds	$ 26	$ 64

See accompanying notes to condensed consolidated financial statements (unaudited).

1. Summary of Significant Accounting Policies

The Company

Credit Suisse First Boston (USA), Inc. and its subsidiaries (the "Company") is a leading integrated investment bank serving institutional, corporate, government and high-net-worth individual clients. The Company's products and services include securities underwriting, sales and trading, financial advisory services, private equity investments, full service brokerage services, derivatives and risk management products, asset management and investment research.

Basis of Presentation

The condensed consolidated financial statements include Credit Suisse First Boston (USA), Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated. The Company is a wholly owned subsidiary of Credit Suisse First Boston, Inc. ("CSFBI").

Certain financial information that is normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America but not required for interim reporting purposes has been condensed or omitted. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments (consisting of normal, recurring accruals) that are necessary for a fair presentation of the condensed consolidated statements of financial condition and income for the interim periods presented.

The results of operations for interim periods are not necessarily indicative of results for the entire year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

To prepare condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, management must make estimates and assumptions. The reported amounts of assets and liabilities and revenues and expenses are affected by these estimates and assumptions, the most significant of which are discussed in the notes to the condensed consolidated financial statements. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ materially from these estimates. For a description of the Company's significant accounting policies, see Note 1 of the consolidated financial statements in Part II, Item 8 in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

Certain reclassifications have been made to prior year condensed consolidated financial statements to conform to the 2005 presentation.

New Accounting Pronouncements

Recently Adopted Standards

In August 2003, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," ("SFAS 123") using the prospective method. Under the prospective method, the Company recognizes compensation expense over the vesting period for all share option and share awards granted under the Plan for services

1. Summary of Significant Accounting Policies (Continued)

provided after January 1, 2003. Effective January 1, 2005, the Company early adopted the fair value recognition provisions of SFAS No. 123 (Revised 2004) "Share-Based Payment" ("SFAS 123R") using the modified prospective method and recorded an after-tax gain of $6 million in the condensed consolidated statement of income as a cumulative effect of a change in accounting principle to reverse the expense previously recognized on all outstanding unvested awards that are expected to be forfeited.

Standards to be Adopted in Future Periods

In May 2005, the Financial Accounting Standards Board ("FASB") issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of Accounting Principles Board ("APB") Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). SFAS 154 requires, among other things, retrospective application, unless impracticable, to prior period financial statements for voluntary changes in accounting principles and changes required by an accounting pronouncement in the unusual circumstances in which the pronouncement does not include specific transition provisions. SFAS 154 also requires that a change in depreciation, amortization or depletion method for long-lived, nonfinancial assets should be accounted for as a change in accounting estimate effected by a change in accounting principle. The guidance for reporting the correction of an error in previously issued financial statements and the change of an accounting estimate will not change from APB Opinion No. 20. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of adopting SFAS 154 on the Company's financial condition, results of operations or cash flows will depend on what accounting changes are made in future periods.

In June 2005, the FASB ratified Emerging Issues Task Force ("EITF") 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-5"). EITF 04-5 provides that the general partner (or general partners, for partnerships with more than one general partner) is generally presumed to maintain control over a limited partnership and should therefore consolidate such a partnership regardless of the level of its ownership interest, unless the presumption of control can be overcome. EITF 04-5 states that the presumption of general partner control would be overcome only when the limited partners have either substantive kick-out rights or substantive participating rights. Substantive kick-out rights comprise rights allowing the limited partners to dissolve or liquidate the partnership or otherwise remove the general partner without cause. Substantive participating rights include those rights which would allow the limited partners to participate in significant decisions made in the ordinary course of the partnership business.

Further, as a result of the ratification of EITF 04-5, EITF Issue No. 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights," ("EITF 96-16") was updated to conform to the guidance of EITF 04-5 and FASB Staff Position ("FSP") No. SOP 78-9-1, "Interaction of AICPA Statement of Position 78-9, Accounting for Investments in Real Estate Ventures, and EITF Issue No. 04-5, Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights" ("FSP SOP 78-9-1") was issued to amend guidance regarding the consolidation of limited partnerships under AICPA Statement of Position No. SOP 78-9. The guidance of EITF 04-5 and FSP SOP 78-9-1 and the changes to EITF 96-16 are effective immediately

1. Summary of Significant Accounting Policies (Continued)

for all newly-formed limited partnerships and for any existing limited partnerships agreements that are modified. The implementation of EITF 04-5 has not significantly impacted the Company with respect to new partnerships formed or partnership agreements modified since June 2005. The Company is still evaluating the impact of EITF 04-5 with respect to partnerships which existed prior to June 2005, but which have not been modified since June 2005.

In August 2005, the FASB issued three exposure drafts that address accounting for transfers of financial instruments. These proposals would, among other things, amend SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities, a replacement of FASB Statement No. 125". The proposed guidance from the FASB or future guidance from either the FASB or other standard setters may change the current interpretation of the criteria for what is considered a qualifying special-purpose entity ("QSPE") and require companies to account for transactions as secured financings that currently are accounted for as sales. The proposals have effective dates potentially as early as January 1, 2006. The requirements of the proposed amendments will be re-deliberated by the FASB and, therefore, are subject to change. We cannot predict what the final amendments will provide.

2. Related Party Transactions

Credit Suisse Group ("CSG"), through CSFBI, owns all of the Company's outstanding voting common stock. The Company is involved in significant financing and other transactions, and has significant related party balances with CSG affiliates, primarily Credit Suisse, a Swiss bank subsidiary of CSG and an indirect parent of the Company, and certain of its subsidiaries and affiliates. The Company generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated third parties.

2. Related Party Transactions (Continued)

The following table sets forth the Company's related party assets and liabilities as of September 30, 2005 and December 31, 2004:

	September 30, 2005	December 31, 2004
	(In millions)	
ASSETS		
Securities purchased under agreements to resell	$ 5,126	$ 6,685
Securities borrowed	5,672	1,861
Receivables from customers	—	379
Receivables from brokers, dealers and other	4,425	1,893
Derivatives contracts	1,425	1,400
Net deferred tax asset	931	1,103
Loans receivable from parent and affiliates	23,679	22,692
Total assets	$ 41,258	$ 36,013
LIABILITIES		
Short-term borrowings	$ 16,091	$ 20,085
Securities sold under agreements to repurchase	25,328	22,317
Securities loaned	36,842	34,056
Payables to customers	1,884	1,054
Payables to brokers, dealers and other	3,710	1,300
Derivatives contracts	900	695
Obligation to return securities received as collateral	1,878	1,252
Taxes payable (included in Other liabilities)	202	484
Intercompany payables (included in Other liabilities)	229	191
Total liabilities	$ 87,064	$ 81,434

Included in the condensed consolidated statements of income are revenues and expenses resulting from various securities trading and financing activities with certain affiliates, as well as fees for administrative services performed by the Company under the terms of various agreements. The Company incurs commission expenses during the normal course of business for securities transactions conducted with affiliates. Other operating expenses include affiliate service fees that are treated as a reduction in other operating expenses in the condensed consolidated statements of income. These fees include compensation and benefits expense relating to business activities conducted by Company employees on behalf of CSG affiliates outside the Company.

2. Related Party Transactions (Continued)

The following table sets forth the Company's related party revenues and expenses for the three and nine months ended September 30, 2005 and 2004:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Principal transactions-net (derivatives contracts)	$ 776	$ (124)	$ 1,288	$ 406
Commissions and fees	(17)	10	(37)	29
Net interest expense	(300)	(119)	(759)	(262)
Total net revenues	$ 459	$ (233)	$ 492	$ 173
Other operating expenses	$ (82)	$ (88)	(235)	(212)
Total expenses	$ (82)	$ (88)	$ (235)	$ (212)

From time to time the Company sells at cost to CSFBI the right, title and interest in certain assets. For the three and nine months ended September 30, 2005, the value of the assets sold was not significant.

As of September 30, 2005, certain private equity funds of funds and certain hedge funds of funds and variable interest entities ("VIEs") that issue collateralized debt obligations ("CDOs"), with aggregate assets under management of approximately $18.6 billion, of CSFB Alternative Capital, Inc., an indirect wholly owned subsidiary of CSFBI, are managed by the Company's Alternative Capital division. CSFB Alternative Capital, Inc. reimburses the Alternative Capital division for all expenses incurred by the Company in connection with managing these assets which the Company treats as a reduction in other operating expenses in the condensed consolidated statements of income.

Beginning in April 2004, the Company entered into economic hedging arrangements with respect to deferred compensation obligations payable to its employees and to employees of affiliates, whose deferred compensation is not recorded in the Company's condensed consolidated financial statements. These hedging arrangements will result in the Company recognizing gains or losses with respect to the hedge of the deferred compensation obligation of such affiliates. For the three months ended September 30, 2005 and 2004, the impact from the economic hedging arrangements with respect to these affiliate obligations was a gain of $1 million and for the nine months ended September 30, 2005 and 2004, the impact was a gain of $2 million.

The Credit Suisse Group International Share Plan provides for the grant of equity-based awards to Company employees based on CSG shares pursuant to which employees of the Company may be granted, as compensation, shares or other equity-based awards as compensation for services performed. CSFBI purchases shares from CSG to satisfy these awards, but CSFBI does not require reimbursement from the Company; therefore, amounts associated with these awards are considered a capital contribution to the Company and credited to paid-in-capital. Amounts contributed by CSFBI relating to compensation expense for the three months ended September 30, 2005 and 2004 were $236 million and $180 million, respectively, and for the nine months ended September 30, 2005 and 2004 were $429 million and $354 million, respectively. See Note 11 for further information on the Company's share-based compensation.

2. Related Party Transactions (Continued)

Certain of the Company's directors, officers and employees and those of its affiliates and their subsidiaries maintain margin accounts with Credit Suisse First Boston LLC ("CSFB LLC") and other affiliated broker-dealers in the ordinary course of business. In addition, certain of such directors, officers and employees have investments or commitments to invest in various private equity funds. The Company makes loans to directors and executive officers on the same terms as are generally available to third parties or otherwise pursuant to widely available employee benefit plans. CSFB LLC and other affiliated broker-dealers, from time to time and in the ordinary course of business, enter into, as principal, transactions involving the purchase or sale of securities from or to such directors, officers and employees and members of their immediate families.

The Company issues guarantees to customers with respect to certain obligations of its affiliates in the ordinary course of business, including, but not limited to, certain derivatives transactions. Failure to perform by an affiliate would require the Company to perform under the guarantee. See Note 8 for more information.

The Company is included in the consolidated federal income tax return and certain state and local income tax returns filed by CSFBI.

3. Transfers and Servicing of Financial Assets

As part of the Company's financing and securities settlement activities, the Company uses securities as collateral to support various secured financing sources. If the counterparty does not meet its contractual obligation to return securities used as collateral, the Company may be exposed to the risk of reacquiring the securities at prevailing market prices to satisfy its obligations. The Company controls this risk by monitoring the market value of financial instruments pledged each day and by requiring collateral levels to be adjusted in the event of excess market exposure.

As of September 30, 2005 and December 31, 2004, the fair value of assets that the Company pledged to counterparties was $226.1 billion and $199.3 billion, respectively, of which $70.6 billion and $54.7 billion, respectively, was included in financial instruments owned in the condensed consolidated statements of financial condition.

The Company has also received similar assets as collateral that the Company has the right to re-pledge or sell. The Company routinely re-pledges or sells these assets to third parties. As of September 30, 2005 and December 31, 2004, the fair value of the assets pledged to the Company was $207.3 billion and $182.3 billion, respectively, of which $198.4 billion and $180.6 billion, respectively, was re-pledged or sold.

Securitization Activities

The Company originates and purchases residential mortgages and originates commercial loans for the purpose of securitization. The Company sells these mortgage loans to QSPEs or VIEs. The QSPEs issue securities that are backed by the assets transferred to the QSPEs and pay a return based on the returns on those assets. Investors in these mortgage-backed securities typically have recourse to the assets in the QSPE. The investors and the QSPEs have no recourse to the Company's assets. CSFB LLC is an underwriter of, and makes a market in, these securities.

3. Transfers and Servicing of Financial Assets (Continued)

The Company purchases loans and other debt obligations from and on behalf of clients for the purpose of securitization. The loans and other debt obligations are sold by the Company directly, or indirectly through affiliates, to QSPEs or VIEs that issue CDOs. CSFB LLC structures, underwrites and makes a market in these CDOs. CDOs are securities backed by the assets transferred to the CDO VIEs and pay a return based on the returns on those assets. Investors typically have recourse to the assets in the CDO VIEs. The investors and the CDO VIEs have no recourse to the Company's assets.

The following table presents the proceeds and gains (losses) related to the securitization of commercial mortgage loans, residential mortgage loans, CDOs and other asset-backed loans for the nine months ended September 30, 2005 and 2004:

	Commercial mortgage loans	Residential mortgage loans	Collateralized debt obligations	Other asset-backed loans[1]
	(In millions)			
For the Nine Months Ended September 30, 2005				
Proceeds from new securitizations	$ 7,659	$ 40,693	$ 4,067	$ 6,590
Gain on securitizations[2]	$ 147	$ 31	$ 44	$ 17
For the Nine Months Ended September 30, 2004				
Proceeds from new securitizations	$ 5,287	$ 32,626	$ 3,729	$ 5,079
Gain (loss) on securitizations[2]	$ 185	$ 26	$ 44	$ (1)

(1) Primarily home equity loans.

(2) Includes underwriting revenues, but excludes all gains or losses, including net interest revenues, on assets prior to securitization and deferred origination fees.

The Company may retain interests in these securitized assets in connection with its underwriting and market-making activities. The Company's exposure in its securitization activities is limited to its retained interests. Retained interests in securitized financial assets are included at fair value in financial instruments owned in the condensed consolidated statements of financial condition. Any changes in the fair value of these retained interests are recognized in the condensed consolidated statements of income. The fair values of retained interests are determined using present value of estimated future cash flows valuation techniques that incorporate assumptions that market participants customarily use in their estimates of values. As of September 30, 2005 and December 31, 2004, the fair value of the interests retained by the Company was $4.2 billion and $2.0 billion, respectively.

3. Transfers and Servicing of Financial Assets (Continued)

Key economic assumptions used in measuring, at the date of securitization, the fair value of the retained interests resulting from securitizations completed during the nine months ended September 30, 2005 were as follows:

	For the Nine Months Ended September 30, 2005			
	Commercial mortgage loans[1]	Residential mortgage loans	Collateralized debt obligations[2]	Other asset-backed loans
Weighted-average life (in years)	0.7	5.3	8.4	5.1
Prepayment rate (in rate per annum)[3]	N/A	0%-42.8%	N/A	25%
Cash flow discount rate (in rate per annum)[4]	[5]	0%-39.5%	9.2%-14.1%	3.6%-16.6%
Expected credit losses (in rate per annum)	[5]	0%-35.3%	5.1%-10.2%	0.7%-12.3%

The following table sets forth the fair value of retained interests from securitizations as of September 30, 2005, key economic assumptions used to determine the fair value and the sensitivity of the fair value to immediate adverse changes in those assumptions:

	As of September 30, 2005			
	Commercial mortgage loans[1]	Residential mortgage loans	Collateralized debt obligations[2]	Other asset-backed loans
	(Dollars in millions)			
Carrying amount/fair value of retained interests	$ 43	$ 3,889	$ 185	$ 71
Weighted-average life (in years)	0.6	3.9	10.2	5.9
Prepayment rate (in rate per annum)[3]	N/A	1.5%-69.1%	N/A	22.0%-50.4%
Impact on fair value of 10% adverse change	N/A	$ (13)	N/A	$ —
Impact on fair value of 20% adverse change	N/A	$ (20)	N/A	$ —
Cash flow discount rate (in rate per annum)[4]	[5]	5.9%	11.9%	17.1%
Impact on fair value of 10% adverse change	[5]	$ (65)	$ (9)	$ —
Impact on fair value of 20% adverse change	[5]	$ (130)	$ (18)	$ (1)
Expected credit losses (in rate per annum)	[5]	1.7%	7.8%	12.7%
Impact on fair value of 10% adverse change	[5]	$ (16)	$ (6)	$ (3)
Impact on fair value of 20% adverse change	[5]	$ (32)	$ (12)	$ (6)

(1) To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

(2) CDO deals are generally structured to be protected from prepayment risk.

(3) The Company utilizes the Constant Prepayment Rate assumptions.

(4) The rate is based on the weighted average yield on the retained interest.

(5) Due to the short estimated life and the nature of the asset, the cash flow discount rate and the expected credit losses are not meaningful.

3. Transfers and Servicing of Financial Assets (Continued)

These sensitivities are hypothetical and do not reflect the benefits of hedging activities and therefore should be used with caution. Changes in fair value based on a 10% or 20% 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, the effect of a variation in a particular assumption on the fair value of the retained interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which may magnify or counteract the sensitivities.

Variable Interest Entities

The Company has variable interests in several CDO VIEs. As described under "—Securitization Activities," in the normal course of its business, the Company purchases loans and other debt obligations from and on behalf of clients primarily for the purpose of securitization. These assets are sold to and warehoused by affiliates and, at the end of a warehousing period, the assets are sold to CDO VIEs or QSPEs for securitization. The Company engages in these transactions to meet the needs of clients, to earn fees and to sell financial assets. The purpose of these CDO VIEs and QSPEs is to provide investors a return based on the underlying debt instruments of the CDO VIEs and QSPEs. In connection with its underwriting and market-making activities, the Company may retain interests in the CDO VIEs and QSPEs. The CDO entities may have actively managed ("open") portfolios or static or unmanaged ("closed") portfolios. The closed CDO transactions are typically structured to use QSPEs, which are not consolidated in the Company's financial statements.

The Company has consolidated all CDO VIEs for which it is the primary beneficiary. As of September 30, 2005 and December 31, 2004, the Company recorded $347 million and $291 million, respectively, representing the carrying amount of the consolidated assets of these CDO VIEs that are collateral for the VIE obligations. The beneficial interests of these consolidated CDO VIEs are payable solely from the cash flows of the related collateral, and the creditors of these CDO VIEs do not have recourse to the Company in the event of default.

The Company retains significant debt and equity interests in CDO VIEs that are not consolidated because the Company is not the primary beneficiary. The total assets in these CDO VIEs as of September 30, 2005 and December 31, 2004 were $5.0 billion and $4.5 billion, respectively. The Company's maximum exposure to loss on significant debt and equity interests in CDO VIEs as of September 30, 2005 and December 31, 2004 was $91 million and $62 million, respectively, which was the amount of its retained interests, carried at fair value, in financial instruments owned.

Certain of the Company's private equity funds are subject to FASB Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") and the subsequent modifications of FIN 46 ("FIN 46R"). In the normal course of its private equity activities, the Company is typically the general partner and investment adviser to private equity funds. Limited partners of these funds typically have recourse to the fund's assets but have no recourse to the Company's assets. Beginning in 2004, the Company consolidated certain private equity funds that are managed by the Company. The following table presents the impact on the condensed consolidated statements of financial condition of the Company's

3. Transfers and Servicing of Financial Assets (Continued)

consolidation of private equity funds and other long-term investments primarily under FIN 46R as of September 30, 2005 and December 31, 2004:

	September 30, 2005	December 31, 2004
	(In millions)	
Private equity and other long-term investments	$ 2,444	$ 1,947
All other assets, net	23	2
Total assets	$ 2,467	$ 1,949
Minority interests (included in other liabilities)	$ 2,185	$ 1,978
All other liabilities, net (excluding minority interests)	282	(29)
Total liabilities	$ 2,467	$ 1,949

The following table presents the impact on the condensed consolidated statements of income of the Company's consolidation of private equity funds and other long-term investments primarily under FIN 46R, for the three and nine months ended September 30, 2005 and 2004:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Net revenues	$ 214	$ 55	$ 675	$ 501
Expenses	2	6	5	6
Minority interests	$ 212	$ 49	$ 670	$ 495

4. Private Equity and Other Long-Term Investments

Private equity and other long-term investments include direct investments and investments in partnerships that make private equity and related investments in various portfolio companies and funds. The Company categorizes its private equity and other long-term investments into three categories: CSFB-managed funds, which include funds consolidated primarily under FIN 46R, funds managed by third parties and direct investments. These investments generally have no readily available market or may be otherwise restricted as to resale under the Securities Act of 1933 (the "Securities Act"); therefore, these investments are carried at amounts which approximate fair value.

As of September 30, 2005 and December 31, 2004, the Company had investments in private equity and other long-term investments of $3.7 billion and $3.1 billion, respectively, including $2.4 billion and $1.9 billion, respectively, in private equity investments consolidated primarily under FIN 46R. Changes in net unrealized appreciation/depreciation arising from changes in fair value and the gain or loss realized upon sale are reflected in principal transactions-net in the condensed consolidated statements of income. See Note 3 for more information. The cost of these investments, excluding the private equity investments consolidated primarily under FIN 46R, was $1.4 billion as of September 30, 2005 and $1.5 billion as of December 31, 2004. As of September 30, 2005 the Company had commitments to invest up to an

4. Private Equity and Other Long-Term Investments (Continued)

additional $713 million in non-consolidated private equity funds and $1.1 billion in consolidated private equity funds.

The Company's subsidiaries manage many private equity partnerships (the "Funds"). When the investment performance on CSFB-managed Funds exceeds specific thresholds, the Company and certain other partners, most of which are current and former employees of the Company (collectively the "GPs"), may be entitled to receive a carried interest distribution under the governing documents of the Funds. Carried interest distributions are based on the cumulative investment performance of each Fund at the time the distribution is made. As a result, the Company may be obligated to return to investors in the Funds all or a portion of the carried interest distributed to the GPs. The amount of such contingent obligations is based upon the performance of the Funds but cannot exceed the amount of carried interest received by the GPs. As of September 30, 2005 and December 31, 2004, the maximum amount of such contingent obligations was $592 million and $439 million, respectively, assuming the Funds' remaining investments were worthless. Assuming the Funds' remaining investments were sold at their current carrying values as of September 30, 2005 and December 31, 2004, the contingent obligations would have been $3 million and $9 million, respectively. As of September 30, 2005 and December 31, 2004, the Company withheld cash from distributions on prior realizations to the partners, and recorded corresponding liabilities of $110 million and $75 million, respectively, in connection with the Company's guarantee to return prior carried interest distributions to third party investors in the Funds.

In addition, pursuant to certain contractual arrangements, the Company is obligated to make cash payments to certain investors in certain Funds if specified performance thresholds are not met. As of September 30, 2005 and December 31, 2004, the maximum amount of such contingent obligations was $61 million and $65 million, respectively, assuming the Funds' remaining investments were worthless. Assuming the Funds' remaining investments were sold at their current carrying values as of September 30, 2005 and December 31, 2004, there would have been no contingent obligation.

5. Derivatives Contracts

The Company uses derivatives contracts for trading and hedging purposes and to provide products for clients. These derivatives include options, forwards, futures and swaps. For more information on the Company's derivatives, see Note 6 of the consolidated financial statements in Part II, Item 8 in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

The fair values of all derivatives contracts outstanding as of September 30, 2005 and December 31, 2004 were as follows:

	September 30, 2005		December 31, 2004	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Options	$ 1,103	$ 760	$ 1,001	$ 879
Forward contracts	2,548	1,081	1,206	355
Swaps	1,627	1,249	1,456	1,061
Total	$ 5,278	$ 3,090	$ 3,663	$ 2,295

5. Derivatives Contracts (Continued)

These assets and liabilities are included as derivatives contracts in financial instruments owned/sold not yet purchased, respectively, in the condensed consolidated statements of financial condition.

6. Borrowings

Short-term borrowings are generally demand obligations with interest approximating the federal funds rate, the London Interbank Offered Rate ("LIBOR") or other money market indices. Such borrowings are generally used to facilitate the securities settlement process, finance financial instruments owned and finance securities purchased by customers on margin. As of September 30, 2005 and December 31, 2004, there were no short-term borrowings secured by Company-owned securities.

The following table sets forth the Company's short-term borrowings and their weighted average interest rates:

	Short-term borrowings		Weighted average interest rates	
	As of September 30, 2005	As of December 31, 2004	As of September 30, 2005	As of December 31, 2004
	(In millions)			
Bank loans, including loans from affiliates[1]	$ 16,380	$ 20,435	3.98%	2.65%
Commercial paper	1,291	1,249	3.72%	2.11%
Total short-term borrowings	$ 17,671	$ 21,684		

(1) Includes $16.1 billion and $20.1 billion in loans from affiliates as of September 30, 2005 and December 31, 2004, respectively.

The Company has a commercial paper program exempt from registration under the Securities Act that allows the Company to issue up to $5.0 billion in commercial paper. As of September 30, 2005 and December 31, 2004, $1.3 billion and $1.2 billion, respectively, of commercial paper was outstanding under this program. The Company terminated one of its exempt commercial paper programs in the third quarter of 2005.

In June 2004, the Company filed with the Securities and Exchange Commission ("SEC") a shelf registration statement that allows the Company to issue from time to time up to $15.0 billion of senior and subordinated debt securities, and warrants to purchase such securities. Under that shelf registration statement, the Company had, as of November 7, 2005, approximately $5.2 billion available for issuance.

In July 2001, the Company established a Euro medium-term note program that allows the Company to issue up to $5.0 billion of notes. Under this program, the Company had, as of November 7, 2005, approximately $1.2 billion available for issuance.

6. Borrowings (Continued)

The following table sets forth the Company's long-term borrowings as of September 30, 2005 and December 31, 2004:

	September 30, 2005	December 31, 2004
	(In millions)	
Senior notes 3.84-6.88%, due various dates through 2032	$ 25,584	$ 22,485
Medium-term notes 2.59-7.53%, due various dates through 2032	6,489	6,387
Structured borrowings 7.5-16.06%,[1] due various dates through 2009	73	69
Total long-term borrowings	$ 32,146	$ 28,941
Current maturities of long-term borrowings	$ 4,192	$ 3,137

(1) Excluded from the range of interest rates on structured borrowings are notes that do not have a stated interest rate but instead pay a return based on the performance of certain equity securities.

As of September 30, 2005 and December 31, 2004, long-term borrowings included upward fair value adjustments of approximately $224 million and $624 million, respectively, associated with fair value hedges under SFAS No. 133 "Accounting For Derivative Instruments and Hedging Activities ("SFAS 133"). As of September 30, 2005 and December 31, 2004, the Company had entered into interest rate swaps, with a notional amount of $24.1 billion and $21.8 billion, respectively, on the Company's long-term borrowings for hedging purposes. Substantially all of these swaps qualified as fair value hedges under SFAS 133. See Note 5 for more information.

The following table sets forth scheduled maturities of all long-term borrowings as of September 30, 2005:

	Twelve Months Ending September 30,
	(In millions)
2006	$ 4,192
2007	2,764
2008	5,801
2009	2,341
2010	3,721
2011-2032	13,327
Total	$ 32,146

6. Borrowings (Continued)

The following table sets forth scheduled maturities of the current portion of long-term borrowings as of September 30, 2005:

	Three Months Ending, (In millions)
December 31, 2005	$ 500
March 31, 2006	93
June 30, 2006	1,360
September 30, 2006	2,239
Total	$ 4,192

As of September 30, 2005, CSFB LLC maintained with third parties five 364-day committed secured revolving credit facilities totaling $2.2 billion, with one facility for $500 million maturing in November 2005 (which the Company expects to renew through November 2006), one facility for $500 million maturing in February 2006, one facility for $500 million maturing in March 2006, one facility for $500 million maturing in July 2006 and one facility for $200 million maturing in August 2006. These facilities require CSFB LLC to pledge unencumbered marketable securities to secure any borrowings. Borrowings under each facility would bear interest at short-term rates related to either the federal funds rate or LIBOR and can be used for general corporate purposes. The facilities contain customary covenants that the Company believes will not impair its ability to obtain funding. As of September 30, 2005, no borrowings were outstanding under any of the facilities.

2005 Financings

During the nine months ended September 30, 2005, the Company issued $2.3 billion in medium-term notes, $4.0 billion in senior notes and $38 million in structured notes and repaid $2.1 billion of medium-term notes, $500 million of senior notes and $56 million of structured notes.

7. Leases and Commitments

The following table sets forth the Company's minimum operating lease commitments as of September 30, 2005:

	Twelve Months Ending September 30, (In millions)
2006	$ 149
2007	148
2008	143
2009	138
2010	134
2011-2025	1,015
Total[1]	$ 1,727

(1) Excludes sublease revenue of $321 million and executory costs such as insurance, maintenance and taxes of $552 million.

7. Leases and Commitments (Continued)

The following table sets forth the Company's commitments, including the current portion as of September 30, 2005:

	Commitment Expiration Per Period				
	Less than 1 year	1-3 years	4-5 years	Over 5 years	Total commitments
	(In millions)				
Standby resale agreements[1]	$ —	$ 100	$ —	$ —	$ 100
Private equity[2]	165	89	58	401	713
Forward agreements[3]	6,634	—	—	—	6,634
Unfunded lending commitments[4]	—	77	189	312	578
Unfunded warehousing commitments[5]	1,210	—	—	—	1,210
Total commitments	$ 8,009	$ 266	$ 247	$ 713	$ 9,235

(1) In the ordinary course of business, the Company maintains certain standby resale agreement facilities that commit the Company to enter into securities purchased under agreements to resell with customers at current market rates.

(2) As of September 30, 2005 the Company had commitments to invest up to an additional $713 million in non-consolidated private equity funds and $1.1 billion in consolidated private equity funds.

(3) Represents commitments to enter into securities purchased under agreements to resell and agreements to borrow securities.

(4) The Company enters into commitments to extend credit in connection with certain premium finance activities.

(5) The Company enters into commitments to warehouse commercial mortgage whole loans.

Excluded from the table above are certain commitments to originate, purchase and sell mortgage whole loans that qualify as derivatives. These commitments are reflected in derivatives contracts in the condensed consolidated statements of financial condition. For more information on the Company's derivatives contracts see Note 5.

As of September 30, 2005, the Company used $45 million in outstanding standby letters of credit to satisfy counterparty collateral requirements.

The Company had no capital lease obligations as of September 30, 2005. For information about certain of the Company's additional commitments, see Notes 4 and 8.

8. Guarantees

In the ordinary course of business, the Company enters into guarantee contracts as guarantor. FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), requires disclosure by a guarantor of its maximum potential payment obligations under certain of its guarantees to the extent that it is possible to estimate them. FIN 45 also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing such guarantee, including its ongoing obligation to stand

8. Guarantees (Continued)

ready to perform over the term of the guarantee in the event that certain events or conditions occur. With certain exceptions, these liability recognition requirements apply to any guarantees entered into or modified after December 31, 2002.

The guarantees covered by FIN 45 may require the Company to make payments to the guaranteed party based on changes related to an asset, a liability or an equity security of the guaranteed party. The Company may also be contingently required to make payments to the guaranteed party based on another entity's failure to perform under an agreement, or the Company may have an indirect guarantee of the indebtedness of others, even though the payment to the guaranteed party may not be based on changes related to an asset, liability or equity security of the guaranteed party.

In addition, FIN 45 covers certain indemnification agreements that contingently require the Company to make payments to the indemnified party based on changes related to an asset, liability or equity security of the indemnified party, such as an adverse judgment in a lawsuit or the imposition of additional taxes due to either a change in, or an adverse interpretation of, the tax law.

The following table sets forth the maximum quantifiable contingent liabilities and carrying amounts associated with guarantees covered by FIN 45 as of September 30, 2005, by maturity.

	Amount of Guarantee Expiration Per Period					
	Less than 1 year	1-3 years	4-5 years	Over 5 years	Total guarantees	Carrying amounts
	(In millions)					
Credit guarantees	$ 13	$ 10	$ 52	$ 383	$ 458	$ 8
Performance guarantees	76	407	—	—	483	9
Derivatives	1,116	2,050	169	183	3,518	107
Related party guarantees	—	—	—	1	1	—
Indemnifications	—	—	—	6	6	—
Total guarantees	$ 1,205	$ 2,467	$ 221	$ 573	$ 4,466	$ 124

For more information on the Company's guarantees, including guarantees for which the maximum contingent liability cannot be quantified, see Note 10 of the consolidated financial statements in Part II, Item 8 in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

9. Net Capital Requirements

The Company's principal wholly owned subsidiary, CSFB LLC, is a registered broker-dealer, registered futures commission merchant and member firm of the New York Stock Exchange, Inc. ("NYSE"). Accordingly, the Company is subject to the minimum net capital requirements of the SEC and the Commodities Futures Trading Commission ("CFTC"). Under the alternative method permitted by Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Exchange Act"), the required net capital may not be less than the greater of 2% of aggregate debit balances arising from customer transactions or 4% of the funds required to be segregated pursuant to the Commodity Exchange Act less the market value of certain commodity options, all as defined. Under CFTC Regulation 1.17, the required minimum net capital requirement is 8% of the total risk margin requirement (as defined) for all positions carried in customer accounts plus 4% of the total risk margin requirement (as defined) for all positions carried in

9. Net Capital Requirements (Continued)

non-customer accounts. As of September 30, 2005, CSFB LLC's net capital of approximately $4.3 billion was 55.2% of aggregate debit balances and in excess of the minimum requirement by approximately $4.1 billion. During the third quarter of 2005, the Company made $2.0 billion in regulatory capital contributions to CSFB LLC in the form of subordinated debt.

The Company's over-the-counter ("OTC") derivatives dealer subsidiary, Credit Suisse First Boston Capital LLC ("CSFB Capital LLC"), is also subject to the uniform net capital rule, but computes its net capital based on value at risk under Appendix F of Rule 15c3-1 under the Exchange Act. As of September 30, 2005, CSFB Capital LLC's net capital of $619 million, allowing for market and credit risk exposure of $68 million and $141 million, respectively, was in excess of the minimum net capital requirement by $599 million. CSFB Capital LLC is in compliance with the exemptive provisions of Rule 15c3-3 under the Exchange Act because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities. On July 20, 2005, the Company made a $400 million capital contribution to CSFB Capital LLC.

As of September 30, 2005, the Company and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

10. Cash and Securities Segregated Under Federal and Other Regulations

In compliance with the Commodity Exchange Act, CSFB LLC segregates funds deposited by customers and funds accruing to customers as a result of trades or contracts. As of September 30, 2005 and December 31, 2004, cash and securities aggregating $2.6 billion and $3.1 billion, respectively, were segregated or secured by CSFB LLC in separate accounts exclusively for the benefit of customers.

In accordance with the SEC's no-action letter dated November 3, 1998, CSFB LLC computed a reserve requirement for the proprietary accounts of introducing broker-dealers. As of September 30, 2005 and December 31, 2004, CSFB LLC segregated securities aggregating $1.6 billion and $1.5 billion, respectively, on behalf of introducing broker-dealers.

In addition, CSFB LLC segregated U.S. Treasury securities with a market value of $6.3 billion and $4.4 billion as of September 30, 2005 and December 31, 2004, respectively, in a special reserve bank account exclusively for the benefit of customers as required by Rule 15c3-3 of the Exchange Act.

11. Share-Based Compensation

The Company participates in the Credit Suisse Group International Share Plan (the "Plan"). The Plan provides for share option and share awards to be granted to certain employees based on the fair market value of CSG shares at the time of grant. In August 2003, the Company adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," ("SFAS 123") using the prospective method. Under the prospective method, the Company recognizes compensation expense over the vesting period for all share option and share awards granted under the Plan for services provided after January 1, 2003. Effective January 1, 2005, the Company early adopted the fair value recognition provisions of SFAS No. 123 (Revised 2004) "Share-Based Payment" ("SFAS 123R") using the modified prospective method and recorded an after-tax gain of $6 million in the condensed consolidated statement

11. Share-Based Compensation (Continued)

of income as a cumulative effect of a change in accounting principle to reverse the expense previously recognized on all outstanding unvested awards that are expected to be forfeited. For more on the Company's adoption of SFAS 123R, see Part I, Item 1 in the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2005.

Share option awards granted in or before January 2003 for services provided before January 1, 2003, if not subsequently modified, were previously accounted for under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees." Upon adoption of SFAS 123R, compensation expense for these options that have future vesting requirements was recognized in the condensed consolidated statements of income.

If the Company had applied the fair-value based method under SFAS 123 to recognize expense over the relevant service period for share options that had future vesting requirements granted in or before January 2003, net income would have decreased for the three and nine months ended September 30, 2004. For the three and nine months ended September 30, 2005, there was no *pro forma* impact as compensation expense includes the fair value as of the grant date of all outstanding unvested share option awards granted. The following table reflects the *pro forma* effect for the three and nine months ended September 30, 2004:

	For the Three Months Ended September 30, 2004	For the Nine Months Ended September 30, 2004
	(In millions)	
Net income, as reported	$ 19	$ 478
Add: Share-based employee compensation expense, net of related tax effects, included in reported net income	57	175
Deduct: Share-based employee compensation expense, net of related tax effects, determined under the fair-value based method for all awards	58	180
Pro forma net income	$ 18	$ 473

12. Employee Benefit Plans

The Company provides retirement and post-retirement benefits to its U.S. and certain non-U.S. employees through participation in defined benefit pension plans (which include a qualified plan and a supplemental plan), a defined contribution plan and other post-retirement plans. The Company's measurement date is September 30 for its pension and other plans. For more information on the Company's employee benefit plans, see Note 16 of the consolidated financial statements in Part II, Item 8 in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

12. Employee Benefit Plans (Continued)

The following table presents the pension expense by component for the Company's defined benefit pension plans and other post-retirement plans for the three and nine months ended September 30, 2005 and 2004:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Components of Net Periodic Benefit Cost:				
Service cost	$ 6	$ 4	$ 19	$ 16
Interest cost	15	9	37	27
Expected return on plan assets	(14)	(12)	(42)	(34)
Amortization of loss	6	3	16	13
Recognized net actuarial loss	—	—	—	(1)
Net periodic benefit cost	$ 13	$ 4	$ 30	$ 21

The Company made payments to participants in the supplemental plan and the other post-retirement plans during the nine months ended September 30, 2005 totaling $4 million and expects to pay a total of $1 million during the remainder of the year ending December 31, 2005.

13. Legal Proceedings

The Company is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The Company believes, based on currently available information and advice of counsel, that the results of such proceedings, in the aggregate, will not have a material adverse effect on its financial condition but might be material to operating results for any particular period, depending, in part, upon the operating results for such period. The Company intends to defend itself vigorously in these matters, litigating or settling when determined by management to be in the best interests of the Company.

In accordance with SFAS No. 5, "Accounting for Contingencies," the Company recorded in the second quarter of 2005 a $750 million litigation charge to increase the reserve for private litigation involving Enron, certain IPO allocation practices, research analyst independence and other related litigation. This charge, coupled with the charge recorded in 2002, brings the Company's reserves for these private litigation matters to $1.1 billion after the application of settlements. It is inherently difficult to predict the outcome of many of these matters. In presenting the consolidated financial statements, management makes estimates regarding the outcome of these matters and records a reserve and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel, the Company's defenses and its experience in similar cases or proceedings as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Further litigation charges or releases of litigation reserves may be necessary in the future as developments in such cases or proceedings warrant.

14. Industry Segment and Geographic Data

The Company operates and manages its businesses through two operating segments: the Institutional Securities segment, consisting primarily of Investment Banking, Trading and certain separately managed private equity and distressed assets; and the Wealth & Asset Management segment, consisting of Alternative Capital, which includes the results of the private equity and private funds businesses, and Private Client Services. For further information on the segments, see Note 19 of the consolidated financial statements in Part II, Item 8 in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

14. Industry Segment and Geographic Data (Continued)

The following table sets forth the net revenues excluding net interest, net interest and dividends revenue, total net revenues, total expenses and income before provision (benefit) for income taxes and cumulative effect of a change in accounting principle before and after minority interests and assets of the Company's segments.

	Institutional Securities	Wealth & Asset Management	Total Segments
		(In millions)	
For the three months ended September 30, 2005:			
Net revenues excluding net interest	$ 1,288	$ 374	$ 1,662
Net interest and dividends revenue	408	10	418
Total net revenues[1]	1,696	384	2,080
Total expenses	1,126	160	1,286
Income[2]	570	224	794
Minority interests[3]	58	154	212
Income after minority interests[4]	$ 512	$ 70	$ 582
For the three months ended September 30, 2004:			
Net revenues excluding net interest	$ 426	$ 203	$ 629
Net interest and dividends revenue	560	(6)	554
Total net revenues[1]	986	197	1,183
Total expenses	984	138	1,122
Income[2]	2	59	61
Minority interests[3]	8	41	49
(Loss) income after minority interests[4]	$ (6)	$ 18	$ 12
For the nine months ended September 30, 2005:			
Net revenues excluding net interest	$ 2,455	$ 1,181	$ 3,636
Net interest and dividends revenue	1,483	21	1,504
Total net revenues[1]	3,938	1,202	5,140
Total expenses	3,886	449	4,335
Income[2]	52	753	805
Minority interests[3]	173	497	670
(Loss) income after minority interests[4]	$ (121)	$ 256	$ 135
Segment assets as of September 30, 2005[5]	$ 309,486	$ 5,222	$ 314,708
For the nine months ended September 30, 2004:			
Net revenues excluding net interest	$ 1,805	$ 1,100	$ 2,905
Net interest and dividends revenue	1,790	35	1,825
Total net revenues[1]	3,595	1,135	4,730
Total expenses	3,103	434	3,537
Income[2]	492	701	1,193
Minority interests[3]	70	425	495
Income after minority interests[4]	$ 422	$ 276	$ 698
Segment assets as of December 31, 2004[5]	$ 271,203	$ 4,610	$ 275,813

(1) Interest income and expense is accrued at the stated coupon rate for coupon-bearing financial instruments, and for non-coupon-bearing financial instruments, interest income is recognized by accreting the discount over the life of the instrument. For coupon-bearing financial instruments purchased at a discount or premium, the difference between interest income and expense accrued at the stated coupon rate and interest income and

14. Industry Segment and Geographic Data (Continued)

expense determined on an effective yield basis, which could be significant, is included in principal transactions-net instead of interest and dividends, net, in the Company's condensed consolidated statements of income and in net revenues excluding net interest above.

(2) Income before provision (benefit) for income taxes, minority interests and cumulative effect of a change in accounting principle.

(3) Related to the Company's consolidation of certain private equity funds. See Note 3 for more information.

(4) Income (loss) before provision (benefit) for income taxes and cumulative effect of a change in accounting principle.

(5) The Institutional Securities and Wealth & Asset Management segment assets include $584 million and $1.9 billion, respectively, as of September 30, 2005 and $494 million and $1.5 billion, respectively, as of December 31, 2004, related to the Company's consolidation of certain private equity funds.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder
Credit Suisse First Boston (USA), Inc.

We have reviewed the accompanying condensed consolidated statement of financial condition of Credit Suisse First Boston (USA), Inc. and subsidiaries (the "Company") as of September 30, 2005, the related condensed consolidated statements of income for the three and nine-month periods ended September 30, 2005 and 2004, and the related condensed consolidated statements of changes in stockholder's equity and cash flows for the nine-month periods ended September 30, 2005 and 2004. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition of Credit Suisse First Boston (USA), Inc. and subsidiaries as of December 31, 2004, and the related consolidated statements of income, changes in stockholder's equity, and cash flows for the year then ended (not presented herein); and in our report dated March 17, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial condition as of December 31, 2004 is fairly stated, in all material respects, in relation to the consolidated statement of financial condition from which it has been derived.

As discussed in Note 1 to the condensed consolidated financial statements, in 2005 the Company changed its method of accounting for share-based compensation.

/s/ KPMG LLP
New York, New York
November 8, 2005

We serve institutional, corporate, government and high-net-worth individual clients. Our businesses include securities underwriting, sales and trading, financial advisory services, alternative investments, full-service brokerage services, derivatives and risk management products, asset management and investment research. We are part of the Credit Suisse First Boston division, which we call CSFB, of Credit Suisse Group, or CSG, and our results do not reflect the overall performance of CSFB or CSG.

When we use the terms "we," "our," "us" and the "Company," we mean Credit Suisse First Boston (USA), Inc., a Delaware corporation, and its consolidated subsidiaries.

The Company's principal operations are located in the United States. The Company's foreign revenues are not significant.

BUSINESS ENVIRONMENT

Our principal business activities, investment banking, securities underwriting and sales, trading and wealth and asset management, are, by their nature, highly competitive and subject to general market conditions that include volatile trading markets, fluctuations in the volume of new issues, mergers and acquisitions activities and the value of securities. Consequently, our results have been, and are likely to continue to be, subject to wide fluctuations reflecting the impact of many factors beyond our control, including securities market conditions, the level and volatility of interest rates, competitive conditions, the size and timing of transactions and the geopolitical environment.

The U.S. economy performed better in the summer months than expected and GDP growth and consumer spending were strong. The end of the third quarter was impacted by two hurricanes on the Gulf Coast which may slow overall economic activity for the rest of the year due to rising oil and gas prices and the disruption to the economy. The Federal Reserve Board continued to raise short-term interest rates at a measured pace in an effort to contain inflationary pressures and indicated that further rate increases are likely. The U.S. economy expanded at a moderate pace during the first nine months of 2005.

The major U.S. stock market indices posted gains during the three months ended September 30, 2005, but had mixed results during the nine months ended September 30, 2005 as rising interest rates and oil prices slowed the momentum generated from solid corporate earnings. For the three months ended September 30, 2005, the Dow Jones Industrial Average, the Standard & Poor's 500 stock index and the NASDAQ composite index increased 3%, 3% and 5%, respectively. For the nine months ended September 30, 2005, the Dow Jones Industrial Average and the NASDAQ composite index declined 2% and 1%, respectively, while the Standard & Poor's 500 stock index increased 1%.

The federal funds rate was 3.75% as of September 30, 2005 compared to 2.25% as of December 31, 2004 as the Federal Reserve Board increased the federal funds rate six times during the nine months ended September 30, 2005, including two times during the three months ended September 30, 2005. Despite increases in short-term interest rates by the Federal Reserve Board, the yield on 10-year U.S. Treasury notes was relatively unchanged, increasing slightly from 4.22% as of December 31, 2004 to 4.33% as of September 30, 2005.

The dollar value of U.S. equity and equity-related underwriting increased for the three months ended September 30, 2005 compared to the three months ended September 30, 2004, primarily reflecting increases in secondary common stock issuances. The dollar value of U.S. equity and equity-related underwriting decreased for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004, primarily reflecting decreases in convertible securities issuances, secondary common stock issuances and initial public offerings. The dollar value of U.S. debt underwriting increased for the three and nine months ended September 30, 2005 compared to the three and nine months ended September 30, 2004, primarily as a result of an increase in asset-backed and mortgage-backed securities

underwritings. The increases in asset-backed and mortgage-backed underwritings for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004 were partially offset by a significant decline in high-yield corporate debt underwritings. Mergers and acquisitions activity was robust as the dollar value of both announced and completed mergers and acquisitions in the United States for the three and nine months ended September 30, 2005 increased compared to the three and nine months ended September 30, 2004.

MANAGEMENT OVERVIEW

The Company's total net revenues for the third quarter of 2005 increased 76% compared to the third quarter of 2004. This increase in revenues reflected significantly higher revenues from fixed income and equity trading, as well as higher revenues from equity underwriting and the private equity business. This increase was partially offset by lower debt underwriting revenues and lower interest revenues from structured products. The Company consolidates certain private equity funds, resulting in an increase in net revenues of $214 million for the third quarter of 2005. Net income was unaffected by this consolidation as offsetting minority interests and related operating expenses were recorded by the Company. Total expenses for the third quarter of 2005 increased 15% compared to the third quarter of 2004, reflecting higher employee compensation and benefits expenses. The Company recorded net income of $386 million for the third quarter of 2005 compared to $19 million for the third quarter of 2004.

The Company's total net revenues for the first nine months of 2005 increased 9% compared to the first nine months of 2004. This increase in revenues primarily reflected higher revenues from fixed income and equity trading. This increase was partially offset by lower revenues from debt and equity underwriting, as well as lower interest and dividends revenues from structured products and equities. Consolidation of certain private equity funds resulted in an increase in net revenues of $675 million for the first nine months of 2005. Net income was unaffected by this consolidation as offsetting minority interests and related operating expenses were recorded by the Company. Total expenses for the first nine months of 2005 increased 23% compared to the first nine months of 2004, reflecting significantly higher other operating expenses, which included a $750 million litigation charge in the second quarter of 2005 to increase the reserve for private litigation involving Enron, certain IPO allocation practices, research analyst independence and other related litigation. The Company recorded net income of $123 million for the first nine months of 2005 compared to net income of $478 million for the first nine months of 2004.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In order to prepare the condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, we must make estimates and assumptions based on judgment and available information. The reported amounts of assets and liabilities and revenues and expenses are affected by these estimates and assumptions. Actual results could differ from these estimates, and the differences could be material.

Our significant accounting policies and a discussion of new accounting pronouncements are disclosed in Note 1 of the consolidated financial statements in Part II, Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2004 and Note 1 of the condensed consolidated financial statements in Part I, Item 1 herein. We believe that the critical accounting policies discussed below involve the most complex judgments and assessments. We believe that the estimates and assumptions used in the preparation of the condensed consolidated financial statements are prudent, reasonable and consistently applied.

Fair Value

As is the normal practice in our industry, the values we report in the condensed consolidated financial statements with respect to financial instruments owned and financial instruments sold not yet purchased are in most cases based on fair value, with related unrealized and realized gains or losses included in the condensed consolidated statements of income. Commercial mortgage whole loans are carried at the lower of aggregate cost or fair value and certain residential mortgage whole loans held for sale are carried at the lower of cost or fair value.

Fair value may be objective, as is the case for exchange-traded instruments, for which quoted prices in price-efficient and liquid markets generally exist, or as is the case where a financial instrument's fair value is derived from actively quoted prices or pricing parameters or alternative pricing sources with a reasonable level of price transparency. For financial instruments that trade infrequently and have little price transparency, fair value may be subjective and require varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In such circumstances, valuation is based on management's best estimate of fair value. In addition, valuation of financial instruments ordinarily based on quoted prices may be distorted in times of market dislocation.

Controls Over Fair Valuation Process

Control processes are applied to ensure that the fair value of the financial instruments reported in our condensed consolidated financial statements, including those derived from pricing models, are appropriate and measured on a reliable basis. The Company bases fair value on observable market prices or market-based parameters whenever possible. In the absence of observable market prices or market-based parameters in an active market or from comparable market transactions, or other observable data supporting fair value based on a model at the inception of a contract, fair value is based on the transaction price. Control processes are designed to ensure that the valuation approach is appropriate and the assumptions are reasonable.

Control processes include the approval of new products, review of profit and loss, risk monitoring and review, price verification procedures and reviews of models used to price financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

The Company also has agreements with certain counterparties to exchange collateral based on the fair value of derivatives contracts. Through this process, one or both parties provide the other party with the fair value of these derivatives contracts in order to determine the amount of collateral required. This exchange of information provides additional support for the Company's derivatives contracts valuations. As part of the Company's over-the-counter, or OTC, derivatives business, the Company and other participants provide pricing information to aggregation services that compile this data and provide this information to subscribers. This information is considered in the determination of fair value for certain OTC derivatives.

For further discussion of our risk management policies and procedures, see "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2004.

Valuation

For purposes of valuation, we categorize our financial instruments as cash products, derivatives contracts and private equity and other long-term investments. The table below presents the carrying value of our cash products, derivatives contracts and private equity and other long-term investments as of

September 30, 2005 and December 31, 2004. Included in cash products are commercial mortgage whole loans, which are carried at the lower of the aggregate cost or fair value, and certain residential mortgage whole loans, which are carried at the lower of the cost or fair value.

	As of September 30, 2005		As of December 31, 2004	
	Financial instruments owned	Financial instruments sold not yet purchased	Financial instruments owned	Financial instruments sold not yet purchased
	(In millions)			
Cash products	$ 114,731	$ 45,375	$ 96,097	$ 28,402
Derivatives contracts	5,278	3,090	3,663	2,295
Private equity and other long-term investments	3,698	—	3,127	—
Total	$ 123,707	$ 48,465	$ 102,887	$ 30,697

Cash Products

The vast majority of our financial instruments owned and financial instruments sold not yet purchased are considered cash trading instruments. The fair value of the vast majority of these financial instruments is based on quoted market prices in active markets or observable market parameters or is derived from such prices or parameters. These include U.S. government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, certain leveraged loans, most mortgage-backed securities, certain mortgage whole loans and listed equities.

In addition, we hold positions in cash products that are thinly traded or for which no market prices are available, and which have little or no price transparency. These products include certain high-yield debt securities, certain leveraged loans, distressed debt securities, certain mortgage whole loans, certain mortgage-backed and asset-backed securities, certain collateralized debt obligations, or CDOs, and equity securities that are not publicly traded. The techniques used to estimate fair value for these instruments are based on the type of product. Some of these valuation techniques require us to exercise a substantial amount of judgment, for example, in determining the likely future cash flows or default recovery on distressed debt instruments or asset-backed obligations or the likely impact of country or market risk on various investments. Valuation techniques for certain of these products are described more fully below.

For certain high-yield debt securities that are thinly traded or for which market prices are not available, valuation is based on recent market transactions, taking into account changes in the creditworthiness of the issuer, and pricing models to derive yields reflecting the perceived risk of the issuer or country rating and the maturity of the security. Such valuation may involve judgment.

Financial instruments held in the distressed portfolio are typically issued by private companies under significant financial burden and/or near bankruptcy. Because of the less liquid nature of these financial instruments, valuation techniques often include earnings-multiple analyses using comparable companies or discounted cash flow analysis. These factors contribute to significant subjectivity in the valuation of these financial instruments.

The mortgage loan portfolio primarily includes residential mortgage loans that are either purchased or originated and commercial mortgage loans that are originated with the intent to securitize or sell. For residential mortgage loans, valuations are based on pricing factors specific to loan level attributes, such as loan-to-value ratios, current balance and liens. The commercial real estate loans are valued using origination spreads, incorporating loan-to-value ratios, debt service coverage ratios, geographic location, prepayment protection and current yield curves. In addition, current written offers or contract prices are considered in the valuation process.

Values of residential and commercial mortgage-backed securities and other asset-backed securities that are not based on quoted market prices or prices at which similarly structured and collateralized securities trade between dealers and to and from customers are valued using pricing models including for example employing prepayment scenarios and Monte Carlo simulations where applicable.

CDOs are structured securities based on underlying portfolios of asset-backed securities, certain residential and commercial mortgage securities, high-yield and investment grade corporate bonds, leveraged loans and other debt obligations. These instruments are split into various structured tranches, and each tranche is priced based upon its individual rating and the value or cash flow of the underlying collateral supporting the structure. Values are derived using pricing models that involve projected cash flows, default recovery analysis and other assumptions, and such valuations involve judgment.

For convertible securities that are thinly traded or for which no market prices are available, internal models are used to derive fair value. The terms and conditions of the security are factored into the model, along with market inputs such as underlying equity price, equity price volatility and credit spread. Certain adjustments are made to the derived theoretical values for high concentration levels and low trading volumes.

Derivatives Contracts

Our derivatives contracts consist of exchange-traded and OTC derivatives, and the fair value of these as of September 30, 2005 and December 31, 2004 was as follows:

	As of September 30, 2005		As of December 31, 2004	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Exchange-traded	$ 754	$ 543	$ 695	$ 598
OTC	4,524	2,547	2,968	1,697
Total	$ 5,278	$ 3,090	$ 3,663	$ 2,295

The fair value of exchange-traded derivatives is typically derived from the observable exchange price and/or observable market parameters. Our primary exchange-traded derivatives include certain option agreements. OTC derivatives include forwards, swaps and options on foreign exchange, interest rates, equities and credit products. Fair values for OTC derivatives are determined using internally developed proprietary models using various input parameters. The input parameters include those characteristics of the derivative that have a bearing on the economics of the instrument and market parameters. In well-established derivatives markets, the use of a particular model may be widely accepted. For example, the Black-Scholes model is widely used to calculate the fair value of many types of options. These models are used to calculate the fair value of OTC derivatives and to facilitate the effective risk management of the portfolio. The determination of the fair value of many derivatives involves only limited subjectivity because the required input parameters are observable in the marketplace. For other more complex derivatives, subjectivity relating to the determination of input parameters reduces price transparency. Specific areas of subjectivity include long-dated volatilities on OTC option transactions and recovery rate assumptions for credit derivatives transactions. Uncertainty of pricing assumptions and liquidity are also considered as part of the valuation process. Consequently, we do not recognize dealer profits and losses or unrealized gains or losses at the inception of derivatives transactions unless the valuation is evidenced by quoted market prices in an active market, observable prices of other current market transactions or other observable data supporting a valuation technique in accordance with Emerging Issues Task Force Issue No. 02-3, “Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities.” As of September 30, 2005 and December 31, 2004, most of the fair values reported in our condensed consolidated statements of financial condition were derived using observable input parameters. For further information on the fair value of derivatives as of

September 30, 2005 and December 31, 2004, see "—Derivatives—Sources and Maturities of OTC Derivatives" and Note 5 of the condensed consolidated financial statements in Part I, Item 1.

Private equity and other long-term investments

Private equity and other long-term investments include direct investments and investments in partnerships that make private equity and related investments in various portfolio companies and funds. Private equity investments and other long-term investments consist of both publicly traded securities and private securities. Publicly traded investments are valued based upon readily available market quotes with appropriate adjustments for liquidity as a result of holding large blocks and/or having trading restrictions. Private securities, which generally have no readily available market or may be otherwise restricted as to resale, are valued taking into account a number of factors, such as the most recent round of financing involving unrelated new investors, earnings-multiple analyses using comparable companies or discounted cash flow analysis, and have little or no price transparency.

The Company categorizes its private equity investments into three categories: CSFB-managed funds, funds managed by third parties and direct investments. The following table sets forth the fair value of our private equity investments by category as of September 30, 2005 and December 31, 2004:

	As of September 30, 2005		As of December 31, 2004	
	Fair value (In millions)	Percent of total	Fair value (In millions)	Percent of total
CSFB-managed funds (which includes $2,444 and $1,947 related to funds consolidated primarily under FIN 46R[1] as of September 30, 2005 and December 31, 2004, respectively)	$ 3,233	87%	$ 2,670	85%
Funds managed by third parties	449	12	442	14
Direct investments	16	1	15	1
Total	$ 3,698	100%	$ 3,127	100%

(1) For more information on the consolidated funds as of September 30, 2005 and December 31, 2004, see Notes 3 and 4 of the condensed consolidated financial statements in Part I, Item 1.

CSFB-Managed Funds. CSFB-managed funds are partnerships and related "side-by-side" direct investments made by our subsidiaries for which CSFB acts as the fund's advisor and makes investment decisions. As of September 30, 2005 and December 31, 2004, approximately 14% and 10%, respectively, of the aggregate fair value of CSFB-managed fund investments, excluding private equity funds consolidated primarily under Financial Accounting Standards Board, or FASB, Interpretation No. 46, "Consolidation of Variable Interest Entities", or FIN 46, as subsequently modified through the issuance of FIN 46R, were public securities. The fair value of our investments in CSFB-managed funds is based on our valuation or, in the case of funds of funds, valuations received from the underlying fund manager and reviewed by us.

Funds Managed by Third Parties. Funds managed by third parties are investments by CSFB as a limited partner in a fund managed by an external fund manager. The fair value of these funds is based on the valuation received from the general partner of the fund and reviewed by us.

Direct Investments. Direct investments are generally debt and equity securities that are not made through or "side-by-side" with CSFB-managed funds and consist of public and private securities. These investments are priced in accordance with the procedures for CSFB-managed funds. As of September 30, 2005 and December 31, 2004, approximately 49% and 22%, respectively, of the aggregate fair value of direct investments were public securities.

Income Taxes

Deferred Tax Assets

We recognize deferred tax assets and liabilities for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases as of the date of the statement of financial condition.

The realization of deferred tax assets on temporary differences is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. The realization of deferred tax assets on net operating losses is dependent upon the generation of taxable income during the periods prior to their expiration, if any. Periodically, management evaluates whether deferred tax assets can be realized. If management considers it more likely than not that all or a portion of a deferred tax asset will not be realized, a corresponding valuation allowance is established. In evaluating whether deferred tax assets can be realized, management considers projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies.

This evaluation requires significant management judgment, primarily with respect to projected taxable income. The estimate of future taxable income can never be predicted with certainty. It is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond our control. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits, could lead to changes in deferred tax assets being realizable or considered realizable, and would require a corresponding adjustment to the valuation allowance.

As of September 30, 2005 and December 31, 2004, we had deferred tax assets resulting from temporary differences that could reduce taxable income in future periods. The condensed consolidated statements of financial condition as of September 30, 2005 and December 31, 2004 include deferred tax assets of $1.5 billion and $1.6 billion, respectively, and deferred tax liabilities of $522 million and $438 million, respectively. Due to uncertainty concerning our ability to generate the necessary amount and mix of state and local taxable income in future periods, we maintained a valuation allowance against our deferred state and local tax assets in the amount of $27 million and $32 million as of September 30, 2005 and December 31, 2004, respectively.

Tax Contingencies

Significant judgment is required in determining the effective tax rate and in evaluating certain of our tax positions. We accrue for tax contingencies when, despite our belief that our tax return positions are fully supportable, certain positions could be challenged and our positions may not be fully sustained. Once established, tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of audits or when an event occurs requiring a change to the tax contingency accruals. We regularly assess the likelihood of adverse outcomes to determine the appropriateness of our provision (benefit) for income taxes. Although the outcome of any dispute is uncertain, management believes that it has appropriately accrued for any unfavorable outcome.

Litigation Contingencies

From time to time, we are involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of our business. It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting our consolidated financial statements, management makes estimates regarding the outcome of these matters and records a reserve and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken periodically for cost of

defense, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel, our defenses and our experience in similar cases or proceedings as well as our assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. For a discussion of legal proceedings, see "Legal Proceedings" in Part II, Item 1.

RECENT DEVELOPMENTS

On October 4, 2005, we acquired all of the outstanding stock of SPS Holding Corp. and its subsidiary Select Portfolio Servicing, Inc., or SPS, from PMI Group, Inc., FSA Portfolio Management Inc. and Greenrange Partners LLC, for approximately $140 million. We are contractually obligated to make additional future contingent payments up to approximately $40 million for servicing rights on mortgage loans currently serviced by SPS on behalf of third parties.

SPS is a leading nonprime residential mortgage loan servicer, headquartered in Salt Lake City, Utah, with facilities in Jacksonville, Florida. SPS services a significant portion of mortgage loan collateral underwritten by CSFB. SPS will be integrated into CSFB's residential mortgage-backed securities businesses and reflects our strategy to grow this business.

RESULTS OF OPERATIONS

The following table sets forth a summary of our financial results:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Total net revenues	$ 2,080	$ 1,183	$ 5,140	$ 4,730
Total expenses	1,286	1,122	4,335	3,537
Income before provision (benefit) for income taxes, minority interests and cumulative effect of a change in accounting principle	794	61	805	1,193
Provision (benefit) for income taxes	196	(7)	18	220
Minority interests	212	49	670	495
Income before cumulative effect of a change in accounting principle	386	19	117	478
Cumulative effect of a change in accounting principle, net of income tax expense of $3	—	—	6	—
Net income	$ 386	$ 19	$ 123	$ 478

Substantially all of our financial instruments are marked to market daily and, therefore, the value of such financial instruments and our net revenues are subject to fluctuations based on market movements. In addition, net revenues derived from our less liquid assets may fluctuate significantly depending on the revaluation or sale of these investments in any given period. We also regularly enter into large transactions as part of our proprietary and other trading businesses, and the number and size of such transactions may subject our net revenues to volatility from period to period.

Interest income and expense is accrued at the stated coupon rate for coupon-bearing financial instruments, and for non-coupon-bearing financial instruments, interest income is recognized by accreting the discount over the life of the instrument. For coupon-bearing financial instruments purchased at a discount or premium, the difference between interest income and expense accrued at the stated coupon rate and interest income and expense determined on an effective yield basis, which could be significant, is included in principal transactions-net instead of interest and dividends, net, in the condensed consolidated statements of income.

We use derivatives and cash instruments to mitigate the interest rate exposure associated with commercial mortgage whole loans, originated residential mortgage whole loans and resale and repurchase agreements. These derivatives and cash instruments are carried at fair value, while the commercial mortgage whole loans and originated residential mortgage whole loans are carried at the lower of aggregate cost or fair value and the resale and repurchase agreements are carried at contract amounts. As a result, decreases in the value of the derivatives and cash instruments, if any, are not offset by increases in the value of the commercial mortgage whole loans until the loans are sold and increases and decreases in the value of the derivatives and cash instruments, if any, are not offset by decreases and increases in the value of the resale and repurchase agreements until the securities are sold or repurchased. Commercial whole loans and resale and repurchase agreements can be a significant part of our statement of financial condition. Therefore, our net revenues are subject to volatility from period to period.

Our businesses are materially affected by conditions in the financial markets and economic conditions generally, including geopolitical events. Unpredictable or adverse market and economic conditions have adversely affected and may in the future adversely affect our results of operations. See "Business—Certain Factors That May Affect Our Results of Operations" in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2004.

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

The Company recorded net income of $386 million for the three months ended September 30, 2005 compared to net income of $19 million for the three months ended September 30, 2004, reflecting significantly higher net revenues and slightly higher expenses. The Company consolidates certain private equity funds, resulting in an increase in net revenues of $214 million and $55 million, respectively, for the three months ended September 30, 2005 and 2004. Net income was unaffected by the consolidation of these private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the increases attributable to the consolidation of certain private equity funds, net revenues increased 65%.

Total net revenues increased $897 million, or 76%, to $2.1 billion for the three months ended September 30, 2005, compared to the three months ended September 30, 2004, reflecting a significant increase in principal transactions-net and slight increases in investment banking and advisory and commissions and fees, partially offset by a decrease in net interest and dividends. The increase in principal transactions-net was primarily due to higher revenues in fixed income trading as well as improved results in equity trading and our private equity business. Investment banking and advisory revenues were marginally higher reflecting an increase in equity underwriting revenues, higher placement fees from our private funds group and improved advisory fees partially offset by a decrease in debt underwriting revenues. Commissions and fees were marginally higher from our cash equity business. Net interest and dividend revenues decreased primarily due to lower net interest revenues from structured products.

Total expenses increased $164 million, or 15%, to $1.3 billion for the three months ended September 30, 2005 compared to the three months ended September 30, 2004, primarily due to increases in employee compensation and benefits expenses. See "—Expenses."

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

The Company recorded net income of $123 million for the nine months ended September 30, 2005 compared to net income of $478 million for the nine months ended September 30, 2004, reflecting an increase in net revenues but significantly higher expenses. The Company consolidates certain private equity funds, resulting in an increase in net revenues of $675 million and $501 million, respectively, for the nine months ended September 30, 2005 and 2004. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the increases attributable to the consolidation of certain private equity funds, net revenues increased 6%.

Total net revenues increased $410 million, or 9%, to $5.1 billion for the nine months ended September 30, 2005, compared to the nine months ended September 30, 2004, reflecting a significant increase in principal transactions-net partially offset by decreases in net interest and dividends, investment banking and advisory, commissions and fees and other revenues. The increase in principal transactions-net was primarily due to higher revenues in fixed income trading, improved results in equity trading and higher revenues from the consolidation of private equity funds primarily under FIN 46R. Net interest and dividend revenues decreased primarily due to lower net interest revenues from structured products and lower net interest and dividend revenue from most equity trading activities, offset in part by increases in prime services. Investment banking and advisory fees decreased due to lower debt and equity underwriting fees. Commissions were lower primarily as a result of decreased trading activity from fixed income listed derivatives and lower management fees from our private equity business.

Total expenses increased $798 million, or 23%, to $4.3 billion for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004, primarily due to increases in other operating expenses resulting from the litigation charge of $750 million in the second quarter of 2005 to increase the reserve for certain private litigation. See "—Expenses."

Results by Segment

The operations of the Institutional Securities segment include: Investment Banking, which includes debt and equity underwriting and financial advisory services; and Trading, which includes our debt and equity sales and trading and other related activities. The Institutional Securities segment also includes the results from certain separately managed private equity and distressed assets. The operations of the Wealth & Asset Management segment include: Alternative Capital, which includes the results of the private equity and private funds businesses, and Private Client Services.

Our segments are managed based on types of products and services offered and their related client bases. We evaluate the performance of our segments based primarily on income (loss) before the provision (benefit) for income taxes, minority interests and cumulative effect of a change in accounting principle.

Revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense attributable to financing and hedging positions. Therefore, individual revenue categories may not be indicative of the performance of the segment results.

The cost structure of each of our segments is broadly similar to that of the Company as a whole, and, consequently, the discussion of expenses is presented on a company-wide basis. The Company allocates to its segments a *pro rata* share of certain centrally managed costs. Leased facilities and equipment costs, employee benefits and certain general overhead expenses are allocated based upon specified amounts, usage criteria or agreed rates. Interest expense is allocated based upon the particular type of asset. The allocation of some costs, such as incentive bonuses, has been estimated. The timing and magnitude of

changes in our incentive bonus accrual can have a significant effect on our operating results for a given period.

Beginning in 2004, the Global Treasury department allocated to the Company's segments certain interest expense primarily relating to the goodwill and intangible assets from the acquisition of Donaldson, Lufkin & Jenrette, Inc., which is recorded in the financial statements of Credit Suisse First Boston, Inc., or CSFBI, which is the Company's direct parent. In addition, the Global Treasury department allocated to the Company's segments gains and losses related to certain corporate treasury funding transactions, which allocation is based upon the expected funding requirements of the segments. There is an offsetting credit for this allocated interest expense and offsetting contra-revenues/revenues for the allocated gains and losses in Other Institutional Securities and Other Wealth & Asset Management.

Institutional Securities

The Institutional Securities segment includes the Trading and Investment Banking businesses and the results from certain separately managed private equity and distressed assets. Trading consists of sales and trading in equity securities, equity-related derivatives, fixed income financial instruments, fixed income-related derivatives, and other related activities. Investment Banking raises capital and provides financial advice to companies throughout the United States and abroad. Through Investment Banking, we manage and underwrite offerings of securities, arrange private placements and provide financial advisory and other services.

The following table sets forth certain financial information of the Company's Institutional Securities segment:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Revenues:				
Principal transactions-net	$ 560	$ (267)	$ 549	$ (274)
Investment banking and advisory	463	463	1,111	1,281
Commissions	247	219	756	761
Interest and dividends, net of interest expense	408	560	1,483	1,790
Other	18	11	39	37
Total net revenues	1,696	986	3,938	3,595
Total expenses	1,126	984	3,886	3,103
Income[1]	570	2	52	492
Minority interests[2]	58	8	173	70
Income (loss) after minority interests[3]	$ 512	$ (6)	$ (121)	$ 422

(1) Income (loss) before provision (benefit) for income taxes, minority interests and cumulative effect of a change in accounting principle.

(2) Represents minority interest revenues related to the Company's consolidation of certain private equity funds, net of related operating expenses.

(3) Income (loss) before provision (benefit) for income taxes and cumulative effect of a change in accounting principle.

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

The Institutional Securities segment recorded income after minority interests of $512 million for the three months ended September 30, 2005 compared to a loss after minority interests of $6 million for the three months ended September 30, 2004. Total net revenues increased $710 million, or 72%, to $1.7 billion for the three months ended September 30, 2005, primarily reflecting higher revenues from Trading and Other Institutional Securities. Other Institutional Securities includes treasury allocations, the Company's consolidation of certain private equity funds and the results for certain separately managed private equity and distressed assets. The consolidation of these private equity funds resulted in an increase in net revenues of $58 million and $11 million for the three months ended September 30, 2005 and 2004, respectively. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the increases attributable to the consolidation of certain private equity funds, net revenues increased $663 million, or 68%, for the three months ended September 30, 2005 compared to the three months ended September 30, 2004.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

The Institutional Securities segment recorded a loss after minority interests of $121 million for the nine months ended September 30, 2005 compared to income after minority interests of $422 million for the nine months ended September 30, 2004. Total net revenues increased $343 million, or 10%, to $3.9 billion for the nine months ended September 30, 2005, reflecting higher revenues from Other Institutional Securities and Trading partially offset by lower Investment Banking revenues. The consolidation of private equity funds resulted in an increase in net revenues of $176 million and $73 million for the nine months ended September 30, 2005 and 2004, respectively. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the increases attributable to the consolidation of certain private equity funds, net revenues increased $240 million, or 7%, for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004. Included in the results for the Institutional Securities segment for the nine months ended September 30, 2005 was a litigation charge of $750 million in the second quarter of 2005 to increase the reserve for certain private litigation.

Investment Banking

The following table sets forth the Investment Banking revenues for the Institutional Securities segment:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Debt underwriting	$ 148	$ 203	$ 412	$ 553
Equity underwriting	119	78	268	315
Total underwriting	267	281	680	868
Advisory and other fees	196	182	431	413
Total Investment Banking	$ 463	$ 463	$ 1,111	$ 1,281

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

Investment Banking revenues were flat, reflecting increases in equity underwriting and advisory and other fees and a decline in debt underwriting. For the three months ended September 30, 2005, equity underwriting revenues increased 53% to $119 million, reflecting an industry-wide increase in common stock new issuance volume. Advisory and other fees increased 8% to $196 million reflecting higher fees from mergers and acquisitions and private placements. Debt underwriting revenues decreased 27%

compared to the three months ended September 30, 2004 to $148 million, reflecting lower underwriting revenues from high-yield securities, consistent with an industry-wide trend, and lower underwriting revenues from asset-backed securities, residential mortgage-backed securities and CDOs. This decrease was partially offset by an increase in high-grade debt underwriting revenues.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Investment Banking revenues decreased 13% to $1.1 billion, reflecting declines in debt and equity underwriting partially offset by a modest increase in advisory and other fees. For the nine months ended September 30, 2005, debt underwriting revenues decreased 25% compared to the nine months ended September 30, 2004 to $412 million, primarily due to lower underwriting revenues from high-yield, asset-backed and commercial mortgage-backed securities partially offset by higher residential mortgage-backed securities and high-grade debt underwriting revenues. Equity underwriting revenues decreased 15% to $268 million reflecting an industry-wide decrease in common stock and convertible securities new issuance volumes. Advisory and other fees increased 4% to $431 million reflecting higher fees from mergers and acquisitions and private placements.

Trading

In evaluating the performance of its Trading activities, the Company aggregates principal transactions-net, commissions and net interest as net trading revenues. Changes in the composition of trading inventories and hedge positions can cause principal transactions and net interest income to vary from period to period.

The following table sets forth net Trading revenues of the Institutional Securities segment:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Fixed Income	$ 660	$ 252	$ 1,394	$ 1,275
Equity	349	183	804	721
Total Trading[(1)]	$ 1,009	$ 435	$ 2,198	$ 1,996

(1) Revenues reflect the allocation of certain net revenues and interest expense from the Global Treasury department to Trading. For the three months ended September 30, 2005 and 2004, the amount was $74 million and $73 million of contra-revenues, respectively. For the nine months ended September 30, 2005 and 2004, the amount was $234 million and $194 million of contra-revenues, respectively. See "—Results by Segment" above.

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

Total net trading revenues for the Institutional Securities segment increased $574 million to $1.0 billion for the three months ended September 30, 2005 compared to the three months ended September 30, 2004, due to increases in fixed income and equity net trading revenues.

Fixed income net trading revenues increased $408 million to $660 million as revenues from structured products, interest rate products and credit products all improved. The increase in structured products net trading revenues was due to higher revenues primarily from residential mortgage, commercial mortgage and asset-backed products. During the three months ended September 30, 2005, Institutional Securities changed its estimate of fair value of its retained interests in residential mortgage-backed securities. Specifically, the valuation was enhanced to reflect improved observable secondary market transaction data and the use of improved modeling of the expected prepayment and default assumptions that are used to

generate the expected future cash flows from these securities. This change in estimate resulted in a $167 million adjustment to the valuation of these positions, which increased revenues for the three months ended September 30, 2005. The increase in revenues from interest rate products primarily reflected gains on derivatives that hedged certain resale and repurchase agreements. Revenues from credit products were higher primarily from leveraged finance products.

Equity net trading revenues increased 91% to $349 million, primarily reflecting higher revenues from certain proprietary trading strategies and most cash products, growth in our prime services business and higher revenues from equity derivatives.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Total net trading revenues for the Institutional Securities segment increased $202 million, or 10%, to $2.2 billion for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004, due to increases in fixed income and equity net trading revenues.

Fixed income net trading revenues increased 9% to $1.4 billion reflecting increases in revenues from structured products partially offset by lower revenues from credit products and interest rate products. The increase in structured products net trading revenues was due to higher revenues primarily from residential mortgage and commercial mortgage products. During the third quarter of 2005, Institutional Securities enhanced its estimate of fair value of its retained interests in residential mortgage-backed securities. This change in estimate resulted in a $167 million adjustment to the valuation of these positions, which increased revenues for the nine months ended September 30, 2005. The decrease in revenues from credit products reflected lower revenues primarily from high-grade, high-yield and distressed products. The decrease in revenues from interest rate products reflected lower revenues from listed derivatives and U.S. government and agency securities offset in part by higher revenues from derivatives that hedged certain resale and repurchase agreements.

Equity net trading revenues increased 12% to $804 million primarily reflecting growth in our prime services business and higher revenues from most cash products, equity derivatives and certain proprietary trading strategies. The increase was partially offset by losses from convertible securities reflecting reduced liquidity and low volatility which resulted in lower trading volumes.

Other Institutional Securities

Other Institutional Securities revenues primarily consist of revenues from the consolidation of certain private equity funds, the results for certain separately managed private equity and distressed assets, interest income on loans to affiliates and treasury allocations to our Trading business.

The following table sets forth Other Institutional Securities revenues:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Separately managed private equity and distressed assets	$ 63	$ 25	$ 228	$ 140
Other	161	63	401	178
Total Other Institutional Securities	$ 224	$ 88	$ 629	$ 318

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

Total revenues from Other Institutional Securities increased $136 million to $224 million during the three months ended September 30, 2005 compared to the three months ended September 30, 2004, reflecting the consolidation of certain private equity funds which resulted in an increase in net revenues of

$58 million and $11 million, respectively. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the revenues attributable to the consolidation of certain private equity funds, Other Institutional Securities revenues increased $89 million, primarily related to increases in interest income on loans to affiliates and a credit that offsets the Global Treasury department's allocation of interest expense as a contra-revenue to our Trading business, both of which reflected higher interest rates. Other Institutional Securities also reflected higher revenues from distressed assets offset by lower revenues from certain separately managed private equity assets.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Total revenues from Other Institutional Securities increased $311 million to $629 million during the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004, reflecting the consolidation of certain private equity funds which resulted in an increase in net revenues of $176 million and $73 million, respectively. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the revenues attributable to the consolidation of certain private equity funds, Other Institutional Securities revenues increased $208 million, primarily related to increases in interest income on loans to affiliates and a credit that offsets the Global Treasury department's allocation of interest expense as a contra-revenue to our Trading business, both of which reflected higher interest rates.

Wealth & Asset Management

The Wealth & Asset Management segment consists of Alternative Capital, which includes the private equity and private funds businesses, and Private Client Services. The private equity business makes privately negotiated investments and acts as an investment advisor for private equity funds. The private funds business raises private capital, primarily from institutional investors, for direct investment by venture capital, management buyout and other investment firms in a variety of fund types. Private Client Services is a financial advisory business serving high-net-worth individuals and corporate investors with a wide range of CSFB and third-party investment management products and services.

The following table sets forth certain financial information of the Wealth & Asset Management segment:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Revenues:				
Principal transactions-net	$ 258	$ 93	$ 830	$ 774
Investment banking and advisory	40	19	120	65
Asset management and other fees	75	85	226	250
Interest and dividends, net of interest expense	10	(6)	21	35
Other	1	6	5	11
Total net revenues	384	197	1,202	1,135
Total expenses	160	138	449	434
Income[1]	224	59	753	701
Minority interests[2]	154	41	497	425
Income after minority interests[3]	$ 70	$ 18	$ 256	$ 276

(1) Income before provision for income taxes, minority interests and cumulative effect of a change in accounting principle.

(2) Represents minority interest revenues net of related operating expenses related to the Company's consolidation of certain private equity funds.

(3) Income before provision for income taxes and cumulative effect of a change in accounting principle.

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

The Wealth & Asset Management segment recorded income after minority interests of $70 million for the three months ended September 30, 2005 compared to $18 million for the three months ended September 30, 2004. Total net revenues increased $187 million to $384 million for the three months ended September 30, 2005, reflecting an increase in net revenues from the consolidation of certain private equity funds to $156 million for the three months ended September 30, 2005 from $44 million for the three months ended September 30, 2004. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the effects of the consolidation of certain private equity funds, total net revenues increased $75 million, or 49%, primarily reflecting higher net investment gains from our private equity business and increases in placement fees from the private funds business.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

The Wealth & Asset Management segment recorded income after minority interests of $256 million for the nine months ended September 30, 2005 compared to $276 million for the nine months ended September 30, 2004. Total net revenues increased $67 million to $1.2 billion for the nine months ended September 30, 2005, reflecting an increase in net revenues from the consolidation of certain private equity funds to $499 million for the nine months ended September 30, 2005 from $428 million for the nine months ended September 30, 2004. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the effects of the consolidation of certain private equity

funds, total net revenues decreased $4 million, or 1%, primarily reflecting lower net investment gains from our private equity business, which had significant gains during the nine months ended September 30, 2004, partially offset by increases in placement fees from the private funds business.

Alternative Capital, Private Client Services and Other

The following table sets forth the Alternative Capital, Private Client Services and Other revenues for the Wealth & Asset Management segment:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Alternative Capital	$ 316	$ 134	$ 1,010	$ 960
Private Client Services	58	48	165	162
Other	10	15	27	13
Total Wealth & Asset Management[1]	$ 384	$ 197	$ 1,202	$ 1,135

(1) Revenues reflect the allocation of certain net revenues and interest expense from the Global Treasury department to Alternative Capital and Private Client Services. For the three months ended September 30, 2005 and 2004, the amount was $9 million and $16 million of contra-revenues, respectively. For the nine months ended September 30, 2005 and 2004, the amount was $26 million and $16 million of contra-revenues, respectively. See "—Results by Segment" above.

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

Revenues from Alternative Capital consist of management and placement fees, net investment gains and losses, which include realized and unrealized gains and losses, including carried interest, net interest and other revenues from private equity and private funds. Revenues from Alternative Capital increased $182 million to $316 million for the three months ended September 30, 2005, reflecting an increase in net revenues from the consolidation of certain private equity funds to $156 million for the three months ended September 30, 2005 from $44 million for the three months ended September 30, 2004. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the effect of the consolidation of certain private equity funds, total net revenues increased $70 million, or 78%, primarily reflecting higher net investment gains from our private equity business and increases in placement fees from the private funds business.

Revenues for Private Client Services increased 21% to $58 million, primarily due to higher commissions and higher equity capital markets revenues.

Other revenues decreased $5 million compared to the three months ended September 30, 2004, reflecting a decrease in the credit that offsets allocations by the Global Treasury department to our alternative capital and private client services businesses of certain interest expense and revenues.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Revenues from Alternative Capital increased $50 million to $1.0 billion for the nine months ended September 30, 2005, reflecting an increase in net revenues from the consolidation of certain private equity funds to $499 million for the nine months ended September 30, 2005 from $428 million for the nine months ended September 30, 2004. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the effect of the consolidation of certain private equity funds, total net revenues decreased $21 million, or 4%, primarily reflecting lower net investment gains from our private equity business, which had significant gains during the nine months ended September 30, 2004, partially offset by increases in placement fees from the private funds business.

Revenues for Private Client Services increased 2% to $165 million, primarily due to higher commissions partially offset by lower net interest revenues.

Other revenues increased $14 million compared to the nine months ended September 30, 2004, reflecting an increase in the credit that offsets allocations by the Global Treasury department to our alternative capital and private client services businesses of certain interest expense and revenues.

Expenses

The normal operating cost structure of each of our segments is broadly similar to that of the Company as a whole. For this reason, the discussion of expenses is presented on a company-wide basis.

The following table sets forth employee compensation and benefits expenses, other expenses and total expenses of the Company:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Employee compensation and benefits	$ 959	$ 744	$ 2,644	$ 2,532
Other expenses	327	378	1,691	1,005
Total expenses	$ 1,286	$ 1,122	$ 4,335	$ 3,537

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

Total expenses increased $164 million, or 15%, to $1.3 billion for the three months ended September 30, 2005 compared to the three months ended September 30, 2004, as increases in employee compensation and benefit expenses, professional fees, communications and occupancy and equipment rental expenses were partially offset by decreases in other operating expenses. The increase in employee compensation and benefits expenses reflects increases in performance-related compensation, share-based compensation, base salaries and head count. Included in employee compensation and benefits expense was $54 million and $41 million for the three months ended September 30, 2005 and 2004, respectively, related to business activities conducted by Company employees on behalf of CSG affiliates outside of the Company. These expenses were charged to these affiliates and are reflected as a reduction in our other operating expenses. See Notes 1 and 11 of the condensed consolidated financial statements in Part I, Item 1 for more information.

Other expenses consist principally of occupancy and equipment rental; brokerage, clearing and exchange fees; communications; professional fees; and all other operating expenses. Other expenses decreased $51 million for the three months ended September 30, 2005 compared to the three months ended September 30, 2004, primarily reflecting lower accruals for legal fees and higher affiliate service fees

(including the charge to affiliates of compensation expense) that are treated as a reduction in other operating expenses. Excluding the charges to affiliates for compensation expense, other operating expenses decreased 9%.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Total expenses increased $798 million, or 23%, to $4.3 billion for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004, primarily as a result of a litigation charge of $750 million in the second quarter of 2005 to increase the reserve for certain private litigation. Employee compensation and benefits expenses were moderately higher reflecting higher share-based compensation, base salaries and headcount. These increases were partially offset by lower accruals for certain deferred compensation plans, severance and performance-related compensation. Included in employee compensation and benefits expense was $159 million and $101 million for the nine months ended September 30, 2005 and 2004, respectively, related to business activities conducted by Company employees on behalf of CSG affiliates outside of the Company. These expenses were charged to these affiliates and are reflected as a reduction in our other operating expenses. See Notes 1 and 11 of the condensed consolidated financial statements in Part I, Item 1 for more information.

Other expenses increased $686 million for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004, primarily as a result of a litigation charge of $750 million in the second quarter of 2005 to increase the reserve for certain private litigation. This increase was partially offset by lower merger-related expenses reflecting the completion of retention awards in 2004 and higher affiliate service fees (including the charge to affiliates of compensation expense) that are treated as a reduction in other operating expenses. Excluding the litigation charge to increase the reserve for certain private litigation and the charges to affiliates for compensation expense, other operating expenses decreased 1%.

Provision for Taxes

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

The provision for income taxes for the nine months ended September 30, 2005 was $18 million compared to a provision for income taxes for the nine months ended September 30, 2004 of $220 million. Excluded from the provision for income taxes for the nine months ended September 30, 2005 was an income tax expense of $3 million related to the Company's adoption of Statement of Financial Accounting Standards, or SFAS, No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," and SFAS No. 123 (Revised 2004), "Share-Based Payment," or SFAS 123R.

The effective tax rate changed from a provision of 18.3% for the nine months ended September 30, 2004 to a provision of 2.3% for the nine months ended September 30, 2005. The decrease from the Federal statutory rate of 35% in both periods was primarily due to non-taxable revenues from private equity funds consolidated primarily under FIN 46R.

Share-based Compensation

We have early adopted SFAS 123R as of January 1, 2005, using the modified prospective method. We had previously adopted the recognition provisions of SFAS 123 effective January 1, 2003. See Note 11 of the condensed consolidated financial statements in Part I, Item 1 for more information.

In connection with our adoption of SFAS 123R, we recorded an after-tax gain of $6 million in the condensed consolidated statement of income as a cumulative effect of a change in accounting principle to reverse the expense for awards previously recognized on all outstanding unvested awards that are expected

to be forfeited. For new grants after January 1, 2005, forfeitures are included in the initial estimate of compensation expense at the grant date.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Management Oversight

We believe that maintaining access to liquidity is fundamental for firms operating in the financial services industry. We have therefore established a comprehensive process for the management and oversight of our capital, liquidity and funding strategies. Credit Suisse's Capital Allocation and Risk Management Committee, or CARMC, has primary oversight responsibility for these functional disciplines. CARMC periodically reviews and approves our liquidity management policies and targets and reviews our liquidity position and other key risk indicators. The Global Treasury department is responsible for the day-to-day management of capital, liquidity and funding, as well as relationships with creditor banks and fixed income investors. It also maintains regular contact with rating agencies and regulators on these and other issues. See "Liquidity Risk" in "Business—Certain Factors That May Affect Our Results of Operations" in Part I, Item I of our Annual Report on Form 10-K for the year ended December 31, 2004 for more information.

Liquidity Management Organization

We are an indirect subsidiary of Credit Suisse, a Swiss bank. Consequently, our liquidity management structure operates at two levels, the "Non-Bank Franchise" and the "Bank Franchise."

First, at the holding company level, the "Non-Bank Franchise," where access to parent bank funding is limited, we aim to maintain sufficient liquidity so that in the event that we are unable to access the unsecured capital markets, we have cash and liquid assets sufficient to repay maturing liabilities for a minimum period of one year. When assessing the amount of cash and liquid assets, we take account of the regulatory restrictions that limit the amount of cash that could be distributed upstream by our principal broker-dealer subsidiaries, Credit Suisse First Boston LLC, or CSFB LLC, and Credit Suisse First Boston Capital LLC, or CSFB Capital LLC, which hold over 86% of our consolidated assets.

Second, our regulated subsidiaries have access to unsecured funding from Credit Suisse, the "Bank Franchise," as well as secured funding via the repurchase and securities lending markets. Historically, Credit Suisse's bank deposit base has proven extremely stable and is comprised of a diversified customer base, including retail deposits as well as wholesale and institutional deposits. In a stressed liquidity environment, our broker-dealers would directly access the secured funding markets to replace unsecured borrowings from Credit Suisse.

Balance Sheet and Funding

The majority of our assets are held in our broker-dealer subsidiaries and comprise a substantial portion of the Bank Franchise. These assets—principally trading inventories in our Institutional Securities business—are funded by a combination of collateralized short-term borrowings, which include securities sold under agreements to repurchase and securities loaned, as well as unsecured loans from Credit Suisse, the central funding entity of the Bank Franchise. Significant portions of our assets held in the Bank Franchise are highly liquid, with the majority consisting of securities inventories and collateralized receivables, which fluctuate depending on the levels of proprietary trading and customer business. Collateralized receivables consist primarily of securities purchased under agreements to resell and securities borrowed, both of which are primarily secured by U.S. government and agency securities and marketable corporate debt and equity securities. In addition, we have significant receivables from customers, brokers, dealers and others, which turn over frequently. To meet client needs as a securities dealer, we carry significant levels of trading inventories.

Unsecured funding for the Bank Franchise originates largely from Credit Suisse's borrowings in the wholesale and institutional deposit markets as well as access to retail deposits.

Assets not funded by the Bank Franchise include less liquid assets such as certain mortgage whole loans, distressed securities, high-yield debt securities, asset-backed securities and private equity investments. These less liquid assets are principally held in the Non-Bank Franchise. These assets may be relatively illiquid at times, especially during periods of market stress. Mortgage whole loans, distressed securities, high-yield debt and asset-backed securities are generally financed with a combination of short-term unsecured financing or repurchase agreements, long-term borrowings and stockholder's equity. We typically fund a significant portion of less liquid assets, such as private equity investments, with long-term borrowings that we issue directly to the market, and stockholder's equity.

Short-term funding is generally obtained at rates related to the Federal Funds rate, the London Interbank Offered Rate, or LIBOR, or other money market indices, while long-term funding is generally obtained at fixed and floating rates related to U.S. Treasury securities or LIBOR, depending upon prevailing market conditions. We continually aim to broaden our funding base by geography, investor and funding instrument.

We lend funds as needed to our operating subsidiaries and affiliates on both a senior and subordinated basis, the latter typically to meet capital requirements of regulated subsidiaries. We generally try to ensure that loans to our operating subsidiaries and affiliates have maturities equal to or shorter than the maturities of our market borrowings. As such, senior funding to operating subsidiaries and affiliates is typically extended on a demand basis. Alternatively, subordinated financing to regulated subsidiaries is extended on a term basis and we structure our long-term market borrowings with maturities that extend beyond those of our subordinated advances to subsidiaries and affiliates.

Because of changes relating to customer needs, economic and market conditions and proprietary trading and other strategies, our total assets, or the individual components of total assets, may vary significantly from period to period. As of September 30, 2005 and December 31, 2004, our total assets were $314.7 billion and $275.8 billion, respectively.

Included below is a discussion of our long-term contractual obligations, off-balance sheet arrangements and less liquid assets.

Liquidity Measurement and Planning

The principal measure we use to monitor our liquidity position at each funding franchise is the "liquidity barometer," which estimates the time period over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of our maturing unsecured liabilities plus a conservative forecast of anticipated contingent commitments. Our objective, as mandated by CARMC, is to ensure that the liquidity barometer for each of the funding franchises is maintained at a sufficient level so as to ensure that, in the event we are unable to access unsecured funding, we will have sufficient liquidity for an extended period. We believe this will enable us to carry out our business plans during extended periods of market stress, while minimizing, to the extent possible, disruptions to our business.

For the Non-Bank Franchise, our objective is to ensure that the liquidity barometer equals or exceeds a time horizon of one-year. For the Bank Franchise, our objective is to ensure the liquidity barometer equals or exceeds 120 days. The different time horizons reflect the relative stability of the unsecured funding base of each Franchise. In the Non-Bank Franchise, liabilities are measured at their contractual maturities because historically, investors in publicly issued debt securities and commercial paper are highly sensitive to liquidity events such that we believe access to these markets could be quickly diminished. Conversely, the Bank Franchise's retail and institutional deposit base is measured using contractual

maturities that have been adjusted to reflect behavioral stability. Historically, this core deposit base has proven extremely stable, even in stressed markets. The conservative parameters we use in establishing the time horizons in the funding franchises assume that assets will not be sold to generate cash, that no new unsecured debt can be issued, and that funds that are assumed to be trapped because of regulatory restrictions are not available to be distributed upstream in a stressed liquidity environment. The adjusted market value of unencumbered assets includes a conservative reduction from market value, or "haircut," reflecting the amount that could be realized by pledging an asset as collateral to a third-party lender in a secured funding transaction.

In the case of the Non-Bank Franchise, contingent commitments include such items as commitments to invest in private equity funds. Certain contingent obligations do not materially impact the liquidity planning at the Company or Non-Bank Franchise, as these are incurred by other affiliated operating entities that are not consolidated by the Company. These items, which are taken into account in our liquidity planning for the Bank Franchise, include:

- credit rating-related collateralization requirements (CSFB's derivatives business is primarily conducted in Credit Suisse First Boston International, a wholly-owned subsidiary of CSG);
- back-up liquidity lines provided to asset-backed commercial paper conduits (back-up liquidity lines are provided by Credit Suisse);
- committed credit facilities to clients that are currently undrawn (CSFB's corporate lending business is conducted in Credit Suisse).

The Bank Franchise maintains a large secondary source of liquidity, principally through Credit Suisse's principal broker-dealers and other regulated operating entities. The Bank Franchise has historically been able to access significant liquidity through the secured funding markets (securities sold under agreements to repurchase, securities loaned and other collateralized financing arrangements), even in periods of market stress. We continually monitor overall liquidity by tracking the extent to which unencumbered marketable assets and alternative unsecured funding sources exceed both contractual obligations and anticipated contingent commitments.

As of September 30, 2005, we estimate that the Non-Bank Franchise held cash, other liquidity reserves and marginable assets, net of haircuts, of approximately $8.4 billion versus estimated maturing obligations and commitments out to one year of $6.6 billion. Also, as of September 30, 2005, we estimate that the Bank Franchise held cash, other liquidity reserves and marginable assets, net of haircuts, of approximately $112.9 billion versus estimated maturing obligations, commitments and contingent funding requirements out to 120 days of $103.4 billion.

Our liquidity planning and management focuses on maintaining a liquidity cushion so that we may continue to conduct business for an extended period in the event of a crisis. Our liquidity contingency plan focuses on the specific actions that we would take in the event of a crisis, including a detailed communication plan for creditors, investors and customers. The plan, which is regularly updated, sets out a three-stage process of the specific actions we would take:

- Stage I—Market disruption
- Stage II—Unsecured markets partially inaccessible
- Stage III—Unsecured markets fully inaccessible

In the event of a liquidity crisis, a meeting of the Liquidity Crisis Committee would be convened by Global Treasury to activate the contingency plan. The Liquidity Crisis Committee's membership includes senior business line, Global Treasury and finance department management, and this committee would meet frequently throughout the crisis to ensure our plans are executed.

Cash Capital

We measure cash capital (long-term funding sources) against long-term unsecured funding requirements on an ongoing basis, and seek to maintain a surplus at all times. Sources of cash capital include the non-current component of the Company's long-term borrowings and stockholder's equity. Uses of cash capital include illiquid assets such as related party receivables (except where the receivable is the short-term investment of our excess cash with Credit Suisse), property, goodwill and intangibles, deferred tax assets, private equity and other long-term investments.

Our cash capital as of September 30, 2005 totaled $39.6 billion compared with $36.9 billion as of December 31, 2004. The increase in cash capital of $2.7 billion was primarily due to an increase in long-term debt and higher stockholder's equity from retained earnings. As of September 30, 2005, cash capital was substantially in excess of our cash capital requirements.

Contractual Obligations and Commitments

The following table sets forth future cash payments on our contractual obligations pursuant to long-term borrowings, operating leases and purchase obligations as of September 30, 2005:

	Contractual Obligations Expiration Per Period				
	Less than 1 year	1-3 years	4-5 years	Over 5 years	Total
			(In millions)		
Long-term borrowings	$ 4,192	$ 8,565	$ 6,062	$ 13,327	$ 32,146
Operating leases	149	291	272	1,015	1,727
Purchase obligations[(1)]	22	18	16	4	60
Total contractual obligations	$ 4,363	$ 8,874	$ 6,350	$ 14,346	$ 33,933

(1) Purchase obligations for goods and services include payments for, among other things, benefits consulting, corporate services outsourcing and computer and telecommunications maintenance agreements. Purchase obligations reflect the minimum contractual obligation under legally enforceable contracts through the termination dates specified in the respective agreements, even if the contract is renewable. Purchase obligations do not reflect termination fees payable upon the Company's termination of the respective contracts.

Our long-term borrowings are unsecured. As of September 30, 2005, the weighted average maturity of our long-term borrowings was approximately 5.2 years. Our lease obligations are primarily for our principal offices in New York City and other locations. The operating lease obligations in the table above do not reflect $321 million in sublease revenue and executory costs such as insurance, maintenance and taxes of $552 million. We had no capital lease obligations as of September 30, 2005.

We have commitments under a variety of arrangements that are not recorded as liabilities in our condensed consolidated statements of financial condition. These commitments are in addition to guarantees and other arrangements discussed in "—Off-Balance Sheet Arrangements." The following table sets forth certain of our commitments, including the current portion, as of September 30, 2005:

	Commitment Expiration Per Period				
	Less than 1 year	1-3 years	4-5 years	Over 5 years	Total commitments
	(In millions)				
Standby resale agreements[1]	$ —	$ 100	$ —	$ —	$ 100
Private equity[2]	165	89	58	401	713
Forward agreements[3]	6,634	—	—	—	6,634
Unfunded lending commitments[4]	—	77	189	312	578
Unfunded warehousing commitments[5]	1,210	—	—	—	1,210
Total commitments	$ 8,009	$ 266	$ 247	$ 713	$ 9,235

(1) In the ordinary course of business, we maintain certain standby resale agreement facilities that commit us to enter into resale agreements with customers at current market rates.

(2) As of September 30, 2005 we had commitments to invest up to an additional $713 million in non-consolidated private equity funds and $1.1 billion in consolidated private equity funds.

(3) Represents commitments to enter into forward resale agreements for securities purchased under agreements to resell and forward agreements to borrow securities.

(4) We enter into commitments to extend credit in connection with certain premium finance activities.

(5) We enter into commitments to warehouse commercial mortgage whole loans.

For information on these and other material commitments, see Notes 4, 6, 7 and 8 of the condensed consolidated financial statements in Part I, Item 1. For information on commitments under our pension arrangements, see Note 12 of the condensed consolidated financial statements in Part I, Item 1.

The following table sets forth our commercial paper and other short-term unsecured borrowings:

	September 30, 2005	December 31, 2004
	(In millions)	
Bank loans	$ 289	$ 350
Commercial paper	1,291	1,249
Loans from affiliates[1]	16,091	20,085
Total	$ 17,671	$ 21,684

(1) We have significant financing transactions with Credit Suisse and certain of its subsidiaries and affiliates. See "—Related Party Transactions" and Note 2 of the condensed consolidated financial statements in Part I, Item 1.

Credit Facilities

As of September 30, 2005, CSFB LLC maintained with third parties five 364-day committed secured revolving credit facilities totaling $2.2 billion, with one facility for $500 million maturing in November 2005 (which we expect to renew through November 2006), one facility for $500 million maturing in February 2006, one facility for $500 million maturing in March 2006, one facility for $500 million maturing in July 2006 and one facility for $200 million maturing in August 2006. We expect to renew these facilities as they mature. These facilities require CSFB LLC to pledge unencumbered marketable securities to

secure any borrowings. Borrowings under each facility would bear interest at short-term rates related to either the Federal Funds rate or LIBOR and can be used for general corporate purposes. The facilities contain customary covenants that we believe will not impair our ability to obtain funding. As of September 30, 2005, no borrowings were outstanding under any of the facilities. We may from time to time enter into additional secured revolving credit facilities as part of our liquidity management.

Long-term Funding

We issue long-term debt through U.S. and Euromarket medium-term note programs, as well as syndicated and privately placed offerings around the world.

Under our currently effective $15.0 billion shelf registration statement on file with the SEC, which was established in June 2004 and allows us to issue from time to time senior and subordinated debt securities and warrants to purchase such securities, we had as of November 7, 2005 $5.2 billion available for issuance.

Under our $5.0 billion Euro medium-term note program, which was established in July 2001 and allows us to issue notes from time to time, we had as of November 7, 2005 $1.2 billion available for issuance.

For the nine months ended September 30, 2005, we issued $2.3 billion in medium-term notes, $4.0 billion in senior notes and $38 million in structured notes and we repaid approximately $2.1 billion of medium-term notes, $500 million of senior notes and $56 million of structured notes.

Credit Ratings

Our access to the debt capital markets and our borrowing costs depend significantly on our credit ratings. These ratings are assigned by credit rating agencies, which may raise, lower or withdraw their ratings or place us on “credit watch” with positive or negative implications at any time. Credit ratings are important to us when competing in certain markets and when seeking to engage in longer-term transactions, including OTC derivatives. We believe agencies consider several factors in determining our credit ratings, including earnings performance, business mix, market position, financial strategy, level of capital, risk management policies and practices and management team, and our affiliation with Credit Suisse and CSG, in addition to the broader outlook for the financial services industry.

A reduction in our credit ratings could limit our access to capital markets, increase our borrowing costs, require us to provide additional collateral in connection with OTC derivatives contracts, and allow counterparties to terminate transactions under certain of our trading and collateralized financing contracts. This, in turn, could reduce our liquidity and negatively impact our operating results and financial position. Our liquidity planning takes into consideration those contingent events associated with a reduction in our credit ratings.

Because a significant portion of our OTC derivatives arrangements are with affiliates, the amount of collateral that we would have been required to post pursuant to such contracts in the event of a one-notch downgrade of our senior long-term debt credit rating was not material as of September 30, 2005.

As of November 7, 2005, our ratings and ratings outlooks were as follows:

	Long-Term Debt	Commercial Paper	Outlook
Fitch Ratings	AA-	F-1+	Stable
Moody’s Investors Service	Aa3	P-1	Stable
Standard & Poor’s	A+	A-1	Stable

Capital Resources

Certain of our businesses are capital intensive. In addition to normal operating requirements, capital is required to cover financing and regulatory capital charges on various asset classes, including but not limited to, securities inventories, private equity investments and investments in fixed assets. Our overall capital needs are regularly reviewed to ensure that our capital base can appropriately support the anticipated needs of our business and the regulatory and other capital requirements of our subsidiaries. Based upon these analyses, we believe that our capitalization is adequate for current operating levels.

Regulated Subsidiaries

Our principal wholly owned subsidiary, CSFB LLC, is a registered broker-dealer, registered futures commission merchant and member firm of the New York Stock Exchange, Inc. Accordingly, CSFB LLC is subject to the minimum net capital requirements of the Securities and Exchange Commission, or SEC, and the Commodities Futures Trading Commission, or CFTC. Under the alternative method permitted by Rule 15c3-1 of the Securities Exchange Act of 1934, or Exchange Act, the required net capital may not be less than the greater of 2% of aggregate debit balances arising from customer transactions or 4% of the funds required to be segregated pursuant to the Commodity Exchange Act less the market value of certain commodity options, all as defined. Under CFTC Regulation 1.17, the required minimum net capital requirement is 8% of the total risk margin requirement (as defined) for all positions carried in customer accounts plus 4% of the total risk margin requirement (as defined) for all positions carried in non-customer accounts. As of September 30, 2005, CSFB LLC's net capital of approximately $4.3 billion was 55.2 % of aggregate debit balances and in excess of the minimum requirement by approximately $4.1 billion. During the third quarter of 2005, we made $2.0 billion in regulatory capital contributions to CSFB LLC in the form of subordinated debt.

Our OTC derivatives dealer subsidiary, CSFB Capital LLC, is also subject to the uniform net capital rule, but computes its net capital requirements based on value at risk pursuant to Appendix F of Rule 15c3-1. As of September 30, 2005, CSFB Capital LLC's net capital of $619 million, allowing for market and credit risk exposure of $68 million and $141 million, respectively, was in excess of the minimum net capital requirement by $599 million. CSFB Capital LLC operates pursuant to the (k)(2)(ii) exemptive provisions of Rule 15c3-3 of the Exchange Act and accordingly, all customer transactions are cleared through CSFB LLC on a fully disclosed basis. On July 20, 2005, we made a $400 million capital contribution to CSFB Capital LLC.

As of September 30, 2005, our subsidiaries complied with all applicable regulatory capital adequacy requirements.

Cash Flows

Our condensed consolidated statements of cash flows classify cash flows into three broad categories: cash flows from operating activities, investing activities and financing activities. These statements should be read in conjunction with "—Related Party Transactions" as well as Note 2 of the condensed consolidated financial statements in Part I, Item 1.

Our cash flows are complex and frequently bear little relation to our net income and net assets, particularly because the Company is an indirect wholly owned subsidiary of CSG, a global financial institution that may choose to allocate cash among its subsidiaries for reasons independent of the Company's activities. As a result, we believe that traditional cash flow analysis is not a particularly useful method to evaluate our liquidity position as discussed above. Cash flow analysis may, however, assist in highlighting certain macro trends and strategic initiatives in our business.

For the Nine Months Ended September 30, 2005

Cash and cash equivalents decreased $104 million to $623 million as of September 30, 2005. Cash used in operating activities was $11.9 billion. The change in cash used in operating activities reflected a net increase in operating assets relative to operating liabilities of $12.8 billion, which occurred in the normal course of operations as a result of changes in customer needs, market conditions and proprietary trading and other strategies.

Cash of $1.1 billion was used in investing activities, primarily reflecting an increase in funding to affiliates. Prior to the acquisition of the Company, CSFBI issued its own debt to fund its operating, investment and financing needs. The Company now provides most of this funding.

Cash provided by financing activities was $12.9 billion. This was due to increases in net collateralized financing arrangements of $13.4 billion and increases of $6.3 billion in long-term borrowings used primarily to fund normal operating activities, provide funding to affiliates as part of the Company's investing activities and repay $2.7 billion in long-term borrowings and $4.0 billion in commercial paper and short-term borrowings.

For the Nine Months Ended September 30, 2004

Cash and cash equivalents increased $39 million to $373 million as of September 30, 2004. Cash used in operating activities was $4.0 billion. The change in cash used in operating activities reflected a net increase in operating assets and liabilities of $5.0 billion, which occurred in the normal course of operations as a result of changes in customer needs, market conditions and proprietary trading and other strategies.

Cash of $2.0 billion was used in investing activities resulting in increases in receivables from affiliates of $1.8 billion.

Cash provided by financing activities was $6.0 billion. The changes are due to increases in net collateralized financing arrangements of $2.0 billion, increases of $2.1 billion in short-term borrowings and increases of $3.5 billion in long-term borrowings used primarily to fund normal operating activities, provide funding to affiliates as part of the Company's investing activities and repay $1.6 billion in long-term borrowings.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into off-balance sheet arrangements in the ordinary course of business. Off-balance sheet arrangements are transactions, agreements or other contractual arrangements with, or for the benefit of, an entity that is not consolidated with an issuer, and which include guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity, and obligations and liabilities (including contingent obligations and liabilities) under material variable interests in unconsolidated entities for the purpose of providing financing, liquidity, market risk or credit risk support.

We have not entered into any derivatives contracts indexed or linked to the stock of CSG.

Guarantees

In the ordinary course of our business, we provide guarantees and indemnifications that contingently obligate us to make payments to the guaranteed or indemnified party based on changes in an asset, liability or equity security of the guaranteed or indemnified party. We may also be contingently obligated to make payments to a guaranteed party based on another entity's failure to perform, or we may have an indirect guarantee of the indebtedness of others. Guarantees we provide include customary indemnifications to purchasers in conjunction with the sale of assets or businesses; to investors in private equity funds

sponsored by the firm regarding potential obligations of employees to return amounts previously paid as carried interest; and to investors in our securities and other arrangements to provide "gross up" payments if there is a withholding or deduction because of a tax assessment or other governmental charge. From time to time, we also guarantee the obligations of subsidiaries of CSG that are not our consolidated subsidiaries, and these guarantees are included in the scope of the disclosure requirements of FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," or FIN 45.

FIN 45 requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability at inception for the fair value of guaranteed obligations for guarantees issued or amended after December 31, 2002. The recognition of these liabilities did not have a material effect on our financial position or results of operations. For disclosure of our estimable maximum payment obligations under certain guarantees and related information, see Note 8 of the condensed consolidated financial statements in Part I, Item 1.

Retained or Contingent Interests in Assets Transferred to Unconsolidated Entities

We originate and purchase commercial and residential mortgages and purchase other debt obligations such as automobile loans and student loans and sell these assets directly or through affiliates to special purpose entities that are, in most cases, qualified special purpose entities, or QSPEs. These QSPEs issue securities that are backed by the assets transferred to the QSPEs and pay a return based on the returns on those assets. Investors in these mortgage-backed and asset-backed securities typically have recourse to the assets in the QSPE. The investors and the QSPEs have no recourse to our assets.

These QSPEs are generally sponsored by our subsidiaries. Our principal broker-dealer subsidiary, CSFB LLC, underwrites and makes markets in these mortgage-backed and asset-backed securities. Under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125," a QSPE is not required to be consolidated with the transferor. Our mortgage-backed and asset-backed securitization activities are generally structured to use QSPEs, and the assets and liabilities transferred to QSPEs are not included in our financial statements.

We may retain interests in these securitized assets if CSFB LLC holds the assets in connection with its underwriting or market-making activities. Retained interests in securitized financial assets are included at fair value in the condensed consolidated statements of financial condition. Any changes in the fair value of these retained interests are recognized in the condensed consolidated statements of income. We engage in these securitization activities to meet the needs of clients as part of our fixed income activities, to earn fees and to sell financial assets. These securitization activities do not provide a material source of our liquidity, capital resources or credit risk or market risk support. See Note 3 of the condensed consolidated financial statements in Part I, Item 1, which includes quantitative information on our securitization activities and retained interests.

Variable Interest Entities

We are involved with various entities in the normal course of business that may be deemed to be variable interest entities, or VIEs, including VIEs that issue CDOs.

We purchase loans and other debt obligations from and on behalf of clients primarily for the purpose of securitization. The loans and other debt obligations are transferred by us directly, or indirectly through affiliates, to QSPEs or to VIEs that issue CDOs. CDOs are securities backed by the assets transferred to the VIE and pay a return based on the returns on those assets. Investors typically have recourse to the assets in the CDO VIE. The investors and the CDO VIE have no recourse to the Company's assets. CSFB LLC structures, underwrites and makes a market in these CDOs, and we may have retained interests in these CDOs in connection with CSFB LLC's underwriting and market-making activities. We engage in

these CDO transactions to meet the needs of clients, to earn fees and to sell financial assets. These CDO transactions do not provide a material source of our liquidity, capital resources or credit risk or market risk support.

FIN 46 requires us to consolidate all VIEs for which we are the primary beneficiary, which is defined as the entity that will absorb a majority of expected losses, receive a majority of the expected residual returns, or both. In December 2003, the FASB modified FIN 46, through the issuance of FIN 46R, to address various implementation issues that had arisen since the issuance of FIN 46 and to provide companies the option to defer the adoption of FIN 46 for certain VIEs to periods ending after March 15, 2004. As of September 30, 2005 and December 31, 2004, we consolidated CDO VIEs for which we are the primary beneficiary. We also have interests in CDO VIEs that are not required to be consolidated because we are not the primary beneficiary.

As of January 1, 2004, the Company consolidated primarily under FIN 46R certain private equity funds that are managed by the Company. See Notes 1, 3 and 4 of the condensed consolidated financial statements in Part I, Item 1.

RELATED PARTY TRANSACTIONS

CSG, through CSFBI, owns all of our outstanding voting common stock. We are involved in significant financing and other transactions, and have significant related party balances, with Credit Suisse and certain affiliates. We generally enter into these transactions in the ordinary course of business and believe that these transactions are on market terms that could be obtained from unrelated third parties. See "—Derivatives" and Notes 2 and 5 of the condensed consolidated financial statements in Part I, Item 1 for more information.

Certain of our directors, officers and employees and those of our affiliates and their subsidiaries maintain margin accounts with CSFB LLC and other affiliated broker-dealers in the ordinary course of business. In addition, certain of such directors, officers and employees have investments or commitments to invest in various private equity funds. We make loans to directors and executive officers on the same terms as are generally available to third parties or otherwise pursuant to widely available employee benefit plans. CSFB LLC and other affiliated broker-dealers, from time to time and in the ordinary course of business, enter into, as principal, transactions involving the purchase or sale of securities from or to such directors, officers and employees and members of their immediate families.

LESS LIQUID ASSETS

Certain of our assets, including private equity and other long-term investments, distressed securities, high-yield debt, mortgage whole loans and other non-investment-grade debt, are not highly liquid or trade in markets that have periods of volatility and illiquidity. The values of most of the more illiquid assets are reported at fair value, and the determination of fair value is based on management's best estimate and depends on varying factors. See "—Critical Accounting Policies and Estimates—Fair Value" for further information on the determination of fair value of these less liquid assets.

Private Equity Activities

Our private equity and other long-term investment activities include direct investments and investments in partnerships that make private equity and related investments in various portfolio companies and funds. These investments are primarily in unlisted or illiquid equity or equity-related securities and are carried at fair value based on a number of factors. As of September 30, 2005 and December 31, 2004, we had investments in private equity and other long-term investments of $3.7 and $3.1 billion, respectively. As of September 30, 2005 we had commitments to invest up to an additional $713 million in non-consolidated private equity funds and $1.1 billion in consolidated private equity funds.

The increase in private equity and other long-term investments reflects our consolidation of certain private equity funds. See "—Critical Accounting Policies and Estimates—Fair Value" in Part I, Item 2 and Notes 1, 3 and 4 of the condensed consolidated financial statements in Part I, Item 1 for more information.

Corporate Debt, Mortgage Whole Loans and Other Non-Investment-Grade Financial Instruments

We underwrite, trade and hold non-investment-grade financial instruments, which include corporate debt, commercial and residential mortgage whole loans, loan participations and certain separately managed distressed financial instruments. Corporate debt includes high-yield debt, distressed debt, commercial and residential mortgage-backed securities, other asset-backed securities and CDOs. Due to credit considerations, liquidity of secondary trading markets and vulnerability to general economic conditions, these financial instruments and loans generally involve greater risk than investment-grade financial instruments. We record high-yield debt, residential mortgage whole loans, other asset-backed securities, CDOs, and certain separately managed distressed financial instruments at fair value, with the exception of certain residential mortgage whole loans and loan participations that are held for sale and are carried at the lower of cost or fair value. We record commercial mortgage whole loans held for sale at the lower of aggregate cost or fair value. Timing of the securitization of our mortgage whole loan inventory will affect the size of our positions at any given time. The following table sets forth our positions in these instruments as of September 30, 2005 and December 31, 2004:

	September 30, 2005		December 31, 2004	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Corporate debt	$ 3,460	$ 1,437	$ 2,152	$ 709
Mortgage whole loans	21,326	—	14,987	—
Loan participations	17	—	17	—
Certain separately managed distressed financial instruments	91	—	185	—
Total	$ 24,894	$ 1,437	$ 17,341	$ 709

DERIVATIVES

We enter into various transactions involving derivatives. We use derivatives contracts for both trading and hedging purposes and to provide products for our clients. These derivatives include options, forwards, futures and swaps. In general, derivatives are contractual agreements that derive their values from the performance of underlying assets, interest or currency exchange rates or a variety of indices. Most of our derivatives transactions are considered trading positions. See Note 5 of the condensed consolidated financial statements in Part I, Item 1 for more information.

Sources and Maturities of OTC Derivatives

The following table sets forth the distributions, by maturity, of our exposure with respect to OTC derivatives as of September 30, 2005. Fair values were determined on the basis of pricing models and other valuation methods. See "—Critical Accounting Policies and Estimates—Fair Value" and Notes 5 and 8 of the condensed consolidated financial statements in Part I, Item 1 for more information.

	Assets Maturity Distribution as of September 30, 2005				
	Less than 1 year	1-3 years	4-5 years	Over 5 years	Total fair value
			(In millions)		
Interest rate and credit spread risk	$ 1,305	$ 459	$ 162	$ 796	$ 2,722
Foreign exchange risk	9	37	—	—	46
Equity price risk	459	839	84	374	1,756
Total	$ 1,773	$ 1,335	$ 246	$ 1,170	$ 4,524

	Liabilities Maturity Distribution as of September 30, 2005				
	Less than 1 year	1-3 years	4-5 years	Over 5 years	Total fair value
			(In millions)		
Interest rate and credit spread risk	$ 1,177	$ 259	$ 232	$ 332	$ 2,000
Foreign exchange risk	6	38	—	—	44
Equity price risk	125	57	—	321	503
Total	$ 1,308	$ 354	$ 232	$ 653	$ 2,547

The following table sets forth as of September 30, 2005 substantially all of our exposure with respect to OTC derivatives, by counterparty credit rating and with affiliates.

Credit Rating[(1)]	September 30, 2005 (In millions)
AA+/AA	$ 2,640
AA-	10
A+/A/A-	210
BBB+/BBB/BBB-	6
BB+ or lower	115
Unrated	118
Derivatives with affiliates	1,425
Total	$ 4,524

(1) Credit ratings are determined by external rating agencies or by our credit risk management department.

Derivatives With Related Parties

We enter into a substantial number of derivatives transactions with related parties. The following table sets forth derivatives transactions with related parties consisting primarily of interest rate swaps, credit default swaps and foreign exchange forward contracts. The fair values of derivatives contracts outstanding with related parties as of September 30, 2005 and December 31, 2004 were as follows.

	September 30, 2005		December 31, 2004	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Interest rate and credit spread risk	$ 1,361	$ 865	$ 1,346	$ 616
Foreign exchange risk	25	30	45	18
Equity price risk	39	5	9	61
Total	$ 1,425	$ 900	$ 1,400	$ 695

See Notes 2 and 5 of the condensed consolidated financial statements in Part I, Item 1 for more information.

FORWARD LOOKING STATEMENTS

We have made in this Quarterly Report on Form 10-Q, including, without limitation, in “Legal Proceedings” in Part II, Item 1, and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 2, and from time to time may otherwise make in our public filings and press releases, forward-looking statements concerning our operations, economic performance and financial condition, as well as our future plans and strategic objectives. Such forward-looking statements are subject to various risks and uncertainties, and we claim the protection afforded by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those anticipated herein or in any such other filings, releases or statements because of a number of factors, including without limitation, those detailed in “Business—Certain Factors That May Affect Our Results of Operations” in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2004, those discussed elsewhere herein, and in other public filings and press releases. These forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and beyond our control. Forward-looking statements are typically identified by the use of future or conditional verbs such as “will,” “should,” “would” or “could,” and by words or phrases such as “believe,” “expect,” “intend,” “estimate” and similar expressions. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results may differ, possibly materially, from the results indicated in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements except as otherwise required by applicable law.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

RISK MANAGEMENT AND VALUE AT RISK

For a description of the Company’s risk management policies and procedures and value-at-risk, or VAR, model, including such model’s assumptions and limitations, see “Quantitative and Qualitative Disclosure About Market Risk” in Part II, Item 7A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2004.

Market Risk Exposure

We measure market risk exposure by using complementary risk measurement techniques, including VAR and sensitivity analysis. VAR is used for our trading portfolio, which includes those financial

instruments treated as part of our "trading book" for Bank for International Settlements regulatory capital purposes. Sensitivity analysis is used for our non-trading portfolio, which primarily includes commercial mortgage loans, private equity investments, derivatives that hedge the Company's long-term borrowings and certain commodity positions. This classification of assets as trading and non-trading is done for purposes of analyzing our market risk exposure, not for financial statement purposes.

Trading Portfolios

The Company-wide trading portfolio VAR was approximately $36 million and $37 million as of September 30, 2005 and December 31, 2004, respectively. The slight reduction in VAR was primarily due to a decrease in interest rate and credit spread VAR associated with mortgage products offset by increases in equity and commodity VAR. The decrease in interest rate and credit spread VAR associated with mortgage products was primarily caused by a reduction in the volatility of the market data in the rolling two-year underlying data that we use to calculate VAR, as data from 2003 was replaced by less volatile data from 2005. The increases in equity and commodity VAR were primarily caused by increased equity proprietary trading and energy trading, respectively.

Due to the benefit of diversification, the Company-wide VAR is less than the sum of the individual components. The four main components of market risk, expressed in terms of theoretical fair values, had the following VAR:

	Company's Market Risk Exposures in Trading Portfolios	
	As of September 30, 2005	As of December 31, 2004
	(In millions)	
99%, one-day VAR		
Interest rate and credit spread	$ 24	$ 34
Equity	21	15
Foreign exchange rate	1	1
Commodity	9	—
Diversification benefit	(19)	(13)
Total	$ 36	$ 37

The table below presents minimum, maximum and average VAR by market risk component:

	Company's Market Risk Exposures in Trading Portfolios					
	Three Months Ended September 30, 2005			Three Months Ended September 30, 2004		
	Minimum	Maximum	Average	Minimum	Maximum	Average
	(In millions)					
99%, one-day VAR						
Interest rate and credit spread	$ 20	$ 37	$ 27	$ 28	$ 53	$ 38
Equity	17	27	21	13	29	19
Foreign exchange rate	—	1	1	1	2	1
Commodity	4	10	7	—	—	—
Diversification benefit	— (1)	— (1)	(18)	— (1)	— (1)	(14)
Total	$ 27	$ 45	$ 38	$ 30	$ 62	$ 44

	Company's Market Risk Exposures in Trading Portfolios					
	Nine Months Ended September 30, 2005			Nine Months Ended September 30, 2004		
	Minimum	Maximum	Average	Minimum	Maximum	Average
	(In millions)					
99%, one-day VAR						
Interest rate and credit spread	$ 20	$ 52	$ 34	$ 28	$ 55	$ 42
Equity	13	27	19	12	32	21
Foreign exchange rate	—	4	1	—	4	1
Commodity	—	10	3	—	—	—
Diversification benefit	— (1)	— (1)	(16)	— (1)	— (1)	(15)
Total	$ 27	$ 55	$ 41	$ 30	$ 69	$ 49

(1) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

For details of the Company's average, maximum and minimum VAR for 2004, see "Quantitative and Qualitative Disclosure About Market Risk" in Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

The average, maximum and minimum daily trading revenue for the three and nine months ended September 30, 2005 and 2004 are shown below:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(In millions)			
Daily trading revenue				
Average	$ 17	$ 11	$ 14	$ 14
Maximum	95	64	95	67
Minimum	$ (10)	$ (7)	$ (15)	$ (17)

For details of the Company's average, maximum and minimum daily trading revenue for 2004, see "Quantitative and Qualitative Disclosure About Market Risk" in Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

Non-trading Portfolios

The equity risk on non-trading positions, which is primarily comprised of private equity investments, is measured using sensitivity analysis that estimates the potential change in the recorded value of the investments resulting from a 10% decline in the equity markets of developed nations and a 20% decline in

the equity markets of emerging market nations. The estimated impact of equity risk on our non-trading financial instruments portfolio would be a decrease in the value of the non-trading portfolio of approximately $125 million and $118 million as of September 30, 2005 and December 31, 2004, respectively. The estimated impact of equity risk excludes the minority interests in certain consolidated private equity funds.

The interest rate risk on non-trading positions, which is primarily comprised of commercial mortgage loans and derivatives that hedge the Company's long-term borrowings, is measured using sensitivity analysis that estimates the potential change in the value of the non-trading portfolio resulting from a 50 basis point decline in the interest rates of developed nations and a 200 basis point decline in the interest rates of emerging market nations. The estimated impact of interest rate risk on the value of the non-trading portfolio would be a decrease of approximately $31 million and $12 million as of September 30, 2005 and December 31, 2004, respectively. The change was primarily caused by increased interest rate sensitivity in our long-term borrowings and the related hedges.

The foreign exchange risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in the value of the non-trading portfolio resulting from a 10% strengthening of the U.S. dollar against developed currencies and a 20% strengthening of the U.S. dollar against emerging market currencies. The estimated impact of foreign exchange risk on the value of the non-trading portfolio would be approximately zero and a decrease of approximately $1 million as of September 30, 2005 and December 31, 2004, respectively.

The commodity price risk on non-trading positions, which is primarily comprised of various emission credit positions, is measured using sensitivity analysis that estimates the potential change in the value of the non-trading portfolio resulting from a 20% weakening in commodity prices. The estimated impact of commodity price risk on the value of the non-trading portfolio would be an increase of $1 million as of September 30, 2005. As of December 31, 2004, commodity price risk was immaterial in our non-trading portfolio.

Item 4: Controls and Procedures

Pursuant to Rule 13a-15(b) under the Exchange Act, as of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial and Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon and as of the date of the evaluation, our Chief Executive Officer and Chief Financial and Accounting Officer concluded that the design and operation of these disclosure controls and procedures were effective in all material respects to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required. There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2005 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1: Legal Proceedings

Certain significant legal proceedings and matters have been previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2005 and June 30, 2005. The following is an update of such proceedings.

Litigation Relating to IPO Allocation/Research-related Practices

In a decision, dated September 28, 2005, the U.S. Court of Appeals for the Second Circuit vacated the district court's dismissal of the *In re Initial Public Offering Antitrust Litigation* and remanded the case to the district court for further proceedings.

In the action brought on behalf of a putative class of issuers in IPOs for which Donaldson, Lufkin & Jenrette Securities Corporation acted as underwriter, the U.S. District Court for the Southern District of New York, in an opinion and order dated August 1, 2005, granted, in part, putative class representative Xpedior's motion for leave to amend its complaint. The district court permitted Xpedior to drop all class action allegations and add allegations of intentional underpricing in support of its claim for breach of fiduciary duty, but denied Xpedior's motion to add allegations of intentional underpricing in support of its claim for breach of good faith and fair dealing. Additionally, in that opinion and order, the district court granted the Company's summary judgment motion to dismiss Xpedior's breach of good faith and fair dealing claim, but denied the Company's motion to dismiss Xpedior's breach of fiduciary duty claim. On or about August 15, 2005, Xpedior amended its complaint to drop all class action allegations and assert an individual claim for breach of fiduciary duty on behalf of Xpedior.

On August 16, 2005, in the action brought on behalf of purchasers of shares in Agilent Technologies, Inc., the plaintiffs filed their brief in support of their appeal of the district court's dismissal of their complaint with the U.S. Court of Appeals for the First Circuit.

On August 17, 2005 the U.S. District Court for the District of Massachusetts granted class certification in the proceeding brought on behalf of purchasers of shares of Winstar, Inc. CSFB LLC has appealed that decision.

On September 14, 2005, the U.S. District Court for the District of Massachusetts granted class certification in the proceeding brought on behalf of purchasers of shares of Razorfish, Inc. CSFB LLC has appealed that decision.

The Circuit Court of Marshall County, West Virginia, in an opinion dated September 16, 2005, dismissed the consumer fraud action brought by the West Virginia Attorney General with prejudice.

The plaintiff who previously filed, and then voluntarily dismissed, a Missouri state court action relating to analyst research, voluntarily dismissed its amended complaint filed in the Southern District of New York. The district court so ordered the dismissal on September 29, 2005.

Enron-related Litigation and Inquiries

On July 29, 2005, the U.S. Bankruptcy Court for the Southern District of New York denied CSFB LLC's and an affiliate's motion to dismiss Enron's claims to recover certain payments made in connection with equity forward and swap transactions. On September 21, 2005, CSFB LLC filed a motion for leave to appeal with the U.S. District Court for the Southern District of New York.

On October 7, 2005, a joint stipulation and order of dismissal was filed in the action brought against CSFB LLC and its affiliates by an Enron subsidiary, Enron International Korea, LLC, in the U.S. District Court for the Southern District of New York.

Refco-related Litigation and Inquiries

In October 2005, CSFB LLC was named, along with other financial services firms, accountants, officers, directors and controlling persons, as a defendant in several federal class action and derivative lawsuits filed in the U.S. District Court for the Southern District of New York relating to Refco Inc. The actions allege that CSFB LLC (and other underwriters) violated federal securities laws and state laws in connection with the sale of Refco securities, including in the Refco initial public offering in August 2005.

CSFB LLC and certain of its affiliates have received subpoenas and requests for information from various regulators including the SEC regarding Refco. We are cooperating with these requests.

Other

In accordance with SFAS No. 5, “Accounting for Contingencies,” the Company recorded in the second quarter of 2005 a $750 million litigation charge to increase the reserve for private litigation involving Enron, certain IPO allocation practices, research analyst independence and other related litigation. This charge, coupled with the charge recorded in 2002, brings the Company’s reserves for these private litigation matters to $1.1 billion after the application of settlements. It is inherently difficult to predict the outcome of many of these matters. In presenting the consolidated financial statements, management makes estimates regarding the outcome of these matters and records a reserve and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel, the Company’s defenses and its experience in similar cases or proceedings as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Further litigation charges or releases of litigation reserves may be necessary in the future as developments in such cases or proceedings warrant.

We are involved in a number of judicial, regulatory and arbitration proceedings (including those described above) concerning matters arising in connection with the conduct of our businesses. Some of these actions have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts. We believe, based on currently available information and advice of counsel, that the results of such proceedings, in the aggregate, will not have a material adverse effect on our financial condition but might be material to operating results for any particular period, depending, in part, upon the operating results for such period. The Company intends to defend itself vigorously in these matters, litigating or settling when determined by management to be in the best interests of the Company.

Items 2, 3 and 4:

Pursuant to General Instruction H of Form 10-Q, the information required by Items 2, 3 and 4 is omitted.

Item 6: Exhibits

(a) Exhibits

10.1	Option Agreement, dated as of August 12, 2005, by and among the Company, SPS Holding Corp. ("SPS Holding"), The PMI Group, Inc. ("PMI"), FSA Portfolio Management Inc. ("FSA") and Greenrange Partners LLC ("Greenrange")
10.2	Contingent Payment Agreement, dated as of August 12, 2005, among Select Portfolio Servicing, Inc., the Company, Greenrange, PMI and FSA
10.3	Exercise Notice, dated August 12, 2005, from the Company to PMI, FSA, Greenrange and SPS Holding
10.4	First Amendment to the Option Agreement and the Contingent Payment Agreement, made and entered into as of October 4, 2005, by and among the Company, SPS Holding, PMI, FSA and Greenrange
12	Statement re computation of ratio of earnings to fixed charges
15	Letter re unaudited interim financial information
31.1	Rule 13a-14(a) certification of Chief Executive Officer
31.2	Rule 13a-14(a) certification of Chief Financial and Accounting Officer
32	Section 1350 certifications

SIGNATURE

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

CREDIT SUISSE FIRST BOSTON (USA), INC.

November 8, 2005

By: /s/ DAVID C. FISHER
Chief Financial and Accounting Officer
(On behalf of the Registrant and as Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
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12	Computation of ratio of earnings to fixed charges
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31.2	Rule 13a-14(a) certification of Chief Financial and Accounting Officer
32	Section 1350 certifications

Exhibit 10.1

Execution Copy

OPTION AGREEMENT

by and among

CREDIT SUISSE FIRST BOSTON (USA), INC.,

SPS HOLDING CORP.,

THE PMI GROUP, INC.,

FSA PORTFOLIO MANAGEMENT INC.

and

GREENRANGE PARTNERS LLC

dated as of

August 12, 2005

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Schedule 1.1(c)	Schedule of Specified Disputes

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Schedule 5.3(b)	Capitalization - Voting Trusts and Agreements (other than Shareholder Documents)
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OPTION AGREEMENT

Option Agreement, dated as of August 12, 2005, by and among Credit Suisse First Boston (USA), Inc., a Delaware corporation (the "Optionee"), SPS Holding Corp., a Delaware corporation (the "Company"), The PMI Group, Inc., a Delaware corporation ("PMI"), FSA Portfolio Management Inc., a New York corporation ("FSA"), and Greenrange Partners LLC, a Connecticut limited liability company ("Greenrange") (each of Greenrange, PMI and FSA, individually an "Optionor" and collectively the "Optionors"). Certain capitalized terms used in this Agreement have the meanings assigned to them in Article I.

WHEREAS, the Optionors are the record and beneficial owners in the aggregate of 8,396,455 shares of common stock, par value $0.01 per share, of the Company and 1,883,999 shares of Series C Preferred Stock, par value $0.01 per share, of the Company (such common stock and preferred stock, collectively, the "Option Shares");

WHEREAS, as a condition and inducement to the willingness of Optionee's affiliate, DLJ Mortgage Capital, Inc., a Delaware corporation ("DLJ"), to enter into the Flow Servicing Rights Purchase Agreement, dated as of January 28, 2005 (the "Purchase Agreement"), between DLJ and Select Portfolio Servicing, Inc., a Utah corporation (the "Servicer"), Optionee has requested, and Optionors have agreed, to grant Optionee the Option; and

WHEREAS, the board of directors of the Company has approved, and deems it advisable and in the best interests of the Company and its stockholders to consummate, the acquisition of all outstanding shares of capital stock of the Company by Optionee upon the exercise of the Option, which acquisition is to be effected by the purchase of all the outstanding capital stock of the Company by Optionee upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1 Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context clearly requires otherwise:

"Accountants" shall have the meaning set forth in Section 3.3(c)(iv).

"Acquisition Proposal" shall mean any proposal or offer made by any Person other than Optionee or any Subsidiary of Optionee to acquire all or a substantial part of the business or properties of the Company or any Company Subsidiary or capital stock of the Company or any Company Subsidiary, whether by merger, tender offer, exchange offer, sale of assets or similar transactions involving the Company or any Subsidiary, division or operating or principal business unit of the Company; provided, however, that an Acquisition Proposal shall not include

any proposal or offer by the Company or any Subsidiary of the Company to acquire outstanding shares of Common Stock or Company Options not currently owned by an Optionor.

"Actual Closing Balance Sheet" shall mean the balance sheet referred to in Section 3.3(c).

"Affiliate" shall mean a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Person specified. For purposes of this definition, the term "control" of a Person means the possession, direct or indirect, of the power to (i) vote 50% or more of the voting securities of such Person or (ii) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise, and the terms and phrases "controlling", "controlled by" and "under common control with" have correlative meanings.

"Agreement" or "this Agreement" shall mean this Option Agreement, together with the Exhibits, Schedules and Appendices hereto and the Disclosure Schedule.

"Associate" shall have the meaning set forth in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended.

"Balance Sheet" shall mean the most recent audited balance sheet of the Company and the Company Subsidiaries included in the Financial Statements.

"Balance Sheet Date" shall mean the date of the Balance Sheet.

"Budget" shall mean the most recent budget of the Company delivered to the Optionee prior to the execution of this Agreement.

"Business Day" shall mean a day other than Saturday, Sunday or any day on which banks located in the State of New York are authorized or obligated to close.

"Cash Payment" shall mean the payment referred to in Section 3.3(c)(v).

"Certificate of Incorporation" shall mean the Amended and Restated Certificate of Incorporation of SPS Holding Corp. as filed on September 30, 2004, with the Secretary of State of the State of Delaware.

"Closing" shall mean the closing referred to in Section 3.1.

"Closing Balance Sheet" shall mean the balance sheet referred to in Section 3.3(c)(v).

"Closing Cash Payment" shall mean the payment referred to in Section 3.3(c)(i).

"Closing Date" shall have the meaning set forth in Section 3.1.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Common Stock" shall mean the common stock, par value $0.01, of the Company.

"Company" shall mean SPS Holding Corp., a Delaware corporation.

"Company Board of Directors" shall mean the board of directors of the Company.

"Company Group" means any combined, unitary, consolidated or other affiliated group within the meaning of Section 1504 of the Code or otherwise, of which the Company or any Company Subsidiary is or has been a member for federal, state or foreign tax purposes.

"Company Intellectual Property" shall mean all Intellectual Property that is currently used in the business of the Company or any Company Subsidiary or that is necessary to conduct the business of the Company or the Company Subsidiaries as presently conducted or as currently proposed to be conducted by the Company.

"Company Option" shall mean an option to purchase any shares of the capital stock of the Company which has been granted by the Company to any Person.

"Company Permits" shall mean all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities which are necessary for the operation of the businesses of the Company and the Company Subsidiaries, taken as a whole.

"Company Subsidiary" shall mean each Person which is a Subsidiary of the Company.

"Computer Software" shall mean computer software programs, other than pre-packaged or off-the-shelf software, databases and all documentation related thereto.

"Consent Orders" shall mean, collectively, those federal and state consent orders and class action settlements set forth on Schedule 5.6 of the Disclosure Schedule.

"Contingent Payment Agreement" shall mean that certain Contingent Payment Agreement, dated as of the date hereof, by and among the Servicer, the Optionee, Greenrange, PMI and FSA, a copy of which has been attached hereto as Annex A.

"Copyrights" shall mean U.S. and foreign registered and unregistered copyrights (including those in computer software and databases), rights of publicity and all registrations and applications to register the same.

"Credit Facility" shall have the meaning set forth in Schedule 5.14(a)(ii) of the Disclosure Schedule.

"Customer Accommodation" shall have the meaning ascribed to such term in the Contingent Payment Agreement.

"Designated Litigation Expenses" shall have the meaning ascribed to such term in the Contingent Payment Agreement.

"Disclosure Schedule" shall mean the disclosure schedule of even date herewith prepared and signed by the Company and delivered to Optionee simultaneously with the execution hereof, together with all Disclosure Schedule Supplements.

"Disclosure Schedule Supplement" shall have the meaning set forth in Section 7.4.

"DLJ" shall mean DLJ Mortgage Capital, Inc., a Delaware corporation.

"DOJ" shall mean the Antitrust Division of the United States Department of Justice.

"Encumbrances" shall mean any and all Liens, options, claims, proxies, voting trusts or agreements, obligations, understandings or arrangements or other restrictions on title or transfer of any nature whatsoever, other than restrictions on transfer arising under applicable securities laws.

"Environmental Claim" shall mean any claim, action, cause of action, investigation or notice (written or oral) by any Person alleging actual or potential liability for investigatory, cleanup or governmental response costs, compliance actions or costs, damages, including, without limitation, natural resources injury or property damages, or personal injuries, attorney's fees or penalties relating to (i) the presence, or release into the environment, of any Materials of Environmental Concern at any location owned or operated by the Company or any Company Subsidiary, or at any other location as the result of the operation of any Company or Company Subsidiary business, now or in the past, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Law" shall mean each federal, state, local and foreign law and regulation relating to pollution, protection or preservation of human health or the environment including ambient air, surface water, ground water, land surface or subsurface strata, and natural resources, and including each law and regulation relating to emissions, discharges, releases or threatened releases of Materials of Environmental Concern, or otherwise relating to the manufacturing, processing, distribution, use, treatment, generation, storage, containment (whether above ground or underground), disposal, transport or handling of Materials of Environmental Concern, or the preservation of the environment or mitigation of adverse effects thereon and each law and regulation with regard to record keeping, notification, disclosure and reporting requirements respecting Materials of Environmental Concern.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean any trade or business, whether or not incorporated, that together with the Company would be deemed a "single employer" within the meaning of Section 4001(b) of ERISA.

"Estimated Cash Payment" shall mean the payment referred to in Section 3.3(b).

"Estimated Closing Balance Sheet" shall mean the balance sheet referred to in Section 3.3(a).

"Exercise Date" shall mean the date any Optionor first receives the Exercise Notice.

"Exercise Notice" shall have the meaning set forth in Section 3.1.

"Exercise Price" shall have the meaning set forth in Section 2.3.

"Expiration Time" shall mean 5:00 p.m., Salt Lake City time, on August 12, 2005.

"Federal Income Tax" means any Tax imposed under Subtitle A of the Code.

"Fee Matrix" shall have the meaning set forth in Section 9.2(l).

"Final Determination" means (i) with respect to Federal Income Taxes, a "determination" as defined in Section 1313(a) of the Code or execution of an Internal Revenue Service Form 870-AD and, (ii) with respect to Taxes other than Federal Income Taxes, any final determination of liability in respect of a Tax that, under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise (including the expiration of a statute of limitations or a period for the filing of claims for refunds, amended returns or appeals from adverse determinations).

"Financial Statements" shall mean (a) the consolidated balance sheets of the Company and the Company Subsidiaries as of December 31, 2004, 2003 and 2002, together with consolidated statements of income, shareholders' equity and cash flows for each of the years then ended, all certified by Ernst & Young LLP, independent certified public accountants, whose reports thereon are included therein, and (b) an unaudited consolidated balance sheet of the Company and the Company Subsidiaries as of June 30, 2005 and unaudited consolidated statements of income, shareholders' equity and cash flows for the six month period then ended.

"Final Payment Amount" shall have the meaning ascribed to such term in the Contingent Payment Agreement.

"FSA" shall mean FSA Portfolio Management Inc., a New York corporation.

"FSA Additional Accretion Amount" shall mean an amount equal to the sum of (i) $92,666.81 *times* the number of calendar months during the period commencing on and including August 1, 2005, and ending on and including the Measurement Date and (ii) $3,088.89 *times* the number of calendar days during the period commencing on and including the first day after the Measurement Date and ending on and including the Closing Date.

"FTC" shall mean the United States Federal Trade Commission.

"GAAP" shall mean United States generally accepted accounting principles, applied on a consistent basis.

"Governmental Entity" shall mean any supranational, national, state, municipal, local or foreign government, any instrumentality, subdivision, court, administrative agency or commission or other authority thereof, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority.

"Greenrange" shall mean Greenrange Partners LLC, a Connecticut limited liability company.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indebtedness" shall mean (i) all indebtedness for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (ii) any other indebtedness that is evidenced by a note, bond, debenture or similar instrument, (iii) all obligations under financing leases, (iv) all obligations in respect of acceptances issued or created, (v) all liabilities secured by any lien on any property and (vi) all guarantee obligations.

"Indemnification Threshold" shall have the meaning set forth in Section 11.2(f).

"Intellectual Property" shall mean all of the following: Trademarks, Patents, Copyrights, Trade Secrets and Licenses.

"Key Employee" shall mean any executive officer of the Company set forth on Schedule 1.1(a) hereto.

"Key Employee Contracts" shall mean the employment agreements, sale agreements or offer letters between the Company, on the one hand, and a Key Employee, on the other hand, set forth on Schedule 1.1(b) hereto.

"Knowledge of the Company" concerning a particular subject, area or aspect of the Company's or the Company Subsidiary's business or affairs and/or the business or affairs of a relevant Company Subsidiary, shall mean (i) the actual knowledge of Matt Hollingsworth after making a reasonable inquiry of the Key Employees, Kim Stevenson, Michelle Simon and Greg Harmer as to the accuracy of the representation and warranty in question and (ii) the actual knowledge, without inquiry, of Bryan Marshall, John Pataky, Tim O'Brien, Brent Rasmussen, Robert Holz, Craig Bullock, Kim Stevenson and Michelle Simon.

"Lease" shall mean each lease pursuant to which the Company or any Company Subsidiary leases any real or personal property, either as lessor or lessee (excluding leases relating solely to personal property calling for rental or similar periodic payments not exceeding $10,000 per annum), each of which is set forth on Schedule 5.12 of the Disclosure Schedule.

"Licenses" shall mean all licenses and agreements pursuant to which the Company has acquired rights in or to any Trademarks, Patents or Copyrights, or licenses and agreements pursuant to which the Company has licensed or transferred the right to use any of the foregoing.

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

"Long-Term Incentive Plan" shall mean the Company's Amended 1998 Long-Term Incentive Plan, as amended to date.

"Losses" shall mean, without duplication, any and all actual losses, costs, obligations, liabilities, damages, settlement payments, awards, judgments, fines, penalties, damages, deficiencies or other charges (including without limitation reasonable attorneys' fees and expenses and reasonable accountants' fees and expenses); provided, however, that notwithstanding anything in this Agreement to the contrary, the term "Losses" shall not include any losses, costs, obligations, liabilities, damages, settlement payments, awards, judgments, fines, penalties, damages, deficiencies or other charges to the extent that such losses, costs, obligations, liabilities, damages, settlement payments, awards, judgments, fines, penalties, damages, deficiencies or other charges are reflected in or reserved against in the Closing Balance Sheet (other than the Specified Reserves and the Litigation Reserve Amount (as such term is defined in the Contingent Payment Agreement)); provided, further, that such reserve amount has not been reduced to zero as a result of prior losses, costs, obligations, liabilities, damages, settlement payments, awards, judgments, fines, penalties, damages, deficiencies or other charges that would be "Losses" hereunder but for the first proviso of this definition.

"Material Adverse Effect" or "Material Adverse Change" shall mean any change or changes, effect or effects, event or events, or circumstance or circumstances, that individually or in the aggregate are or may reasonably be expected to be materially adverse to (i) the assets, properties, business, operations, income, or condition (financial or otherwise) of the Company and the Company Subsidiaries, taken as a whole, other than any change, effect, event, occurrence or state of facts relating to (a) the economy or the financial markets in general, (b) the industry in which the Company and its Subsidiaries operate in general and not specifically relating to the Company and its Subsidiaries, (c) the announcement of this Agreement or the transactions contemplated hereby or the identity of Optionee, (d) failure of the Company or any Company Subsidiary to take any action that is restricted by Section 7.1 and as to which Optionee does not consent; (e) changes in applicable Laws or regulations after the date hereof, or (f) changes in GAAP or regulatory accounting principles after the date hereof, or (ii) the ability of the Company or the Optionors to perform their respective obligations under this Agreement.

"Material Contract" shall have the meaning set forth in Section 5.14(b) hereof.

"Material Vendor Contract" shall have the meaning set forth in Section 5.14(a)(i) hereof.

"Materials of Environmental Concern" shall mean chemicals; pollutants; contaminants; wastes; toxic or hazardous substances, materials and wastes; petroleum and petroleum products; asbestos and asbestos-containing materials; polychlorinated biphenyls; lead and lead-based paints and materials; and radon.

"Measurement Date" shall have the meaning set forth in Section 3.1.

"Monthly Contingent Payment" shall have the meaning ascribed to such term in the Contingent Payment Agreement.

"Mortgage Loans" shall have the meaning ascribed to such term in the Contingent Payment Agreement.

"Mortgage Loan Servicing Error" shall have the meaning ascribed to such term in the Contingent Payment Agreement.

"MSRs" shall mean mortgage servicing rights.

"MSR Seller" shall mean Optionee's Affiliates that are licensed to purchase and sell subprime residential mortgage loans, including DLJ.

"Multiemployer Plan" shall mean any "multiemployer plan," as defined in Section 4001(a)(3) of ERISA, which is maintained for employees of the Company or any ERISA Affiliate.

"Objection" shall have the meaning set forth in Section 3.3(c)(iii).

"Option" shall have the meaning set forth in Section 2.1.

"Optionee" shall mean Credit Suisse First Boston (USA), Inc., a Delaware corporation.

"Optionee's Environmental Expenditures" shall mean the lesser of (i) $250,000 and (ii) the aggregate amount of Optionee's Losses arising from claims under Section 11.2(c) (exclusive of legal fees incurred in connection with pursuing such claims).

"Optionee Indemnified Persons" shall mean, from and after the Closing Date, (i) Optionee and each of its Affiliates, and their respective officers, directors, employees, agents, successors and assigns and (ii) the Company.

"Optionor" shall mean each of Greenrange, PMI and FSA.

"Option Shares" shall mean the 8,396,455 shares of Common Stock and 1,883,999 shares of Series C Preferred Stock held in the aggregate by the Optionors.

"Ozanne Agreement" shall mean the Agreement, dated as of September 8, 2004, between James Ozanne, PMI and FSA concerning certain rights of first refusal, tag-along/bring-along rights and other matters relating to the capital stock of the Company.

"Patents" shall mean issued U.S. and foreign patents and pending patent applications, patent disclosures, and any and all divisions, continuations, continuations-in-part, reissues, reexaminations, and extensions thereof, any counterparts claiming priority therefrom, utility models, patents of importation/confirmation, certificates of invention and like statutory rights.

"Percentage Interest" shall mean (i) for PMI, 61.36500%; (ii) for FSA, 37.40412%; and (iii) for Greenrange, 1.23088%.

"Permitted Liens" shall mean (a) mechanics', carrier's, workmen's, landlord's, repairmen's or other like Liens arising or incurred in the ordinary course of business for sums not yet due and payable, (b) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business, including Liens under Leases for personal property, (c) Liens arising under a Credit Facility, (d) Liens for Taxes and other governmental charges which are not due and payable or which may thereafter be paid without penalty or which are being contested through appropriate administrative or judicial proceeding, and (e) other imperfections of title, restrictions or encumbrances, if any, which

Liens, imperfections of title, restrictions or encumbrances do not materially impair the continued use and operation of the specific asset to which they relate.

"Person" shall mean a natural person, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Entity or other entity or organization.

"Plan" shall mean each deferred compensation and each incentive compensation, stock purchase, stock option and other equity compensation plan, program, agreement or arrangement; each severance or termination pay, medical, surgical, hospitalization, life insurance and other "welfare" plan, fund or program (within the meaning of Section 3(1) of ERISA); each profit-sharing, stock bonus or other "pension" plan, fund or program (within the meaning of Section 3(2) of ERISA); each employment, termination or severance agreement; and each other employee benefit plan, fund, program, agreement or arrangement, in each case, that is sponsored, maintained or contributed to or required to be contributed to by the Company or by any ERISA Affiliate, or to which the Company or an ERISA Affiliate is party, whether written or oral, for the benefit of any director, employee or former employee of the Company or any Company Subsidiary.

"PMI" shall mean The PMI Group, Inc., a Delaware corporation.

"PMI Additional Accretion Amount" shall mean an amount equal to the sum of (i) $390,500.19 *times* the number of calendar months during the period commencing on and including August 1, 2005, and ending on and including the Measurement Date and (ii) $13,016.67 *times* the number of calendar days during the period commencing on and including the first day after the Measurement Date and ending on and including the Closing Date.

"Post-Closing Tax Period" means any taxable period (or portion thereof) beginning after the close of business on the Closing Date.

"Pre-Closing Tax Period" means any taxable period (or portion thereof) ending on or before the close of business on the Closing Date.

"Private Litigation" shall have the meaning ascribed to such term in the Contingent Payment Agreement.

"Promissory Notes" means the Promissory Note to PMI and the Promissory Note to Dexia.

"Promissory Note to Dexia" means the Subordinated Promissory Note, dated as of September 30, 2004, issued by the Servicer to Dexia Holdings, Inc.

"Promissory Note to PMI" means the Subordinated Promissory Note, dated as of September 30, 2004, issued by the Servicer to PMI.

"Property Taxes" shall mean any real, personal and intangible property Taxes.

"Purchase Agreement" shall mean the Flow Servicing Purchase Rights Agreement, dated as of January 28, 2005, between DLJ and the Servicer.

"Real Property" shall mean all real property that is owned or leased by the Company or any Company Subsidiary or that is reflected as an asset of the Company or any Company Subsidiary on the Balance Sheet, other than REO Property.

"Registration Rights Agreement" shall mean the Registration Rights Agreement, dated as of March 31, 2000, in respect of the capital stock of the Company.

"Regulatory Action" shall mean any action, suit or proceeding brought against the Servicer by any Governmental Entity based, in whole or in part, upon (i) a Mortgage Loan Servicing Error occurring prior to the Closing Date, (ii) a failure by the Servicer to maintain prior to the Closing Date any state or federal license required for the lawful operation of its mortgage loan servicing business prior to the Closing Date or (iii) a failure of the Servicer to maintain a physical presence in the State of Pennsylvania prior to the Closing Date.

"Regulatory Payment" shall mean (i) to the extent the Mortgage Loan Servicing Errors giving rise to the Regulatory Action occurs (A) before the Closing Date or (B) both before the Closing Date and during the 180-day period immediately after the Closing Date, 100% of all Losses (which shall include, for purposes of this definition, any reverse and reimbursement payments made by the Servicer of fees or other charges) based upon such Mortgage Loan Servicing Errors paid by the Servicer arising out of such Regulatory Action; (ii) to the extent the Mortgage Loan Servicing Errors giving rise to the Regulatory Action occurs both before the Closing Date and after the 180-day period immediately after the Closing Date, 50% of all Losses (which shall include, for purposes of this definition, any reverse and reimbursement payments made by the Servicer of fees or other charges) based upon such Mortgage Loan Servicing Errors paid by the Servicer arising out of such Regulatory Action; (iii) to the extent that a failure by the Servicer to maintain prior to the Closing Date any state or federal license required for the lawful operation of its mortgage loan servicing business prior to the Closing Date gives rise to the Regulatory Action, 100% of all Losses based upon such failure paid by the Servicer arising out of such Regulatory Action; and (iv) to the extent that a failure of the Servicer to maintain a physical presence in the State of Pennsylvania prior to the Closing Date gives rise to the Regulatory Action, 100% of all Losses based upon such failure paid by the Servicer arising out of such Regulatory Action; provided, however, that Regulatory Payments shall not include any Losses that arise out of any Customer Accommodation, Customer Reversal or Private Litigation.

"REO Property" shall mean that real property owned by the Company or any Company Subsidiary that was acquired through foreclosure.

"Revocation Notice" shall have the meaning set forth in Section 3.1(b).

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Series C Preferred Stock" shall mean the Series C Convertible Preferred Stock, par value $0.01 per share, of the Company.

"Servicer" shall mean Select Portfolio Servicing, Inc., a Utah corporation.

"Servicing Agreement" shall have the meaning ascribed to such term in the Contingent Payment Agreement.

"Shareholders Agreement" shall mean the Fourth Amended and Restated FCH Shareholders Agreement, dated as of March 31, 2000, by and among Thomas D. Basmajian, Kim A. Stevenson, TATS, GE Capital Equity Investments, Inc., FGIC Services, Inc., PMI Mortgage Insurance Co., FSA, Nomura Principal Capital Holding Trust and the Company, as amended on June 27, 2002, July 29, 2003 and August 23, 2004.

"Shareholder Documents" shall mean the (i) Shareholders Agreement, (ii) the Registration Rights Agreement and (iii) the Ozanne Agreement.

"Signing Date Fee Matrix" shall mean the Fee Matrix of the Servicer as it exists on the date hereof, a copy of which is attached hereto as Exhibit B.

"Specified Disputes" shall mean the matters set forth in Schedule 1.1(c) hereto.

"Specified Indemnification Obligations" shall have the meaning set forth in Section 11.2(b).

"Specified Private Litigation Matter" shall mean a Private Litigation that is initially filed during 2006 or 2007 by or on behalf of a consumer in a court of competent jurisdiction and for which written notice of such Private Litigation (together with a copy of the consumer's complaint) is delivered to the Optionors prior to or on December 31, 2007 in accordance with Section 12.4.

"Specified Real Property" shall mean (i) 3815 South West Temple, Salt Lake City, Utah, (ii) 92 West 3900 South, Salt Lake City, Utah, (iii) 3839 South West Temple, Salt Lake City, Utah, (iv) 3902 S. State Street, Salt Lake City, Utah and (v) 330 South Warminster Rd., Hatboro, Pennsylvania.

"Specified Reserves" shall mean an amount (expressed as a positive number) equal to the reserves reflected in the Estimated Closing Balance Sheet for (i) the Specified Disputes, (ii) the Specified Tax Matters and (iii) possible Regulatory Actions. As of June 30, 2005, the reserves reflected in the balance sheet of the Company for (i) the Specified Disputes was $1,835,000, (ii) the Specified Tax Matters was $1,775,000 and (iii) possible Regulatory Actions was $579,000. The parties agree that the reserves for the Specified Disputes, the Specified Tax Matters and Regulatory Actions reflected in the Actual Closing Balance Sheet and the Closing Balance Sheet shall be the same amounts as reflected in the Estimated Closing Balance Sheet.

"Specified Tax Matters" shall mean the matters set forth in Sections 8.3(b)(i) and (ii) of this Agreement.

"Specified Tax Reserve" shall mean an amount equal to the reserves reflected in the Estimated Closing Balance Sheet for the Specified Tax Matters.

"Straddle Period" shall mean any taxable period that includes (but does not end on) the Closing Date.

"Subsequent Designated Agreement" shall have the meaning ascribed to such term in the Contingent Payment Agreement.

"Subsidiary" shall mean, with respect to any Person, any corporation or other organization, whether incorporated or unincorporated, of which (a) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person and/or by any one or more of its Subsidiaries, or (b) such Person or any other Subsidiary of such Person is a general partner (excluding any such partnership where such Person or any Subsidiary of such Person does not have a majority of the voting interest in such partnership).

"Tax" or "Taxes" shall mean all taxes, charges, fees, duties, levies, penalties or other assessments imposed by any federal, state, local or foreign governmental authority, including income, gross receipts, excise, property, sales, gain, use, license, custom duty, unemployment, capital stock, transfer, franchise, payroll, withholding, social security, minimum estimated, profit, gift, severance, value added, disability, premium, recapture, credit, occupation, service, leasing, employment, stamp and other taxes, and shall include interest, penalties or additions attributable thereto or attributable to any failure to comply with any requirement regarding Tax Returns.

"Tax Benefit" with respect to any event or adjustment for any Person means the positive excess, if any, of the Tax liability of such Person without regard to such event or adjustment over the Tax liability of such Person taking into account such event or adjustment, with all other circumstances remaining unchanged.

"Tax Claim" shall have the meaning set forth in Section 8.7.

"Tax Cost" with respect to any event or adjustment for any Person means the positive excess, if any, of the Tax liability of such Person taking such event or adjustment into account over the Tax liability of such Person without regard to such event or adjustment, with all other circumstances remaining unchanged.

"Tax Return" shall mean any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any such document prepared on a consolidated, combined or unitary basis and also including any schedule or attachment thereto, and including any amendment thereof.

"Taxing Authority" means any governmental or regulatory authority, body or instrumentality exercising any authority to impose, regulate or administer the imposition of Taxes.

"Title IV Plan" shall mean a Plan that is subject to Section 302 or Title IV of ERISA or Section 412 of the Code.

"Trademarks" shall mean U.S. and foreign registered and unregistered trademarks, trade dress, service marks, logos, trade names, corporate names and all registrations and applications to register the same.

"Trade Secrets" shall mean all categories of trade secrets as defined in the Uniform Trade Secrets Act including business information.

"Transactions" shall mean all the transactions provided for or contemplated by this Agreement or the Contingent Payment Agreement.

"Transfer Tax" or "Transfer Taxes" means any federal, state, county, local, foreign and other sales, use, transfer, conveyance, documentary transfer, recording or other similar tax, fee or charge imposed upon the sale, transfer or assignment of property or any interest therein or the recording thereof, and any penalty, addition to Tax or interest with respect thereto.

"Voting Debt" of any Person shall mean indebtedness having the right to vote in the election of the Board of Directors (or comparable body) of such Person and debt convertible into securities having such rights.

Section 1.2 Interpretation. When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(a) Whenever the words "include" "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

(b) The words "hereof", "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified.

(c) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(d) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(e) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or reenactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

ARTICLE II

THE OPTION

Section 2.1 Grant of Option. Subject to the terms and conditions of this Agreement, each of the Optionors, severally and not jointly, hereby grants to Optionee an exclusive, irrevocable and nontransferable option (collectively, the "Option") to purchase all, but not less

than all, of the shares of Common Stock and Series C Preferred Stock set forth opposite such Optionor's name on Exhibit A hereto free and clear of all Encumbrances.

Section 2.2 Term of Option. Optionee may exercise the Option, in whole but not in part, at any time prior to the Expiration Time. If the Option is not validly exercised prior to the Expiration Time, the Option shall terminate and be of no further force and effect without the need for any party hereto to take any other or further action.

Section 2.3 The Exercise Price. The aggregate purchase price for the Option Shares (the "Exercise Price") shall be the sum of (a) the Cash Payment, which shall be paid by the Optionee to the Optionors in accordance with Sections 2.4 and 3.3 hereof, plus (b) the Monthly Contingent Payments, which shall be paid by the Optionee (or the Servicer on behalf of the Optionee) to the Optionors in accordance with Section 2.4 hereof and the terms of the Contingent Payment Agreement, plus (c) the Final Payment Amount, which shall be paid by the Optionee (or the Servicer on behalf of the Optionee) to the Optionors in accordance with Section 2.4 hereof and the terms of the Contingent Payment Agreement.

Section 2.4 Allocation of the Exercise Price. Optionee shall pay (or cause the Servicer to pay on the Optionee's behalf) the Exercise Price to the Optionors as set forth below:

(a) First, before any payment shall be made pursuant to Section 2.4(b), (i) PMI shall be paid an amount equal to the sum of (A) $38,779,551 and (B) the PMI Additional Accretion Amount and (ii) FSA shall be paid an amount equal to the sum of (A) $9,202,499 and (B) the FSA Additional Accretion Amount. Each of the Optionors and the Company agree that Section 6(c) of the Certificate of Incorporation shall be deemed to be satisfied upon the receipt by PMI and FSA of the payments required by this Section 2.4(a).

(b) Second, after the payment in full of all amounts required to be paid pursuant to Section 2.4(a), the Optionors shall be paid the balance of the Exercise Price in proportion to such Optionor's Percentage Interest.

ARTICLE III

THE CLOSING

Section 3.1 Exercise of the Option and the Closing. (a) The Optionee shall exercise the Option by providing each Optionor and the Company with a written notice of such election prior to the Expiration Time (the "Exercise Notice"), which notice shall specify the date, which shall be a month end for the Company, on which calculations for the Cash Payment shall be based (the "Measurement Date"); provided, however, that the date so specified must be no later than September 30, 2005. The Exercise Notice shall be provided to the Optionors not less than ten (10) Business Days prior to the Measurement Date. If the Optionee provides the Exercise Notice to the Optionors, then, except as set forth in Section 3.1(b), such notice shall constitute an irrevocable commitment by the Optionee to purchase the Option Shares for the Exercise Price in accordance with the terms of this Agreement, subject only to the satisfaction or waiver of the conditions to Closing set forth in Article IX. The Closing shall take place on the Business Day immediately following the Measurement Date. If the conditions to Closing set forth in Article IX

have not been satisfied or waived on the Business Day immediately following such Measurement Date, then the Measurement Date shall be changed to the next following month end for the Company and the Closing shall take place on the Business Day immediately following such new Measurement Date. The closing of the sale of the Option Shares by the Optionors to Optionee (the "Closing") shall take place at the offices of Cadwalader, Wickersham & Taft LLP, One World Financial Center, New York, New York 10281 at 10:00 a.m., New York City time, on the Business Day immediately following the Measurement Date unless another date or place is agreed upon in writing by each of the parties hereto. The date upon which the Closing occurs is referred to as the "Closing Date".

(b) Notwithstanding the provisions of Section 3.1(a), in the event that the Company delivers to the Optionee a Disclosure Schedule Supplement at any time after the Optionee has delivered an Exercise Notice, then the Optionee may, at any time prior to 5:00 p.m., Salt Lake City time, on the fifth (5^{th}) Business Day following the date of delivery to the Optionee of such Disclosure Schedule Supplement ("Revocation Expiration Time"), revoke such Exercise Notice by delivering to each of PMI and FSA a written notice (a "Revocation Notice") prior to the Revocation Expiration Time stating that the Optionee has elected to revoke such Exercise Notice pursuant to this Section 3.1(b). In addition, a copy of the Revocation Notice shall be sent by email to counsel to PMI and FSA at the email addresses set forth in Section 12.4 prior to the Revocation Expiration Time. If the Optionee provides the Revocation Notice to the Optionors and their counsel in accordance with this Section 3.1(b), any previously delivered Exercise Notice shall be void and shall have no further force or effect. The delivery of a Revocation Notice shall not terminate this Agreement, and the Optionee shall have the right to deliver a new Exercise Notice in accordance with Section 3.1(a) at any time prior to the Expiration Time.

Section 3.2 Deliveries by Optionors. At the Closing, each Optionor shall deliver to Optionee:

(a) certificates representing the number of shares of Common Stock and Series C Preferred Stock set forth opposite such Optionor's name on Exhibit A, each such certificate to be accompanied by a separate stock power endorsed in blank and duly and validly executed by such Optionor;

(b) executed copies of the consents referred to in Section 7.3(c) hereof;

(c) the officers' certificates referred to in Sections 9.2(b) and 9.2(c) hereof; and

(d) any other certifications which may be reasonably required under applicable law stating that no Taxes are due to any taxing authority for which Optionee could have liability to withhold and pay with respect to the transfer of Option Shares to Optionee pursuant to this Agreement.

Section 3.3 Deliveries and Payment by Optionee.

(a) Estimated Closing Balance Sheet. At least ten (10) days prior to the Closing, the Company shall deliver to the Optionee and each Optionor an estimated consolidated balance sheet of the Company as of the close of business on the Measurement Date with the estimated

consolidated book value of the Company reflected therein ("Estimated Closing Balance Sheet"). The Company shall prepare the Estimated Closing Balance Sheet in the same manner as the consolidated balance sheet comprising part of the financial statements issued by the Company and audited by Ernst & Young LLP as of December 31, 2004.

(b) Estimated Cash Payment.

(i) At the Closing, Optionee shall deliver to each Optionor an amount equal to such Optionor's allocable portion of the Estimated Cash Payment (which shall be allocated in accordance with Section 2.4 hereof) by transfer of immediately available funds to such account at such bank as such Optionor shall direct, which amount is subject to adjustment as provided in Section 3.3(c).

(ii) The "Estimated Cash Payment" shall be an amount equal to (A) the consolidated book value of the Company on the Measurement Date, as reflected in the Estimated Closing Balance Sheet, *minus* (B) the consolidated book value, as of the Measurement Date, of all MSRs (including servicing assets and servicing liabilities) under Servicing Agreements and Subsequent Designated Agreements, *minus* (C) $62,500 (representing one-half of the fee paid by the Optionee to the Federal Trade Commission in connection with the pre-merger notice filing required by the HSR Act), *plus* (D) $15,500,000, *plus* (E) the Specified Reserves. No MSRs delivered by the MSR Seller after November 30, 2004 shall be considered MSRs under Servicing Agreements or Subsequent Designated Agreements.

(c) Actual Closing Balance Sheet and Closing Cash Payment.

(i) The "Closing Cash Payment" shall be an amount equal to (A) the consolidated book value of the Company on the Measurement Date, as reflected in the Actual Closing Balance Sheet, *minus* (B) the consolidated book value, as of the Measurement Date, of all MSRs (including servicing assets and servicing liabilities) under Servicing Agreements and Subsequent Designated Agreements, *minus* (C) $62,500 (representing one-half of the fee paid by the Optionee to the Federal Trade Commission in connection with the pre-merger notice filing required by the HSR Act), *plus* (D) $15,500,000, *plus* (E) the Specified Reserves. No MSRs delivered by the MSR Seller after November 30, 2004 shall be considered MSRs under Servicing Agreements or Subsequent Designated Agreements.

(ii) As soon as practicable after the Closing Date but in no event later than 30 days thereafter, the Optionee shall deliver to each Optionor the proposed actual consolidated balance sheet of the Company as of the close of business on the Measurement Date ("Actual Closing Balance Sheet"), with the actual consolidated book value of the Company as of the Measurement Date reflected therein, together with a computation of the proposed Closing Cash Payment and a certificate of the Chief Financial Officer of the Company stating that such Actual Closing Balance Sheet and Closing Cash Payment are true and correct and prepared on the basis described herein. The Optionee shall prepare the Actual Closing Balance Sheet in the same manner as the

consolidated balance sheet comprising part of the financial statements issued by the Company and audited by Ernst & Young LLP as of December 31, 2004.

(iii) The Optionors and their respective counsel, accountants and other representatives shall have full access to all relevant accounting, financial and other records of the Company and the Company Subsidiaries reasonably requested in connection with the preparation, confirmation or review of the Actual Closing Balance Sheet and the calculation of the Closing Cash Payment. The Company and the Optionee shall make available to the Optionors, and their respective counsel, accountants and other representatives, such of their personnel as any of the Optionors may reasonably request in connection with the preparation, confirmation or review of the Actual Closing Balance Sheet and calculation of the Closing Cash Payment.

(iv) In the event that either PMI or FSA does not agree with the amount of the proposed Closing Cash Payment, such Optionor may deliver to Optionee (with a copy to each other Optionor) a notice objecting to the amount of such payment (an "Objection") not later than thirty (30) days after the date the Optionee delivers the Actual Closing Balance Sheet to the Optionors. If either PMI or FSA delivers an Objection to Optionee in accordance with time limits set forth in the preceding sentence, PMI, FSA and the Optionee shall negotiate in good faith with a view to resolving the dispute and arriving at a mutually agreed amount for the Closing Cash Payment. If such negotiations fail to resolve the dispute within thirty (30) days after the date the Objection was delivered to Optionee, the dispute shall be submitted to Ernst & Young LLP (or such other "Big Four" accounting firm as is mutually agreed to by the Optionee, PMI and FSA) (the "Accountants") for final and exclusive resolution. The Company and the Optionee shall cooperate in good faith with the Accountants and shall afford the Accountants and their representatives full access to all relevant accounting, financial and other records of the Company and the Company Subsidiaries reasonably requested in connection with the preparation, confirmation or review of the Actual Closing Balance Sheet and the calculation of the Closing Cash Payment. The Company and the Optionee shall make available to the Accountants and their representatives such of their personnel as the Accountants may reasonably request in connection with the preparation, confirmation or review of the Actual Closing Balance Sheet and calculation of the Closing Cash Payment. The Accountants shall afford each of PMI, FSA and the Optionee and their respective representatives the opportunity to present their positions as to the dispute and the calculation of the Closing Cash Payment (which opportunity shall not extend for more than thirty (30) days after the expiration of the thirty (30) day period described in the third sentence of this Section 3.3(c)(iv)). Each presentation shall include a statement of the Closing Cash Payment proposed by such party and shall be accompanied by reasonably detailed supporting documentation. No later than ten (10) days after the completion of the presentations to the Accountants by PMI, FSA and the Optionee of their respective positions on the Closing Cash Payment, the Accountants shall deliver their decision with respect to the actual Closing Cash Payment (which shall not, under any circumstances, be less than the amount that was originally proposed by the Optionee nor more than the largest amount that was proposed by any of the Optionors), which decision shall be in writing and shall include a reasonably detailed description of the basis for such determination. The Accountants' determination of the actual Closing Cash

Payment shall be final and binding upon all parties hereto. The fees, costs and expenses of the Accountants in connection with any such determination shall be borne by the Optionee if the Closing Cash Payment adopted by the Accountants is greater than the Optionee's originally proposed Closing Cash Payment by $250,000 or more and shall otherwise be borne by the Optionors in proportion to such Optionor's Percentage Interest. The Accountants' decision may be enforced in any state or federal court of competent jurisdiction.

(v) If neither PMI nor FSA delivers an Objection to the Optionee in accordance with Section 3.3(c)(iv), then the Closing Cash Payment proposed by the Optionee shall be deemed agreed to by the Optionors. The Closing Cash Payment, either as agreed to or determined pursuant to this Section 3(c), shall be referred to as the "Cash Payment" and the Actual Closing Balance Sheet, either as agreed to or determined pursuant to this Section 3(c), shall be referred to as the "Closing Balance Sheet." If the Cash Payment:

(A) is less than the Estimated Cash Payment, Optionors shall pay the amount of such shortfall to the Optionee in proportion to such Optionor's Percentage Interest, and

(B) is more than the Estimated Cash Payment, the Optionee shall pay the amount of such excess to Optionors in proportion to such Optionor's Percentage Interest

not later than the earlier of (I) the fifth Business Day following the agreement or determination of the Cash Payment or (II) thirty (30) days after the date the Optionee delivers the Actual Closing Balance Sheet to the Optionors if no Objection is delivered to the Optionee, together with interest on such shortfall or excess from the Closing Date to but not including the date of payment calculated at the U.S. Prime Rate as published by *The Wall Street Journal* on the Closing Date. Payments pursuant to this paragraph shall be made by wire transfer of immediately available funds to the accounts designated by the Optionee or Optionors, as the case may be.

(d) At the Closing, the Servicer shall pay, and the Optionee and the Company shall cause to be paid, to (i) PMI all amounts outstanding under the Promissory Note to PMI as of the Closing Date and (ii) Dexia Holdings, Inc. all amounts outstanding under the Promissory Note to Dexia as of the Closing Date, in each case by transfer of immediately available funds to such account of such bank as PMI and Dexia Holdings, Inc., as the case may be, shall direct.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE OPTIONORS

Each Optionor, severally and not jointly, represents and warrants to Optionee that all of the statements contained in this Article IV, solely insofar as such statements relate to such Optionor, are true and correct as of the date of this Agreement (or, if made as of a specified date,

as of such date) and will be true and correct as of the Closing Date as though made on the Closing Date.

Section 4.1 Share Ownership. Such Optionor is the record and beneficial owner of the number of shares of Common Stock and Series C Preferred Stock set forth opposite such Optionor's name on Exhibit A hereto. Except for the Promissory Notes, such Optionor owns no securities issued by, or other obligations of, the Company or any Company Subsidiary which are not listed on Exhibit A hereto. Except for the Shareholder Documents to which such Optionor is a party, such Optionor is not a party to any voting trust or other voting agreement or understanding with respect to the voting of capital stock of the Company.

Section 4.2 Legal Power; Organization; Qualification of Optionors. Such Optionor is a legal entity of the type set forth opposite such Optionor's name on Exhibit A hereto. Such Optionor has been duly organized, and is validly existing and in good standing, under the laws of its jurisdiction of formation, has all requisite power and authority to execute and deliver this Agreement and to consummate the Transactions, and has taken all necessary corporate or other action to authorize the execution, delivery and performance of this Agreement.

Section 4.3 Binding Agreement. This Agreement has been duly executed and delivered by such Optionor and, assuming due and valid authorization, execution and delivery by the Company and the Optionee, this Agreement constitutes a legal, valid and binding obligation of such Optionor, enforceable against such Optionor in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of specific performance or injunctive or other forms of equitable relief may be subject to equitable defenses and would be subject to the discretion of the court before which any proceeding therefor may be brought.

Section 4.4 No Conflict or Default. Neither the execution and delivery of this Agreement nor the consummation by such Optionor of any of the Transactions will result in a violation of, or a default under, or conflict with, or require any consent, approval or notice under, any contract, trust, commitment, agreement, obligation, understanding, arrangement or restriction of any kind to which such Optionor is a party or by which such Optionor is bound or to which the Option Shares owned by such Optionor are subject, except as provided in the Shareholder Documents and the Certificate of Incorporation. Consummation by such Optionor of the Transactions will not violate, or require any consent, approval or notice under, any provision of any judgment, order, decree, statute, law, rule or regulation applicable to such Optionor or the Option Shares owned by such Optionor, except for any necessary filing under the HSR Act and any filing with or notice to the Federal Reserve Board.

Section 4.5 Ownership and Possession of Option Shares. The Option Shares owned by such Optionor and the certificates representing such Option Shares are now, and at all times during the term hereof shall be, owned by such Optionor and held by such Optionor, or by a nominee or custodian for the sole and exclusive benefit of such Optionor, free and clear of all Encumbrances whatsoever.

Section 4.6 Good Title Conveyed. The stock powers, endorsements, assignments and other instruments to be executed and delivered by such Optionor to Optionee at the Closing will be valid and binding obligations of such Optionor, enforceable in accordance with their respective terms, and will effectively vest in Optionee good, valid and marketable title to all the Option Shares to be transferred to Optionee by such Optionor pursuant to and as contemplated by this Agreement, free and clear of all Encumbrances.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as specifically set forth in the Disclosure Schedule prepared and signed by the Company and delivered to Optionee simultaneously with the execution hereof, the Company represents and warrants to Optionee that the statements contained in this Article V are true and correct as of the date of this Agreement (or, if made as of a specified date, as of such date), and will be true and correct as of the Closing Date as though made on the Closing Date. Each exception set forth in the Disclosure Schedule and each other response to this Agreement set forth in the Disclosure Schedule is identified by reference to, or has been grouped under a heading referring to, a specific individual section of this Agreement and, except as otherwise specifically stated with respect to such exception, relates only to such section; provided, however, that any fact, matter or condition disclosed in any section of such Disclosure Schedule in such a way as to make its relevance to a representation, warranty or covenant or representations, warranties or covenants made elsewhere in this Agreement or information called for by another section of such Disclosure Schedule reasonably apparent shall be deemed to be an exception to such representation, warranty or covenant or representations, warranties or covenants or to be disclosed on such other section of such Disclosure Schedule notwithstanding the omission of a reference or cross reference thereto.

Section 5.1 Authorization; Validity of Agreement; Company Action. The Company has full corporate power and authority to execute and deliver this Agreement and the Contingent Payment Agreement, and to consummate the Transactions. The execution, delivery and performance by the Company of this Agreement and the Contingent Payment Agreement and the consummation of the Transactions have been duly authorized by the Company Board of Directors, and no other corporate action on the part of the Company is necessary to authorize the execution and delivery by the Company of this Agreement or the Contingent Payment Agreement or the consummation of the Transactions. No vote of, or consent by, the holders of any class or series of capital stock issued by the Company is necessary to authorize the execution and delivery by the Company of this Agreement or the Contingent Payment Agreement or the consummation of the Transactions. This Agreement has been duly executed and delivered by the Company and, assuming due and valid authorization, execution and delivery hereof by the Optionors and the Optionee, this Agreement is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of specific performance or injunctive or other forms of equitable relief

may be subject to equitable defenses and would be subject to the discretion of the court before which any proceeding therefor may be brought.

Section 5.2 Other Board Approvals Regarding Transactions. The Company Board of Directors has (i) authorized the Company's officers to waive any rights the Company may have under any agreement or otherwise to object to the granting of the Option to Optionee and the transfer to Optionee of any Option Shares held by the Optionors and (ii) consented to the granting of the Option to Optionee and the transfer to Optionee of all such Option Shares, and none of the aforesaid actions by the Company Board of Directors has been amended, rescinded or modified. No state takeover statute is applicable to the Transactions.

Section 5.3 Capitalization. (a) The authorized capital stock of the Company consists of 25,000,000 shares of Common Stock and 10,000,000 shares of preferred stock, par value $0.01 per share. As of the date hereof, (i) 8,396,455 shares of Common Stock are issued and outstanding (excluding shares held in the treasury of the Company), (ii) 1,883,999 shares of Series C Preferred Stock are issued and outstanding, (iii) no shares of Common Stock or Series C Preferred Stock are owned of record by any Person who is not an Optionor, (iv) 1,228,284 shares of Common Stock or Series C Preferred Stock are issued and held in the treasury of the Company, (v) other than the Series C Preferred Stock, no shares of preferred stock are issued or outstanding, and (vi) 760,000 shares of Common Stock are reserved for issuance upon exercise of Company Options under the Long-Term Incentive Plan. As of the date hereof, there are outstanding Company Options to purchase 299,737 shares of Common Stock. All the outstanding shares of the Company's capital stock are, and all shares of Common Stock which may be issued pursuant to the exercise of outstanding Company Options will be, when issued in accordance with the respective terms thereof, duly authorized, validly issued, fully paid and non-assessable. There is no Voting Debt of the Company or any Company Subsidiary issued and outstanding. Except as set forth above, as of the date hereof, (i) there are no shares of capital stock of the Company authorized, issued or outstanding; (ii) there are no existing options, warrants, calls, pre emptive rights, subscriptions or other rights, agreements, arrangements or commitments of any character, relating to the issued or unissued capital stock of the Company or any Company Subsidiary, obligating the Company or any Company Subsidiary to issue, transfer or sell or cause to be issued, transferred or sold any shares of capital stock or Voting Debt of, or other equity or debt interest in, the Company or any Company Subsidiary or securities convertible into or exchangeable for such shares or equity interests, or obligating the Company or any Company Subsidiary to grant, extend or enter into any such option, warrant, call, subscription or other right, agreement, arrangement or commitment and (iii) there are no outstanding contractual obligations of the Company or any Company Subsidiary to repurchase, redeem or otherwise acquire any shares of Common Stock, or other capital stock of the Company, or any Company Subsidiary or Affiliate of the Company or to provide funds to make any investment (in the form of a loan, capital contribution or otherwise) in any Company Subsidiary or any other entity. Except as set forth above, during the period from the date hereof to the Closing Date, the Company has not issued or committed to issue any shares of Common Stock or Series C Preferred Stock or any options, warrants, calls, preemptive rights, subscriptions or other rights, agreements, arrangements or commitments of any character, relating to the issued or unissued capital stock of the Company or any Company Subsidiary, obligating the Company or any Company Subsidiary to issue, transfer or sell or cause to be issued, transferred or sold any shares of capital stock or Voting Debt of, or other equity or debt

interest in, the Company or any Company Subsidiary or securities convertible into or exchangeable for such shares or equity interests, or obligating the Company or any Company Subsidiary to grant, extend or enter into any such option, warrant, call, subscription or other right, agreement, arrangement or commitment.

(b) Other than the Shareholder Documents, there are no voting trusts or other agreements or understandings to which any Optionor, the Company or any Company Subsidiary is a party with respect to the voting of the capital stock of the Company or any of the Company Subsidiaries.

(c) Following the Closing Date, no holder of Company Options will have any right to receive shares of capital stock or other securities issued by the Company or any Company Subsidiary upon the exercise of Company Options.

Section 5.4 Organization; Qualification of Company. The Company (i) is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation; (ii) has full corporate power and authority to carry on its business as it is now being conducted and to own the properties and assets it now owns; and (iii) is duly qualified or licensed to do business as a foreign corporation in good standing in every jurisdiction in which such qualification is required. The Company has heretofore delivered to Optionee complete and correct copies of the certificate of incorporation and by-laws of the Company as presently in effect.

Section 5.5 Subsidiaries and Affiliates. The Disclosure Schedule sets forth the name and jurisdiction of incorporation of each Company Subsidiary. The Company does not own, directly or indirectly, any capital stock or other equity securities of any corporation other than Company Subsidiaries or have any direct or indirect equity or ownership interest in any business other than in the Company Subsidiaries or in publicly traded securities constituting less than five percent of the outstanding equity of the issuing entity or subordinated or residual interests in pools of mortgage-backed securities. All the outstanding capital stock of each Company Subsidiary is owned directly or indirectly by the Company free and clear of all Encumbrances and all material claims or charges of any kind, and is validly issued, fully paid and nonassessable. Each Company Subsidiary (i) is a corporation, limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation; (ii) has full corporate, limited liability company or partnership power and authority to carry on its business substantially as it is now being conducted and to own the properties and assets it now owns; and (iii) is duly qualified or licensed to do business as a foreign corporation, limited liability company or limited partnership in good standing in every jurisdiction in which such qualification is required, except where such failure to be duly qualified or licensed would not have a Material Adverse Effect. The Company has heretofore delivered to Optionee complete and correct copies of the certificate of incorporation and by-laws of each Company Subsidiary, as presently in effect.

Section 5.6 Consents and Approvals; No Violations. Except for the Consent Orders and otherwise as set forth on Schedule 5.6 of the Disclosure Schedule and for the filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the HSR Act, state securities or blue sky laws and state mortgage banking or

collection agency laws, none of the execution, delivery or performance of this Agreement or the Contingent Payment Agreement by the Company, the consummation by the Company of any of the Transactions or compliance by the Company with any of the provisions hereof or thereof will (i) conflict with or result in any breach of any provision of the certificate of incorporation, the by-laws or similar organizational documents of the Company or any Company Subsidiary, (ii) require the Company or any Company Subsidiary to make any filing with, or obtain any permit, authorization, consent or approval of, any Governmental Entity or other Person (including consents from parties to loans, contracts, leases and other agreements to which the Company or any Company Subsidiary is a party), (iii) require any consent, approval or notice under, or result in a violation or breach of, or constitute (with or without due notice or the passage of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, any Material Contract or restriction of any kind by which the Company is bound, or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company, any Company Subsidiary or any of their properties or assets, excluding from the foregoing clauses (ii), (iii) and (iv) such violations, breaches or defaults which would not, individually or in the aggregate, impair in any material respect the ability of Company or any Company's Subsidiary to consummate the Transactions or which arise from the regulatory status of the Optionee or any of its Affiilates.

Section 5.7 Financial Statements. The Company has delivered to the Optionee true and correct copies of the Financial Statements. The Financial Statements have been prepared from the books and records of the Company and the Company Subsidiaries, have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be stated in the notes thereto), and fairly present the consolidated financial position and the consolidated results of operations and cash flows of the Company and the Company Subsidiaries as of the times and for the periods referred to therein (subject, in the case of unaudited statements, to normally recurring year-end audit adjustments which are not material either individually or in the aggregate).

Section 5.8 No Undisclosed Liabilities. To the Knowledge of the Company, except (a) as disclosed or reflected in the Financial Statements and (b) for liabilities and obligations incurred in the ordinary course of business and consistent with past practice, since the Balance Sheet Date neither the Company nor any Company Subsidiary has any liability or obligation of any nature in excess of $250,000, whether or not accrued, contingent or otherwise.

Section 5.9 Absence of Certain Changes. Except as contemplated by this Agreement or the Budget and except as disclosed or reflected in the Financial Statements, since the Balance Sheet Date, the Company and each Company Subsidiary has conducted its respective business only in the ordinary course and consistent with past practice, and neither the Company nor any Company Subsidiary has:

(a) suffered any Material Adverse Effect;

(b) incurred any liability or obligation (absolute, accrued, contingent or otherwise) except items incurred in the ordinary course of business and consistent with past practice, none of which exceeds $250,000 (counting obligations or liabilities arising from one transaction or a

series of similar transactions, and all periodic installments or payments under any lease or other agreement providing for periodic installments or payments, as a single obligation or liability);

(c) paid, discharged or satisfied any claim, liability or obligation (whether absolute, accrued, contingent or otherwise) in excess of $250,000 other than the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice of liabilities and obligations reflected or reserved against in the Balance Sheet or incurred in the ordinary course of business and consistent with past practice since the Balance Sheet Date;

(d) permitted or allowed any of its property or assets (real, personal or mixed, tangible or intangible) to be subjected to any Lien except for Permitted Liens;

(e) written down the value of any MSRs (other than those associated with Mortgage Loans) or written off as uncollectible any notes or accounts receivable, except for write-downs and write-offs in the ordinary course of business and consistent with past practice;

(f) cancelled any debts owed to the Company by third parties or waived any claims or rights of the Company against third parties, in either case in excess of $250,000;

(g) sold, transferred, or otherwise disposed of any material amount of its properties or assets (real, personal or mixed, tangible or intangible), except in the ordinary course of business and consistent with past practice;

(h) terminated or permitted to lapse any material Company Permit (as defined in Section 5.17 below);

(i) disposed of or permitted to lapse any rights to the use of any material Intellectual Property, or disposed of or disclosed to any Person other than representatives of Optionee or for a legitimate business purpose any Trade Secret not theretofore a matter of public knowledge;

(j) granted any general increase in the compensation of officers or employees (including any such increase pursuant to any bonus, pension, profit sharing or other plan or commitment) not in the ordinary course of business;

(k) hired or fired any Key Employee;

(l) made any single capital expenditure or commitment in excess of $100,000 for additions to property, plant, equipment or intangible capital assets or made aggregate capital expenditures and commitments in excess of $250,000 for additions to property, plant, equipment or intangible capital assets;

(m) declared, paid or set aside for payment any dividend or other distribution in respect of its capital stock or redeemed, purchased or otherwise acquired, directly or indirectly, any shares of capital stock or other securities of the Company, except for the redemption, purchase or other acquisition of shares of Common Stock or Company Options not currently owned by an Optionor;

(n) made any change in any method of accounting or accounting practice except as required by GAAP;

(o) other than as required by any Key Employee Contract, paid or loaned any amount to, or sold, transferred or leased any properties or assets (real, personal or mixed, tangible or intangible) to, or entered into any agreement or arrangement with, any of its officers or directors or any Affiliate or Associate of any of its officers or directors except for directors' fees and compensation of officers in the ordinary course of business; or

(p) agreed, whether in writing or otherwise, to take any action described in this section.

Section 5.10 Title to Properties; Liens. Each of the Company and each Company Subsidiary has good, valid and marketable title to all the properties and assets that it purports to own (tangible and intangible) free and clear of all Liens, other than Permitted Liens, including all the properties and assets reflected in the Balance Sheet and not subsequently disposed of and all such properties and assets purchased by the Company or any Company Subsidiary since the date of the Balance Sheet except as set forth in the Financial Statements. The rights, properties and other assets presently owned, leased or licensed by the Company or the Company Subsidiaries include all such rights, properties and other assets necessary to permit the Company and the Company Subsidiaries to conduct their respective businesses in all material respects in the same manner as such businesses have been conducted prior to the date hereof.

Section 5.11 Real Property.

(a) The Disclosure Schedule sets forth a complete list and the location of all Real Property. There are no proceedings, claims, or disputes affecting any Real Property that might materially curtail or interfere with the Company's use of such property. Neither the whole nor any material portion of the Real Property nor any other assets of the Company or any Company Subsidiary is subject to any governmental decree or order to be sold or is being condemned, expropriated or otherwise taken by any public authority with or without payment of compensation therefor, nor has any such condemnation, expropriation or taking been proposed to the Company. Neither the Company nor any Company Subsidiary is a party to any lease, assignment or similar arrangement under which the Company or any Company Subsidiary is a lessor, assignor or otherwise makes available for use by any third party any portion of the Real Property, other than pursuant to a Lease.

(b) Each of the Company and each Company Subsidiary has obtained all appropriate certificates of occupancy, licenses, easements and rights of way, including proofs of dedication, required to use and operate the Real Property in the manner in which the Real Property is currently being used and operated and where the failure to have any such license would materially interfere with the use of such property. True and correct copies of all such certificates, permits and licenses have heretofore been furnished to Optionee. Each of the Company and each Company Subsidiary has all approvals, permits and licenses (including any and all environmental permits) necessary to own or operate the Real Property as currently owned and operated; and no such approvals, permits or licenses will be required, as a result of the Transactions, to be issued after the date hereof in order to permit the Company and the

Company Subsidiaries, following the Closing, to continue to own or operate the Real Property in the same manner as heretofore, other than any such approvals, permits or licenses that are ministerial in nature and are normally issued in due course upon application therefore without further action by the applicant.

Section 5.12 Leases. The Disclosure Schedule contains an accurate and complete listing of the Leases and the subleases to such Leases. A true and complete copy of each Lease has heretofore been delivered to Optionee. Each Lease is in full force and effect. The leasehold estate created by each Lease is free and clear of all Liens other than as created by or pursuant to such Lease or a sublease to such Lease. There are no existing defaults by the Company or any Company Subsidiary under any of the Leases. No event has occurred that (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute a default under any Lease by the Company or any Company Subsidiary. Neither the Company nor any Company Subsidiary has received notice, that any lessor under any Lease will not consent (where such consent is necessary) to the consummation of the Transactions without requiring any modification of the rights or obligations of the lessee thereunder.

Section 5.13 Environmental Matters.

(a) Each of the Company and the Company Subsidiaries is in compliance in all material respects with all Environmental Laws. Such compliance includes, but is not limited to, the possession by the Company and each of the Company Subsidiaries of all material permits and other governmental authorizations required under all applicable Environmental Laws, and compliance in all material respects with the terms and conditions thereof.

(b) There is no Environmental Claim by any Person that is pending or, to the Knowledge of the Company, threatened against the Company or any Company Subsidiary, or against any Person whose liability for any Environmental Claim the Company or any Company Subsidiary has retained or assumed either contractually or by operation of law, except as would not cause a Material Adverse Effect.

(c) There are no past or present actions, activities, circumstances, conditions, events or incidents, including the release, emission, discharge, presence or disposal of any Materials of Environmental Concern, that could form the basis of any Environmental Claim against the Company or any Company Subsidiary or against any Person whose liability for any Environmental Claim the Company or any Company Subsidiary has retained or assumed either contractually or by operation of law, except as would not cause a Material Adverse Effect.

(d) Except in accordance with applicable Environmental Laws and as would not cause a Material Adverse Effect, and so as not to give rise to an Environmental Claim (i) Materials of Environmental Concern have not been generated, used, treated or stored on, transported to or from, or released on, at or from, any past or present facilities, properties or operations of the Company or any Company Subsidiary and (ii) Materials of Environmental Concern have not been disposed of on any past or present facilities, properties or operations of the Company or any Company Subsidiary.

(e) The Company has provided to Optionee a copy of each assessment, report, datum, result of investigations or audit, that is in the possession of the Company or any Company Subsidiary regarding environmental matters pertaining to the compliance (or noncompliance) by the Company or any Company Subsidiary with any Environmental Laws.

Section 5.14 Contracts and Commitments. (a) Except as set forth in the Disclosure Schedule:

(i) Neither the Company nor any Company Subsidiary has any agreement, contract or commitment that provides for the payment to or by the Company in an aggregate amount in excess of $250,000 during a twelve-month period (each, a "Material Vendor Contract").

(ii) Neither the Company nor any Company Subsidiary has any loan agreement or asset funding agreement pursuant to which it receives credit or funding from a third party (each, a "Credit Facility").

(iii) Neither the Company nor any Company Subsidiary is a party to a servicing agreement, subservicing agreement, sale and servicing agreement, pooling and servicing agreement or similar agreement pursuant to which the Company or any Company Subsidiary services mortgage loans or REO Property for third parties.

(iv) Other than Material Vendor Contracts, there exist no purchase or sales contracts, or commitments or proposals of the Company or any Company Subsidiary.

(v) Other than the Key Employee Contracts, neither the Company nor any Company Subsidiary has any outstanding contracts with directors, officers, employees, agents, consultants, advisors, salesmen, sales representatives, distributors or dealers that are not cancelable by it on notice of not longer than 90 days and without liability, penalty or premium.

(vi) Other than the Key Employee Contracts, neither the Company nor any Company Subsidiary is a party to or bound by any employment agreement or any other agreement that contains any severance or termination pay liabilities or obligations.

(vii) Other than pursuant to the Key Employee Contracts, neither the Company nor any Company Subsidiary has any employee to whom it is paying compensation at the annual rate of more than $250,000 for services rendered.

(viii) Neither the Company nor any Company Subsidiary is restricted by agreement from carrying on its business anywhere in the world.

(ix) Neither the Company nor any Company Subsidiary has outstanding any agreement to acquire any debt obligations of others, other than acquisitions of delinquent and defaulted receivables in the ordinary course of business.

(x) Neither the Company nor any Company Subsidiary has any outstanding loan to any Person, it being understood that obligations to reimburse employees for

reasonable travel, entertainment or similar expenses incurred in the ordinary course of business shall not be deemed loans for such purposes.

(xi) Except as in the ordinary course of business, neither the Company nor any Company Subsidiary has any power of attorney outstanding or any obligations or liabilities (whether absolute, accrued, contingent or otherwise), as guarantor, surety, co signer, endorser, co maker, indemnitor or otherwise in respect of the obligation of any Person, corporation, partnership, joint venture, association, organization or other entity.

(xii) Other than as provided in clauses (i)–(xi) above, neither the Company nor any Company Subsidiary has any agreement, contract or commitment the termination of which would result in a Material Adverse Effect or that otherwise is material to its business, operations or prospects.

(b) Each contract, agreement, arrangement and commitment set forth on Schedule 5.14 of the Disclosure Schedule, and each Lease, shall constitute a "Material Contract." Neither the Company nor any Company Subsidiary is in material default under or in violation of any Material Contract, nor, to the Knowledge of the Company, is there any valid basis for any claim of material default under or violation of any Material Contract.

Section 5.15 Litigation. Except for the Specified Disputes, there is no action, suit, inquiry, proceeding or investigation by or before any court or governmental or other regulatory or administrative agency or commission pending or, to the Knowledge of the Company, threatened against or involving the Company or any Company Subsidiary that could reasonably be expected to result in a loss to the Company or any Company Subsidiary in excess of $50,000 (excluding any legal fees and expenses relating thereto that have been or may be incurred by the Company or a Company Subsidiary), or which questions or challenges the validity of this Agreement or any action taken or to be taken by the Company or any Company Subsidiary pursuant to this Agreement or in connection with the Transactions. Neither the Company nor any Company Subsidiary is subject to any judgment, order or decree which may have a material adverse effect on its business practices or on its ability to acquire any property or conduct its business.

Section 5.16 Compliance with Laws; Consent Orders. The Company and the Company Subsidiaries are in compliance in all material respects with each Consent Order, with all laws, rules and regulations, ordinances, judgments, decrees, orders, writs and injunctions of all Governmental Entities that affect the business, properties or assets of the Company or any Company Subsidiary, and no notice, charge, claim, action or assertion has been received by the Company or any Company Subsidiary or has been filed, commenced or, to the Knowledge of the Company, threatened against the Company or any Company Subsidiary alleging any material violation of any of the foregoing, that, if determined adversely to the Company or any Company Subsidiary, could reasonably be expected to have a material adverse effect on its business practices or on its ability to acquire any property or conduct its business. The Company and each Company Subsidiary have in place policies and procedures to enable them to comply with the material terms of each Consent Order; to the Knowledge of the Company, no events have occurred that would preclude the Company and the Company Subsidiaries from being able to comply with the material terms of each Consent Order.

Section 5.17 Permits. The Company and the Company Subsidiaries hold all Company Permits, and no Company Permit is subject to any pending proceeding seeking revocation or forfeiture. The Company and the Company Subsidiaries are in compliance in all material respects with the terms of the Company Permits.

Section 5.18 Employee Benefit Plans.

(a) The Disclosure Schedule contains a true and complete list of all Plans maintained by the Company and any ERISA Affiliate. Neither the Company nor any ERISA Affiliate has any commitment or formal plan, whether legally binding or not, to create any additional employee benefit plan or modify or change any existing Plan that would affect any employee or former employee of the Company or any Company Subsidiary. Neither the Company nor any ERISA Affiliate has ever maintained any Title IV Plans. Neither the Company nor any ERISA Affiliate is an employer under a Multiemployer Plan.

(b) Neither the Company or any Company Subsidiary, any Plan, any trust created thereunder, nor, the Knowledge of the Company, any trustee or administrator thereof has engaged in a transaction in connection with which the Company or any Company Subsidiary, any Plan, any such trust, or any trustee or administrator thereof, or any party dealing with any Plan or any such trust could be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975 or 4976 of the Code.

(c) Each Plan has been operated and administered in all material respects in accordance with its terms and applicable law, including but not limited to ERISA and the Code.

(d) Each Plan intended to be "qualified" within the meaning of Section 401(a) of the Code is the subject of a favorable determination letter from the Internal Revenue Service, and nothing has occurred since the date of such letter which resulted or is likely to result in the revocation of such determination, and the trusts maintained thereunder are exempt from taxation under Section 501(a) of the Code. Each Plan intended to satisfy the requirements of Section 501(c)(9) has satisfied such requirements.

(e) The consummation of the Transactions will not, either alone or in combination with another event, (i) except as provided in any Key Employee Contract and set forth on Schedule 5.18 of the Disclosure Schedule, entitle any current or former employee, director or officer of the Company or any ERISA Affiliate to severance pay, unemployment compensation or any other payment, except as expressly provided in this Agreement, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee, director or officer.

(f) Except for routine claims for benefits, there are no pending, anticipated or, to the Knowledge of the Company, threatened claims by or on behalf of any Plan, by any employee or beneficiary covered under any such Plan, or otherwise involving any such Plan.

(g) No amounts payable under the Plans will fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code.

Section 5.19 Tax Matters.

(a) (i) The Company, each Company Subsidiary, and each Company Group has timely filed or caused to be timely filed, and with respect to Tax Returns due between the date of this Agreement and the Closing Date will timely file (taking into account any applicable extensions), all material Tax Returns required to be filed by the Code or by applicable state, local or foreign Tax laws, (ii) all such Tax Returns are, or in the case of such Tax Returns not yet filed, will be, true, complete and correct in all material respects, and (iii) all Taxes shown on such Tax Returns or otherwise owed have been timely paid, or in the case of Taxes due between the date of this Agreement and the Closing Date, will be timely paid.

(b) The most recent audited financial statements for the Company reflect an adequate reserve for all Taxes payable by the Company and each Company Subsidiary for all taxable periods and portions thereof through the date of such financial statements, and, in the case of Taxes owed as of the date hereof, an adequate reserve is (and until the Closing Date will continue to be) reflected in the accruals for Taxes payable on the June 30, 2005 balance sheet, in each case in addition to any accruals established to reflect timing differences and any accruals reflected only in the notes thereto.

(c) There are no liens for Taxes upon the Company's assets except liens for current Taxes not yet due and payable and immaterial liens.

(d) Neither the Company nor any of its Subsidiaries is a "United States real property holding corporation" within the meaning of Section 897(c)(2) of the Code, and none of the Optionors is a "foreign person" within the meaning of Section 1445 of the Code.

(e) Except as set forth on Schedule 5.19(e) of the Disclosure Schedule, (i) no Tax Return of the Company, any Company Subsidiary or any Company Group is under audit or examination by the Internal Revenue Service, (ii) no material Tax Return of the Company, any Company Subsidiary or any Company Group is under audit or examination by any other Taxing Authority, and (iii) no notice of such an audit or examination has been received by the Company or any Company Subsidiary.

(f) Each deficiency resulting from any audit or examination relating to Taxes by any Taxing Authority has been timely paid. No issues relating to Taxes were raised by the relevant Taxing Authority in any completed audit or examination that can reasonably be expected to recur in a later taxable period. The relevant statute of limitations is closed with respect to the Federal, foreign and material state and local Tax Returns of the Company, each Company Subsidiary and each Company Group for all years through June 30, 2000.

(g) Other than this Agreement, none of the Company, any Company Subsidiary or any Company Group is a party to or is bound by any Tax sharing agreement, Tax indemnity obligation or similar agreement, arrangement or practice with respect to Taxes (including, without limitation, any advance pricing agreement, closing agreement or other agreement relating to Taxes with any Taxing Authority).

(h) Neither the Company nor any Company Subsidiary will be required to include in a taxable period ending after the Closing Date any taxable income attributable to income that

accrued, but was not recognized, in a Pre-Closing Tax Period, as a result of an adjustment under Section 481 of the Code, the installment method of accounting, the long-term contract method of accounting, the cash method of accounting, any comparable provision of state, local, or foreign Tax law, or for any other reason.

(i) No consent under Section 341 of the Code has been made with respect to the Company or any Company Subsidiary, or any property held by the Company or any Company Subsidiary, (ii) no property of the Company or any Company Subsidiary is "tax exempt use property" within the meaning of Section 168(h) of the Code, and (iii) none of the assets of the Company or any Company Subsidiary is subject to a lease under Section 7701(h) of the Code or under any predecessor section thereof.

(j) Except as set forth on Schedule 5.19(j) of the Disclosure Schedule, there are no outstanding agreements or waivers extending, or having the effect of extending, the statutory period of limitation applicable to any Tax Returns required to be filed with respect to the Company, any Company Subsidiary or any Company Group and none of the Company, any Company Subsidiary or any Company Group has requested any extension of time within which to file any Tax Return, which return has not yet been filed.

(k) Except as set forth on Schedule 5.19(k) of the Disclosure Schedule, the Company and each Company Subsidiary have complied in all respects with all applicable laws relating to the payment and withholding of Taxes (including withholding of Taxes pursuant to Sections 1441, 1442, 3121 and 3402 of the Code or any comparable provision of any state, local or foreign laws) and have, within the time and in the manner prescribed by applicable law, withheld from and paid over to the proper Taxing Authorities all amounts required to be so withheld and paid over under such laws.

(l) The Company has made available to the Optionee for inspection (i) complete and correct copies of all material Tax Returns of the Company, each Company Subsidiary and each Company Group (but, in the case of any Company Group, only the portions of such Tax Returns relating to the Company or any Company Subsidiary) relating to Taxes for all taxable periods for which the applicable statute of limitations has not yet expired and (ii) complete and correct copies of all private letter rulings, revenue agent reports, information document requests, notices of proposed deficiencies, deficiency notices, protests, petitions, closing agreements, settlement agreements, pending ruling requests, and any similar documents, submitted by, received by or agreed to by or on behalf of the Company or any Company Subsidiary, or, to the extent related to the income, business, assets, operations, activities or status of the Company or any Company Subsidiary, submitted by, received by or agreed to by or on behalf of any Company Group, and relating to Taxes for all taxable periods for which the statute of limitations has not yet expired.

(m) Neither the Company nor any Company Subsidiary has been a party to any distribution occurring during the last three (3) years that was treated by the parties as a tax-free distribution under Section 355 of the Code.

(n) Neither the Company nor any Company Subsidiary is a party to any "listed transaction" as defined in Treasury Regulation Section 1.6011-4(b)(2).

(o) The Disclosure Schedule sets forth each state, county, local, municipal or foreign jurisdiction in which the Company or any Company Subsidiary files a Tax Return relating to state and local income, franchise, license, excise, net worth, property or sales and use taxes.

(p) Neither the Company nor any Company Subsidiary has ever (i) made an election under Section 1362 of the Code to be treated as an S corporation for Federal Income Tax purposes or (ii) made any similar election under any comparable provision of any state, local or foreign tax law.

(q) The Company and each Company Subsidiary have properly and in a timely manner documented their transfer pricing methodology in compliance with Section 482 (and any related sections) of the Code, the Treasury regulations promulgated thereunder and any comparable provisions of state, local, domestic or foreign tax law.

Section 5.20 Intellectual Property.

(a) The Disclosure Schedule sets forth a true and complete list (including expiration dates) of all patents and patent applications, trademark registrations and applications, service mark registrations and applications, Computer Software, Copyright registrations and applications, material unregistered trademarks, service marks, and Copyrights, and Internet domain names, together with all licenses related to the foregoing, whether the Company or any Company Subsidiary is the licensee or licensor thereunder, that are used in and are material to the business of the Company or any Company Subsidiary.

(b) The Company or the Company Subsidiaries have title to, or hold valid licensees to, all Company Intellectual Property, free and clear of all Encumbrances (other than restrictions on assignment or transfer).

(c) All registrations and applications for Intellectual Property that are owned by the Company or any Company Subsidiary and that are used in and are material to the conduct of the businesses of the Company or the Company Subsidiaries as currently conducted are, (i) to the Knowledge of the Company, valid and enforceable, (ii) subsisting, in proper form and have been duly maintained, including the submission of all necessary filings and fees in accordance with the legal and administrative requirements of the appropriate jurisdictions, and (iii) have not lapsed, expired or been abandoned, and no patent, registration or application therefore is the subject of any opposition, interference, cancellation proceeding or other legal or governmental proceeding before any Governmental Entity in any jurisdiction.

(d) With respect to the Intellectual Property used in and material to the business of the Company or any Company Subsidiary as conducted on the Exercise Date: (i) the Company and each such Company Subsidiary owns and possesses all right, title and interest in and to, or has taken commercially reasonable steps to ensure that it has a valid and enforceable license to use, such Intellectual Property; (ii) no claim by any third party contesting the validity, enforceability, use or ownership of any of the Intellectual Property has been made or, to the Knowledge of the Company, is threatened; (iii) neither the Company nor any such Company Subsidiary has received any notices of any infringement or misappropriation by any third party with respect to the Intellectual Property; (iv) to the Knowledge of the Company, none of the

Company or any Company Subsidiary has infringed, misappropriated or otherwise conflicted with any proprietary rights of any third parties; and (v) all such Intellectual Property will be owned or available for use by any of the Company and the Company Subsidiaries immediately after the Closing.

(e) The Computer Software used in and material to the business of the Company or any Company Subsidiary was either: (i) developed by employees of the Company or such Company Subsidiary within the scope of their employment or (ii) developed on behalf of the Company or any Company Subsidiary by a third party, and all ownership rights therein have been assigned or otherwise transferred to or vested in the Company or such Company Subsidiary, as the case may be, pursuant to written agreements or the Company or such Company Subsidiary has taken commercially reasonable steps to ensure that it has licensed or acquired from a third party pursuant to a written license, assignment, or other contract that is in full force and effect and of which neither the Company nor any Company Subsidiary (as applicable) is in material breach.

(f) Neither the Company nor any Company Subsidiary is, nor will it be as a result of the execution and delivery of this Agreement or the performance of its obligations under this Agreement, in breach of any material license, sublicense or other agreement relating to the Company Intellectual Property.

Section 5.21 Labor Matters.

(a) There is no labor strike, dispute, corporate campaign, slowdown, stoppage or lockout actually pending, or to the Knowledge of the Company, threatened against or affecting the Company or any Company Subsidiary and during the past five years there has not been any such action. To the Knowledge of the Company, no representation question exists respecting the employees of the Company or any Company Subsidiary.

(b) None of the employees of the Company or any Company Subsidiary is represented by any labor organization and, to the Knowledge of the Company, there have been no union organizing activities among the employees of the Company or any Company Subsidiary within the past five years, nor does any question concerning representation exist concerning such employees.

(c) (i) Each of the Company and each of the Company Subsidiaries is and has been in compliance in all material respects with all applicable laws respecting employment and employment practices, terms and conditions of employment, wages and hours, immigration, the payment of social security and similar taxes, occupational safety and health and plant closing, and is not and has not engaged in any unfair labor practice that could reasonably be expected to result in a loss to the Company or any Company Subsidiary in excess of $250,000; (ii) no unfair labor practice complaint against the Company or any of the Company Subsidiaries is pending before the National Labor Relations Board; (iii) no employee grievance exists which could reasonably be expected to have a Material Adverse Effect; (iv) no arbitration proceeding arising out of or under any collective bargaining agreement is pending and no claim therefor has been asserted; and (v) no collective bargaining agreement is currently being negotiated by the Company or any of the Company Subsidiaries.

(d) To the Knowledge of the Company, no charge with respect to or relating to the Company or any Company Subsidiary is pending before the Equal Employment Opportunity Commission or any other agency responsible for the prevention of unlawful employment practices.

Section 5.22 Personnel. The Disclosure Schedule sets forth a true and complete list of (i) the names and current salaries of all directors and elected and appointed officers of each of the Company and the Company Subsidiaries; (ii) the names and wage rates for non-salaried and non-executive salaried employees of each of the Company and the Company Subsidiaries by classification and (iii) all group insurance programs in effect for employees of each of the Company and the Company Subsidiaries. Neither the Company nor any Company Subsidiary is in default with respect to any of the obligations referred to in the preceding sentence. Except as set forth on Schedule 5.22 of the Disclosure Schedule, to the Knowledge of the Company, no Key Employee or group of employees responsible for a business segment of the Company or any Company Subsidiary has provided written notification to the Company or any Company Subsidiary of an intention to terminate employment with the Company or any Company Subsidiary as a result of the Transactions.

Section 5.23 Potential Conflict of Interest. No Key Employee (a) owns or holds, directly or indirectly, in whole or in part, any Company Intellectual Property, (b) has any material claim, charge, action or cause of action against the Company or any Company Subsidiary, except for claims for compensation, reasonable unreimbursed travel or entertainment expenses, accrued vacation pay or accrued benefits under any employee benefit plan existing on the date hereof, (c) has made, on behalf of the Company or any Company Subsidiary, any material payment or commitment to pay any material commission, fee or other amount to, or to purchase or obtain or otherwise contract to purchase or obtain any goods or services from, any other Person of which any Key Employee (or, to the Knowledge of the Company, a relative of any Key Employee) is a partner or shareholder (except holdings solely for passive investment purposes of securities of publicly held and traded entities constituting less than 5% of the equity of any such entity), (d) owes any money to the Company or any Company Subsidiary or (e) has any material interest in any property, real or personal, tangible or intangible, used in or pertaining to the business of the Company or any Company Subsidiary.

Section 5.24 Propriety of Past Payments. (a) No unrecorded fund of the Company or any Company Subsidiary has been established for any purpose, (b) no accumulation or use of corporate funds of the Company or any Company Subsidiary has been made without being properly accounted for in the books and records of the Company or such Company Subsidiary, (c) no payment has been made by or on behalf of the Company or any Company Subsidiary with the understanding that any part of such payment is to be used for any purpose other than that described in the documents supporting such payment and (d) none of the Company, any Company Subsidiary, any director, officer, employee or agent of the Company or any Company Subsidiary or any other Person associated with or acting for or on behalf of the Company or any Company Subsidiary has, directly or indirectly, made any contribution, gift, bribe, rebate, payoff, influence payment, kickback or other payment to any Person, private or public, regardless of form, whether in money, property or services that is illegal, (i) to obtain favorable treatment for the Company, any Company Subsidiary or any Affiliate of the Company in securing business, (ii) to pay for favorable treatment for business secured for the Company, any Company

Subsidiary or any Affiliate of the Company, (iii) to obtain special concessions, or for special concessions already obtained, for or in respect of the Company or any Company Subsidiary. To the Knowledge of the Company, neither the Company nor any Company Subsidiary nor any current director, officer or employee of the Company or any Company Subsidiary nor any other Person acting on behalf of the Company or any Company Subsidiary, has accepted or received any unlawful contribution, payment, gift, kickback, expenditure or other item of value in connection with the business of the Company or any Company Subsidiary.

Section 5.25 Brokers or Finders. No agent, broker, investment banker, financial advisor or other firm or Person is or will be entitled to any brokers' or finder's fee or any other commission or similar fee in connection with any of the Transactions as a result of any action taken by the Company.

Section 5.26 Consumer Complaints. The Company and the Company Subsidiaries have no open consumer complaints that have not been responded to within the time limitations set forth in the Real Estate Settlement Procedures Act of 1974, as amended.

Section 5.27 Insurance. Schedule 5.27 of the Disclosure Schedule sets forth a true and complete list of all insurance policies, other insurance arrangements and other contracts or arrangements for the transfer or sharing of insurance risks by the Company or any Company Subsidiary in force on the date hereof with respect to the business or assets of the Company or any Company Subsidiary. All such policies are in full force and effect, all premiums due thereon have been paid by the Company and the Company Subsidiary (as applicable) and the Company and each Company Subsidiary is otherwise in compliance in all material respects with the terms and provisions of such policies (other than the policies set forth on Schedule 5.27 of the Disclosure Schedules which will terminate at the Closing as a result of the sale of the Option Shares to the Optionee). Furthermore, (a) neither the Company nor any Company Subsidiary has received any written notice of cancellation or non-renewal of any such policy or arrangement nor, to the Company's knowledge, is the termination of any such policies or arrangements threatened (except that certain policies will terminate at the Closing as a result of the sale of the Option Shares to the Optionee), (b) there is no material claim of the Company or any Company Subsidiary pending under any of such policies or arrangements as to which the Company or any Company Subsidiary has received written notice from any of its insurance carriers stating that such insurance carrier is denying liability of such claim or defending such claim under a reservation of rights clause, (c) neither the Company nor any Company Subsidiary has received any written notice from any of its insurance carriers that any insurance premiums will be increased materially in the future or that any insurance coverage presently provided for will not be available to the Company or any Company Subsidiary in the future, and (d) neither the Company nor any Company Subsidiary has knowingly made any material misstatement, omission or misrepresentation for the purpose of obtaining any such policy or arrangement that is reasonably likely to result in a loss of coverage under such policy or arrangement. Except as set forth on Schedule 5.27 of the Disclosure Schedule, no such policy or arrangement will terminate at the Closing as a result of the sale of the Option Shares to the Optionee and, to the Knowledge of the Company, no event has occurred that is reasonably likely to result in any claims by the Company's directors or officers under the Company's D&O Insurance.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF OPTIONEE

Optionee represents and warrants to each Optionor and the Company that:

Section 6.1 Organization. Optionee is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has all requisite corporate or other power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be in good standing or to have such power, authority, and governmental approvals would not adversely effect Optionee's ability to consummate the Transactions.

Section 6.2 Authorization; Validity of Agreement. Optionee has full corporate power and authority to execute and deliver this Agreement and the Contingent Payment Agreement and to consummate the Transactions. The execution, delivery and performance by Optionee of this Agreement and the Contingent Payment Agreement and the consummation of the Transactions have been duly authorized by the board of directors of Optionee, and no other corporate action on the part of Optionee is necessary to authorize the execution and delivery by Optionee of this Agreement or the Contingent Payment Agreement or the consummation of the Transactions. No vote of, or consent by, the holders of any class or series of stock or Voting Debt issued by Optionee is necessary to authorize the execution and delivery by Optionee of this Agreement or the Contingent Payment Agreement or the consummation by it of the Transactions. Each of this Agreement and the Contingent Payment Agreement has been duly executed and delivered by Optionee, and, assuming due and valid authorization, execution and delivery hereof and thereof by each other party thereto, is a valid and binding obligation of Optionee, enforceable against Optionee in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of specific performance or injunctive or other forms of equitable relief may be subject to equitable defenses and would be subject to the discretion of the court before which any proceeding therefor may be brought.

Section 6.3 Consents and Approvals; No Violations. Except for the filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of the HSR Act and state securities or blue sky laws, none of the execution, delivery or performance of this Agreement and the Contingent Payment Agreement by Optionee, the consummation by Optionee of the Transactions or compliance by Optionee with any of the provisions hereof and thereof will (i) conflict with or result in any breach of any provision of the certificate of incorporation or by-laws of Optionee, (ii) require the Optionee to make any filing with, or obtain any permit, authorization, consent or approval of, any Governmental Entity, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Optionee or any of its Subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound, or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable

to Optionee, any of its Subsidiaries or any of their properties or assets, excluding from the foregoing clauses (ii), (iii) and (iv) such violations, breaches or defaults which would not, individually or in the aggregate, impair in any material respect Optionee's ability to consummate the Transactions or which arise from the regulatory status of the Company or the Company Subsidiaries.

Section 6.4 Investment Representation. Optionee is acquiring the Option Shares for investment for its own account, not as a nominee or agent, and not with a view to, or for resale in connection with, any distribution thereof in violation of the Securities Act.

Section 6.5 Sufficient Funds. Optionee has available, or has made valid and effective arrangements to obtain (through existing credit arrangements or otherwise), sufficient funds to acquire all of the Option Shares to be purchased pursuant hereto and to pay all fees and expenses incurred by it related to the Transactions.

Section 6.6 Brokers or Finders. Neither Optionee nor any of its Subsidiaries or its Affiliates has entered into any agreement or arrangement entitling any agent, broker, investment banker, financial advisor or other firm or Person to any broker's or finder's fee or any other commission or similar fee in connection with any of the Transactions.

ARTICLE VII

COVENANTS

Section 7.1 Interim Operations of the Company. The Company covenants and agrees that, after the date hereof and prior to the Closing Date, except (i) as expressly provided in this Agreement, (ii) as set forth in the Disclosure Schedule, or (iii) as may be agreed in writing by Optionee:

(a) the business of the Company and the Company Subsidiaries shall be conducted substantially in the same manner as heretofore conducted and in the ordinary course, and the Company and the Company Subsidiaries shall use commercially reasonable efforts to preserve the business organization of the Company and the Company Subsidiaries intact, keep available the services of the current officers and employees of the Company and the Company Subsidiaries and maintain the existing relations with franchisees, customers, suppliers, creditors, business partners and others having business dealings with the Company or the Company Subsidiaries;

(b) the Company and the Company Subsidiaries shall timely respond to all customer complaints as required by any applicable law or Governmental Entity;

(c) neither the Company nor any Company Subsidiary shall: (i) amend its certificate of incorporation or by-laws or similar organizational documents, (ii) issue, sell, transfer, pledge, dispose of or encumber any shares of any class or series of its capital stock or Voting Debt, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of any class or series of its capital stock or any Voting Debt, other than the shares of Common Stock reserved for issuance on the date hereof pursuant to the exercise of Company Options outstanding on the date hereof,

(iii) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to any shares of any class or series of its capital stock; (iv) split, combine or reclassify any shares of any class or series of its stock; or (v) redeem, purchase or otherwise acquire directly or indirectly any shares of any class or series of its capital stock, or any instrument or security which consists of or includes a right to acquire such shares (other than the redemption, purchase or other acquisition by the Company or any Company Subsidiary of shares of Common Stock or Company Options not currently owned by an Optionor);

(d) neither the Company nor any Company Subsidiary shall organize any new Subsidiary or acquire any capital stock or other equity securities, or equity or ownership interest in the business, of any other Person;

(e) neither the Company nor any Company Subsidiary shall modify, amend or terminate any of its Material Contracts or waive, release or assign any material rights or claims, except in the ordinary course of business and consistent with past practice;

(f) neither the Company nor any Company Subsidiary shall terminate or permit to lapse any material Company Permit;

(g) neither the Company nor any of the Company Subsidiaries shall: (i) incur or assume any long term Indebtedness, or except in the ordinary course of business, incur or assume short term Indebtedness exceeding $250,000 in the aggregate from the date hereof until the Closing; (ii) pay, repay, discharge, purchase, repurchase or satisfy any Indebtedness (other than the Promissory Notes) issued or guaranteed by the Company or any Company Subsidiary, except as required by the terms thereof; (iii) modify the terms of any Indebtedness or other liability, other than modifications of short term debt in the ordinary and usual course of business and consistent with past practice; (iv) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person, except in the ordinary course of business and consistent with past practice; (v) make any loans, advances or capital contributions to, or investments in, any other Person (other than to or in wholly owned Subsidiaries of the Company existing on the date hereof); (vi) write down the value of any MSRs or write off as uncollectible any notes or accounts receivable other than as required or permitted by GAAP; (vii) dispose of or permit to lapse any rights to any material Intellectual Property or (viii) change any of the banking or safe deposit arrangements described or referred to in the Disclosure Schedule in any adverse manner;

(h) neither the Company nor any Company Subsidiary shall lease, license, mortgage, pledge or encumber any assets other than in the ordinary course of business and consistent with the past practice or purchase, transfer, sell or dispose of any assets other than in the ordinary course of business and consistent with past practice or dispose of or permit to lapse any rights to any material Intellectual Property other than in the ordinary course of business and consistent with past practice;

(i) neither the Company nor any Company Subsidiary shall (i) fire any Key Employee other than for cause or (ii) hire any Person performing functions similar to or compensated at the same level as a Key Employee; provided, however, that the Company and any Company Subsidiary may hire a Person that replaces a Key Employee who resigns after the

date hereof if the Company has consulted with the Optionee in good faith prior to hiring such Person (it being agreed that neither the Company nor any Company Subsidiary shall have any obligation to follow or adopt any recommendation made by the Optionee in respect of hiring such Person);

(j) neither the Company nor any Company Subsidiary shall make any change in the compensation payable or to become payable to any of its officers, directors, employees, agents or consultants (other than normal recurring increases in the ordinary course of business) or to Persons providing management services, or enter into or amend any employment, severance, consulting, termination or other agreement with, or employee benefit plan for, any of its officers, directors, employees, Affiliates, agents or consultants or make any change in its existing borrowing or lending arrangements for or on behalf of any of such Persons pursuant to an employee benefit plan or otherwise;

(k) neither the Company nor any Company Subsidiary shall (i) pay or make any accrual or arrangement for payment of any pension, retirement allowance or other employee benefit pursuant to any existing plan, agreement or arrangement to any officer, director, employee or Affiliate or pay or agree to pay or make any accrual or arrangement for payment to any officer, director, employee or Affiliate of any amount relating to unused vacation days, except to the extent the Company or a Company Subsidiary is legally or contractually obligated to do so or such action is required under a current policy of the Company or a Company Subsidiary, (ii) adopt or pay, grant, issue, accelerate or accrue salary or other payments or benefits pursuant to any pension, profit-sharing, bonus, extra compensation, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other employee benefit plan, agreement or arrangement, or any employment or consulting agreement with or for the benefit of any director, officer, employee, agent or consultant, whether past or present, except to the extent the Company or a Company Subsidiary is legally or contractually obligated to do so or such action is required under a current policy of the Company or a Company Subsidiary, or (iii) amend in any material respect any such existing plan, agreement or arrangement in a manner inconsistent with the foregoing;

(l) neither the Company nor any Company Subsidiary shall permit any insurance policy naming it as a beneficiary or a loss payable payee to be cancelled or terminated without notice to Optionee, except (i) policies providing coverage for losses not in excess of $250,000 which are replaced without diminution of or gaps in coverage and (ii) policies that terminate at the Closing as a result of the sale of the Option Shares to the Optionee;

(m) neither the Company nor any of the Company Subsidiaries shall enter into any contract or transaction relating to the purchase of assets other than in the ordinary course of business and consistent with past practice;

(n) other than the Promissory Notes, which shall be paid in full by the Servicer at or prior to the Closing, neither the Company nor any Company Subsidiary shall pay, repurchase, discharge or satisfy any of its claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice, of claims, liabilities or obligations

reflected or reserved against in, or contemplated by, the Financial Statements or incurred since the Balance Sheet date in the ordinary course of business;

(o) neither the Company nor any of the Company Subsidiaries shall adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any Company Subsidiary;

(p) neither the Company nor any Company Subsidiary shall (i) change any of the accounting methods used by it unless required by GAAP or (ii) make any election relating to Taxes, change any election relating to Taxes already made, adopt any accounting method relating to Taxes, change any accounting method relating to Taxes unless required by GAAP, enter into any closing agreement relating to Taxes, settle any claim or assessment relating to Taxes or consent to any claim or assessment relating to Taxes or any waiver of the statute of limitations for any such claim or assessment;

(q) neither the Company nor any of the Company Subsidiaries shall take, or agree to or commit to take, any action that would or is reasonably likely to result in any of the conditions to the Closing set forth in Article IX not being satisfied, or would make any representation or warranty of the Company contained herein inaccurate in any material respect at, or as of any time prior to, the Closing Date, or that would materially impair the ability of the Company, Optionee or the Optionors to consummate the Closing in accordance with the terms hereof or materially delay such consummation; and

(r) neither the Company nor any of the Company Subsidiaries shall enter into any agreement, contract, commitment or arrangement to do any of the foregoing, or authorize, recommend, propose or announce an intention to do, any of the foregoing.

Section 7.2 Access; Confidentiality. (a) Between the date of this Agreement and the Closing, the Company shall (i) afford Optionee and its authorized representatives full and complete access during normal working hours to all books, records, offices and other facilities of the Company and each Company Subsidiary, including employees, (ii) permit Optionee to make such inspections and to make copies of such books and records as it may reasonably require and (iii) furnish Optionee with such financial and operating data and other information as Optionee may from time to time reasonably request. Optionee and its authorized representatives shall conduct all such inspections in a manner that will minimize disruptions to the business and operations of the Company and the Company Subsidiaries.

(b) Optionee and its authorized representatives (including its designated engineers or consultants) may at any time during normal business hours, upon reasonable advance notice, enter into and upon all or any portion of the Company's or any Company Subsidiary's properties (including all Real Property and all real estate which is the subject of a Lease) in order to investigate and assess, as Optionee deems necessary or appropriate in its sole and absolute discretion, the environmental condition of such properties or the business conducted thereat. The Company shall, and shall cause the Company Subsidiaries to, cooperate with Optionee and its authorized representatives in conducting such investigation, shall allow Optionee and its authorized representatives full access during normal business hours, upon reasonable advance notice, to their properties and businesses, together with full permission to conduct such

investigation, and shall provide to Optionee and its authorized representatives all plans, soil or surface or ground water tests or reports, any environmental investigation results, reports or assessments previously or contemporaneously conducted or prepared by or on behalf of, or in the possession of or reasonably available to the Company or any Company Subsidiary or any of their engineers, consultants or agents and all other information relating to environmental matters in respect of their properties and businesses.

(c) Each party agrees that it will treat in confidence all documents, materials and other information which it shall have obtained regarding the other party during the course of the negotiations leading to the consummation of the transactions contemplated hereby (whether obtained before or after the date of this Agreement), the investigation provided for herein and the preparation of this Agreement and other related documents, and, if the transactions contemplated hereby are not consummated, each party will return to the other party all copies of nonpublic documents and materials which have been furnished in connection therewith; provided, however, that the Optionors shall not be required to return any documents or materials to the Company if the transactions contemplated hereby are not consummated. Such documents, materials and information shall not be communicated to any third Person (other than, in the case of the Optionee, the Company and the Optionors, their respective counsel, accountants, financial advisors or lenders). No party shall use any confidential information in any manner whatsoever except solely for the purpose of evaluating the proposed purchase and sale of the Option Shares and consummating the Transactions; provided, however, that after the Closing, Optionee may use or disclose any confidential information reasonably related to the business of the Company or the Company Subsidiaries. The obligation of each party to treat such documents, materials and other information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the other party not in breach of an obligation of confidentiality, (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents, or (iii) is required to be disclosed under applicable law or judicial process, but only to the extent it must be disclosed.

Section 7.3 Efforts and Actions to Cause Closing to Occur. (a) Following the Exercise Date and until the Closing, upon the terms and subject to the conditions of this Agreement, Optionee and the Company shall use their respective commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done and cooperate with each other party hereto in order to do, all things necessary, proper or advisable (subject to any applicable laws) to consummate the Closing and the other Transactions as promptly as practicable including, but not limited to, the preparation and filing of all forms, registrations and notices required to be filed to consummate the Closing and the other Transactions and the taking of such actions as are necessary to obtain any requisite approvals, authorizations, consents, orders, licenses, permits, qualifications, exemptions or waivers by any third party or Governmental Entity. In addition, no party hereto shall take any action after the Exercise Date that could reasonably be expected to materially delay the obtaining of, or result in not obtaining, any permission, approval or consent from any Governmental Entity or other Person required to be obtained prior to Closing. Following the Exercise Date and until the Closing, each Optionor shall use its commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done and cooperate with each other party hereto in order to do, all things necessary, proper or advisable (subject to any applicable laws) within such Optionor's control to

cause the satisfaction of the conditions to Closing (solely with respect to such Optionor) set forth in Sections 9.1(b), 9.2(c), 9.2(e), 9.2 (g) and 9.2(h).

(b) Following the Exercise Date and until the Closing, each party shall promptly consult with the other parties hereto with respect to, provide any necessary information with respect to, and provide the other parties (or their respective counsel) with copies of, all filings made by such party with any Governmental Entity or any other information supplied by such party to a Governmental Entity in connection with this Agreement and the Transactions. Each party hereto shall promptly provide the other parties with copies of any communication received by such party from any Governmental Entity regarding any of the Transactions. If any party hereto or Affiliate thereof receives a request for additional information or documentary material from any such Governmental Entity with respect to any of the Transactions, then such party shall endeavor in good faith to make, or cause to be made, as soon as reasonably practicable and after consultation with the other parties, an appropriate response in compliance with such request. To the extent that transfers, amendments or modifications of permits (including environmental permits) are required as a result of the execution of this Agreement or consummation of any of the Transactions, the Company shall use its commercially reasonable efforts to effect such transfers, amendments or modifications.

(c) The Company shall use its commercially reasonable efforts to obtain, prior to the Closing, (i) the unconditional consent to the Closing and the other Transactions of each lender to whom the Company or any Company Subsidiary owes in excess of $250,000 as of the Closing Date; (ii) the unconditional consent to the Closing and the other Transactions of each Person holding a mortgage or lien on real property or material personal property owned or leased by the Company or any Company Subsidiary; (iii) the unconditional consent to the Closing and the other Transactions of each lessor of real or material personal property leased by the Company; (iv) the unconditional consent to the Closing and the other Transactions of the issuer of each material insurance policy referred to in the Disclosure Schedule (other than the policies set forth on Schedule 5.27 of the Disclosure Schedules which terminate at the Closing as a result of the sale of the Option Shares to the Optionee) and (v) the unconditional consent to the Closing and the other Transactions of each other party to each material contract with the Company or any Company Subsidiary, in each case if required by the terms of such loan, mortgage, lease, insurance policy or contract, but only if and to the extent that the failure to obtain such consent would adversely affect the Company or any Company Subsidiary or the ability of the Company to consummate the Transactions. All such consents shall be in writing and executed counterparts thereof shall be delivered to Optionee at or prior to the Closing.

(d) In addition to and without limiting the agreements of the parties contained above, the Company, Optionee and the Optionors shall, following the Exercise Date:

(i) take promptly all actions necessary to make the filings required of them or any of their Affiliates under the HSR Act;

(ii) comply at the earliest practicable date with any request for additional information or documentary material received by the Company, Optionee, the Optionors or any of their Affiliates from the FTC or the DOJ pursuant to the HSR Act or from any state Attorney General or other Governmental Entity in connection with antitrust matters;

(iii) cooperate with each other in connection with any filing under the HSR Act and in connection with resolving any investigation or other inquiry concerning the Transactions commenced by the FTC, DOJ, any state Attorney General or any other Governmental Entity;

(iv) use all reasonable commercial efforts to resolve such objections, if any, as may be asserted with respect to the Transactions under any antitrust law; and

(v) advise the other parties promptly of any material communication received by such party from the FTC, DOJ, any state Attorney General or any other Governmental Entity regarding any of the Transactions, and of any understandings, undertakings or agreements (oral or written) such party proposes to make or enter into with the FTC, DOJ, any state Attorney General or any other Governmental Entity in connection with the Transactions.

Concurrently with the filing of notifications under the HSR Act or as soon thereafter as practicable, the Optionors and Optionee shall each request early termination of the HSR Act waiting period.

(e) Notwithstanding the foregoing or any other covenant herein contained, nothing in this Agreement shall be deemed to require any party hereto (i) to divest or hold separate any assets or agree to limit its future activities, method or place of doing business, (ii) to commence any litigation against any entity in order to facilitate the consummation of any of the Transactions or (iii) to defend against any litigation brought by any Governmental Entity seeking to prevent the consummation of, or impose limitations on, any of the Transactions.

(f) The Company and each Company Subsidiary shall take all action reasonably requested by Optionee, including the preparation for delivery at the Closing of all notes, financing documents, mortgages, loan agreements, pledges, filing statements contemplated by the Uniform Commercial Code and officer's certificates as Optionee may request for the purpose of consummating Optionee's financing of the Transactions.

Section 7.4 Notification of Certain Matters. (a) From time to time prior to the earlier of Closing or the termination of this Agreement, the Company shall supplement or amend the Disclosure Schedule with respect to any matter, whether existing as of the date hereof or arising thereafter, that was, or would have been, required to be set forth or described in the Disclosure Schedule. Each supplement to or amendment of the Disclosure Schedule (a "Disclosure Schedule Supplement") made after the execution hereof shall be effective and shall be deemed to modify the representations and warranties made pursuant to this Agreement, from and after the delivery to Optionees of such Disclosure Schedule Supplement. The Company and Optionee shall give notice to the other promptly (with a copy to each Optionor) after becoming aware of (i) the occurrence or non occurrence of any event whose occurrence or non occurrence would be likely to cause either (A) any representation or warranty set forth in this Agreement that is qualified as to materiality to be untrue or incorrect in any respect at any time from the date hereof to the Closing Date or any representation or warranty that is not so qualified to be untrue or incorrect in any material respect at any time from the date hereof to the Closing Date or (B) any condition set forth in Article IX to be unsatisfied at any time from the date hereof to the

Closing Date and (ii) any failure to perform in any material respect any obligation or to comply in any material respect with any agreement or covenant to be performed or complied with hereunder; provided, however, that (x) the delivery of any notice pursuant to this section shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice and (y) the failure to give such notice shall not be required from and after the time the party to whom such notice is to be given has actual knowledge of the information required to be included in such notice.

(b) The Company shall deliver to Optionee (with a copy to each Optionor) copies of (i) all audit reports, letter rulings, technical advice memoranda and similar documents issued by a Governmental Entity relating to the United States federal, state, local or foreign Taxes due from or with respect to the Company or any Company Subsidiary, (ii) any closing agreements entered into by the Company or any Company Subsidiary with any taxing authority, which come into the possession of the Company after the date hereof, (iii) any letter of revocation of a Company Permit, (iv) any complaints of material litigation filed by or against the Company or any Company Subsidiary, and (v) any agreements to terminate any Material Contracts.

Section 7.5 No Solicitation of Competing Transaction.

(a) Neither the Optionors, the Company nor any Company Subsidiary shall (and each of the Optionors, the Company and the Company Subsidiaries shall instruct its respective officers, directors, employees, representatives and agents, including investment bankers, attorneys and accountants, not to), directly or indirectly, encourage, solicit, initiate or participate in discussions or negotiations with, or provide any information to, any Person or group (other than Optionee, any of its Affiliates or representatives) concerning any Acquisition Proposal. None of the Optionors, the Company or any Company Subsidiary shall enter into any agreement with respect to any Acquisition Proposal. Upon execution of this Agreement, the Optionors and the Company shall immediately cease any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing, and the Optionors and the Company shall request (or if any of them has the contractual right to do so, demand) the return of all confidential documents, analyses, financial statements, projections, descriptions and other data previously furnished to others in connection with the Optionors' efforts to sell the Company. The Company or the Optionors shall immediately notify Optionee of the existence of any proposal or inquiry received by the Company, and the Company shall immediately communicate to Optionee the terms of any proposal or inquiry which it may receive (and shall immediately provide to Optionee copies of any written materials received by the Company in connection with such proposal, discussion, negotiation or inquiry) and the identity of the party making such proposal or inquiry.

(b) Neither the Company Board of Directors nor any committee thereof shall (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Optionee, the approval by such Company Board of Directors or any such committee of this Agreement, (ii) approve or recommend or propose to approve or recommend, any Acquisition Proposal or (iii) authorize the Company to enter into any agreement with respect to any Acquisition Proposal.

Section 7.6 Transfer of Optionors' Shares. The Company hereby waives any and all rights the Company may have under all agreements between the Company and one or more of the Optionors or otherwise to object to the transfer to Optionee of the Option Shares and hereby covenants not to consent, where it has the discretion to do so, to the transfer of any Option Shares to any Person other than Optionee.

Section 7.7 Waiver Pursuant to and Termination of Shareholders Agreement. Each of the Optionors and the Company hereby waives any restrictions on transfer, rights of first refusal, tag along rights and bring along rights that it may have pursuant to Sections 3, 4 and 5 of the Shareholders Agreement and Sections 2, 3 and 4 of the Ozanne Agreement in respect of the sale of the Option Shares to Optionee in accordance with the terms of this Agreement; provided, however, that such waiver shall not affect any Optionor's rights under this Agreement. Each of the Optionors and the Company hereby agree that, in the event the Closing occurs, the Shareholders Agreement, the Ozanne Agreement and the Registration Rights Agreement shall terminate immediately upon Closing and be of no further force and effect without any liability to any Optionor or the Company.

Section 7.8 Subsequent Actions. If at any time after the Closing Optionee will consider or be advised that any deeds, bills of sale, instruments of conveyance, assignments, assurances or any other actions or things are necessary or desirable (i) to vest, perfect or confirm ownership (of record or otherwise) in Optionee, its right, title or interest in, to or under any or all of the Option Shares, (ii) to vest, perfect or confirm ownership (of record or otherwise) in the Company and each Company Subsidiary, any of its rights, properties or assets or (iii) otherwise to carryout this Agreement, the Optionors and the Company shall execute and deliver all deeds, bills of sale, instruments of conveyance, powers of attorney, assignments and assurances and take and do all such other actions and things as may be reasonably requested by Optionee and at the expense of Optionee in order to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in Optionee or the Company or any Company Subsidiary.

Section 7.9 FIRPTA Certificates. Each Optionor shall deliver to the Optionee at or prior to the Closing a certificate, in form and substance reasonably satisfactory to the Optionee and consistent with Treasury Regulation Section 1.1445-2, certifying that it is not a foreign person.

Section 7.10 Limitation on Certain Actions. Prior to the Closing, the Optionee shall not take any action, or request that the Company or any Company Subsidiary take any action, that, alone or in combination with another event, could (i) entitle any current or former employee, director or officer of the Company or any Company Subsidiary to severance pay, unemployment compensation or any other payment or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee, director or officer.

ARTICLE VIII

TAX MATTERS

Section 8.1 Transfer Taxes. All Transfer Taxes and related amounts incurred in connection with the transactions contemplated herein will be split equally among Optionors on the one hand and Optionee on the other. The Optionors and the Optionee will cooperate to timely prepare any Tax Returns or other filings relating to such Transfer Taxes, including any claim for exemption or exclusion from the application or imposition of any Transfer Taxes. Unless otherwise required by applicable law, the Optionors will file all Tax Returns or other filings with respect to Transfer Taxes, the Optionee will pay to Optionors, not later than five (5) Business Days before the due date for payment of such Transfer Taxes, an amount equal to 50% of the Transfer Taxes shown on such return or other filing, and promptly following the filing thereof, the Optionors will furnish to the Optionee a copy of such return or other filing and a copy of a receipt showing payment of any such Transfer Tax. With respect to any such returns or filings required to be filed by the Optionee, the Optionors will pay to the Optionee, not later than five (5) Business Days before the due date for payment of such Transfer Taxes, an amount equal to 50% of the Transfer Taxes shown on such return or other filing, and the Optionee will furnish to the Optionors a copy of such return or other filing and a copy of a receipt showing payment of any Transfer Tax.

Section 8.2 Tax Return Filings. At the Optionors' expense, the Optionee shall, or shall cause the Company and each Company Subsidiary to, timely prepare and file with the relevant Taxing Authorities all Tax Returns of the Company and each Company Subsidiary covering a Pre-Closing Tax Period or a Straddle Period the due date for filing of which, determined taking into account extensions, is after the Closing Date; provided that the Optionee shall furnish the Optionors with a copy of such Tax Returns not later than thirty (30) days before such Tax Returns are due, and no such Tax Returns shall be filed with any Taxing Authority without the Optionors' written consent, which consent shall not be unreasonably withheld.. The Optionors shall, or shall cause the Company and each Company Subsidiary to, timely prepare and file with the relevant Taxing Authorities all Tax Returns for any taxable periods of the Company, any of each Company Subsidiary, or for each Company Group with respect to which the Company or any Company Subsidiary is the parent, the due date for filing of which, determined taking into account extensions, is on or before the Closing Date. Any Tax Returns described in this Section 8.2 shall be prepared on a basis consistent with applicable law and the past practices of the Company and each Company Subsidiary and in a manner that does not distort taxable income (e.g., by deferring income or accelerating deductions). All Tax Returns for a taxable period including the Closing Date shall be filed on the basis that the relevant taxable period ended as of the close of business on the Closing Date, unless the relevant Taxing Authority will not accept such a Tax Return. Further, the Optionee, the Company and/or each Company Subsidiary shall not enter into any transaction on the Closing Date (i) not contemplated by this Agreement, and (ii) outside the ordinary course of business which may result in the Company or any Company Subsidiary paying additional Taxes. Promptly following the filing of any Pre-Closing Tax Period Tax Return or a Straddle Period Tax Return that the Optionee is responsible for preparing pursuant to this Section 8.2, the Optionee shall provide to the Optionors a schedule detailing the reasonable out-of-pocket costs paid to third parties in the preparation of such Tax Returns (the "Tax Return Cost Schedule"). The Optionors shall reimburse Optionee, not later than thirty (30)

days after receipt of any Tax Return Cost Schedule (i) the full amount reflected thereon in respect of any Pre-Closing Tax Period Tax Return, and (ii) in the case of any Straddle Period Tax Return, the amount reflected on such Tax Return Cost Schedule multiplied by a fraction, the numerator of which is the amount of Tax reflected on the related Straddle Period Tax Return for which the Optionors are liable, and the denominator of which is the total amount of Tax shown as due on such Straddle Period Tax Return.

Section 8.3 Tax Indemnification.

(a) Optionors Indemnification. From and after the Closing, notwithstanding any disclosures set forth in the Disclosure Schedule, the Optionors, severally in proportion with such Optionor's Percentage Interest, and not jointly, shall be liable for, and shall indemnify all Optionee Indemnified Persons against and hold them harmless from (i) all liability for Taxes of the Company, each Company Subsidiary and each Company Group with respect to any Pre-Closing Tax Period, (ii) all liability (as a result of Treasury Regulation § 1.1502-6(a) or otherwise) for Taxes of the Optionors or any other corporation which is or has ever been affiliated with the Optionors (other than the Company or any Company Subsidiary) or with whom the Company or any Company Subsidiary otherwise joins, has ever joined, or is or has ever been required to join, in filing any consolidated, combined or unitary Tax Return prior to the Closing Date, (iii) all liability for Taxes of the Company, any Company Subsidiary or any Company Group arising (directly or indirectly) as a result of the sale of the Option Shares, (iv) any Loss resulting from any breach of representation or warranty contained in Section 5.19, and (v) all liability for reasonable legal fees and expenses attributable to any item in the foregoing clauses, provided, however, that all Losses, including legal fees and expenses, relating to Specified Tax Matters shall not be considered Losses for which indemnification is provided pursuant to this Section 8.3(a) and indemnification for Specified Tax Matters shall instead be provided under Section 8.3(b). Notwithstanding the above, Optionors' liability and indemnification obligation with respect to Taxes pursuant to this Section 8.3(a) shall be reduced by the amount reflected as a liability or in the reserve for Taxes on the Closing Balance Sheet (other than the Specified Tax Reserves) and, in addition, by the amount of any estimated Taxes paid by or on behalf of any Company, Company Subsidiary or Company Group; provided, however, that all Losses for Specified Tax Matters for which indemnification is provided pursuant to Section 8.3(b), below, shall not be reduced by the amount reflected as a liability or in the reserve for Taxes on the Closing Balance Sheet.

(b) From and after the Closing Date, notwithstanding any disclosures set forth in the Disclosure Schedule, the Optionors, severally in proportion with such Optionor's Percentage Interest, and not jointly, shall be liable for and shall indemnify all Optionee Indemnified Persons in the manner set forth in Sections 8.3(b)(iii) and (iv) against all liability for Taxes of the Company, any Company Subsidiary, or any Company Group arising as a result of:

(i) a successful Internal Revenue Service challenge of the Company's characterization of its $5,000,000 tax loss for the 2003 Tax year as a result of sale of shares of capital stock of Truman as an ordinary loss, requiring such loss to be treated as a capital loss, and

(ii) a successful Internal Revenue Service challenge of the Company's amortization treatment of purchased mortgage servicing rights, requiring the purchased mortgage servicing rights to be amortized over a longer period.

(iii) The Optionee shall be indemnified for the full amount of any disallowed ordinary loss in the event of the occurrence of the Specified Tax Matter described in Section 8.3(b)(i); provided, however, that the Optionee shall subsequently reimburse the Optionors for such indemnification payment if, and then only to the extent, after taking all other available capital losses into account, the Company, any Company Subsidiary, any Company Group or the Optionee has filed a Tax Return on which it has offset capital gain by part or all of the capital loss from the sale of the shares of capital stock of Truman.

(iv) The amount for which the Optionee shall be indemnified with respect to the Specified Tax Matter described in Section 8.3(b)(ii) shall be equal to (A) the amount of Taxes payable to the Internal Revenue Service with respect to the Specified Tax Matter, reduced by (B) an amount equal to the present value of the expected tax benefits (determined using a 5% discount rate) arising solely from an increase in the amount of amortization of purchase mortgage servicing rights taken into account after the Closing Date with respect to the Specified Tax Matter, which expected tax benefit shall not, however, include any amount of amortization that could not be used to offset income as a result of a limitation imposed under Section 382 of the Code and shall be determined by assuming a 35% effective Tax rate.

(c) Notwithstanding any disclosures set forth in the Disclosure Schedule, Optionee shall be liable for and shall indemnify the Optionors from and against, and agrees to promptly pay the Optionors, all Tax Losses incurred as a result of a claim, notice of deficiency, or assessment by, or any obligation owing to, any taxing authority for any Taxes of the Company, any Company Subsidiary or any Company Group with respect to any Post-Closing Tax Period.

(d) Straddle Periods. In the case of any Straddle Period:

(i) Property Taxes of the Company and each Company Subsidiary for the Pre-Closing Tax Period shall equal the Property Taxes for such Period multiplied by a fraction, the numerator of which is the number of days during the Straddle Period that are in the Pre-Closing Tax Period and the denominator of which is the number of days in the Straddle Period; and

(ii) the Taxes of the Company and each Company Subsidiary (other than Property Taxes) for the Pre-Closing Tax Period shall be computed by assuming that the portion of the Straddle Period ending on the Closing Date constitutes a separate taxable period and by taking into account the actual taxable events occurring during such period (except that exemptions, allowances and deductions for a Straddle Period that are calculated on an annual or periodic basis, such as the deduction for depreciation, shall be apportioned ratably on a per diem basis).

(e) The indemnity obligation under this Section 8.3 in respect of Taxes for a Straddle Period shall initially be satisfied by its payment to the Optionee, or at the Optionee's direction, to the Company, of the excess of (i) such Taxes for the Pre-Closing Tax Period, over (ii) the amount of such Taxes paid by the Company or any Company Subsidiary on or prior to the Closing Date (including any estimated Taxes) and any amount reflected as a liability or in the reserve for Taxes on the Closing Balance Sheet (other than the Specified Tax Reserve). At least thirty (30) days prior to the due date (including extensions) of such Tax Return, Optionee shall deliver to Optionors a copy of such Tax Return which will permit Optionors to review and substantiate the accuracy of such Tax Return. If the aggregate amount of Tax so determined to be attributable to the Pre-Closing Tax Period is in excess of the amount of such Taxes paid by the Company or any Company Subsidiary on or prior to the Closing Date (including any estimated Taxes) and any amount reflected as a liability or in the reserve for Taxes on the Closing Balance Sheet (other than the Specified Tax Reserve), Optionors shall pay such excess to Optionee no later than 5 days prior to the date of such Tax Return. If the amount of such Taxes attributable to the Pre-Closing Tax Period is less than the amount of such Taxes paid by the Company or any Company Subsidiary on or prior to the Closing Date (including any estimated Taxes) and any amount reflected as a liability or in the reserve for Taxes on the Closing Balance Sheet (other than the Specified Tax Reserve), Optionees shall pay to the Optionors the amount of such excess not less than 5 days prior to the due date of such Tax Return. The payments to be made pursuant to this Section 8.3(e) with respect to a Straddle Period shall be appropriately adjusted to reflect any Final Determination with respect to Straddle Period Taxes.

(f) Any indemnity payment to be made under this Section 8.3, other than an indemnity payment described in the immediately preceding paragraph, 8.3(e), shall be paid within 10 days after the indemnified party makes written demand upon the indemnifying party, but in no case earlier than 5 Business Days prior to the date on which the relevant Taxes are required to be paid to the relevant Taxing Authority (including as estimated Tax payments).

(g) Any indemnification obligation under this Article VIII shall remain in full force for the applicable statute of limitations, taking into account any extensions, plus thirty (30) days.

Section 8.4 Cooperation. The Optionors, the Company and the Optionee shall reasonably cooperate, and shall cause their respective Affiliates, officers, employees, agents, auditors and representatives reasonably to cooperate, in preparing and filing all Tax Returns, including maintaining and making available to each other all records necessary in connection with Taxes, and in resolving all disputes and audits with respect to all taxable periods relating to Taxes, including all Tax Claims.

Section 8.5 Refunds and Credits. Any refund or credit of Taxes of the Company or any Company Subsidiary for any taxable period ending on or before the Closing Date shall be for the account of the Optionors. Notwithstanding the foregoing, however, any such refund or credit shall be for the account of the Optionee to the extent that such refunds or credits are attributable (determined on a marginal basis) to the carryback from a Post-Closing Tax Period (or the portion of a Straddle Period that begins on the date after the Closing Date) of items of loss, deductions or other Tax items of the Company or any Company Subsidiary (or any of their respective

Affiliates, including the Optionee). Any refund or credit of Taxes of the Company or any Company Subsidiary for any Post-Closing Tax Period shall be for the account of the Optionee; provided, however, any such refund or credit shall be for the account of the Optionors to the extent that such refunds or credits are attributable (determined on a marginal basis) to the carryforward from a Pre-Closing Tax Period (or the portion of a Straddle Period that ends on the Closing Date) of items of loss, deductions or other Tax items of the Company or any Company Subsidiary (or any of their respective Affiliates, including the Optionee). Any refund or credit of Taxes of the Company or any Company Subsidiary for any Straddle Period shall be equitably apportioned between the Optionors and the Optionee. Each party shall, or shall cause its Affiliates to, forward to any other party entitled under this Section 8.5 to any refund or credit of Taxes any such refund within 10 days after such refund is received or reimburse such other party for any such credit within 10 days after the credit is allowed or applied against other Tax liability; provided, however, that any such amounts shall be net of any Tax Cost or Tax Benefit to the payor party attributable to the receipt of such refund and/or the payment of such amounts to the payee party. The parties shall treat any payments under this section as an adjustment to the Exercise Price, unless, and then only to the extent, otherwise required by a Final Determination. The control of the prosecution of a claim for refund of Taxes paid pursuant to a deficiency assessed subsequent to the Closing Date as a result of an audit shall be governed by the provisions of Section 8.7.

Section 8.6 Calculation of Losses. The amount of any Loss for which indemnification is provided under this Article VIII shall be net of any amounts recoverable by the indemnified party under insurance policies with respect to such Loss and shall be (i) increased to take account of any net Tax Cost to the indemnified party arising from the receipt of indemnity payments hereunder (grossed up for such increase) and (ii) reduced to take account of any net Tax Benefit realized by the indemnified party arising from the incurrence or payment of any such Loss. Any indemnity payment under this Agreement shall be treated as an adjustment to the Exercise Price for Tax purposes, unless, and then only to the extent, otherwise required by a Final Determination.

Section 8.7 Procedures Relating to Indemnification of Tax Claims.

(a) Notice. If a claim shall be made by any Taxing Authority, which, if successful, might result in an indemnity payment to any Optionee Indemnified Person pursuant to Section 8.3, the Optionee shall promptly notify the Optionors in writing of such claim (a "Tax Claim"). Failure to give notice of a Tax Claim to the Optionors within a sufficient period of time and in reasonably sufficient detail to allow the Optionors to effectively contest such Tax Claim shall affect the liability of the Optionors to any Optionee Indemnified Person only to the extent that the Optionors' position is actually and materially prejudiced as a result thereof.

(b) Control of Proceedings. The Optionors shall, at the Optionors' expense, control all proceedings taken in connection with any Tax Claim relating solely to Taxes of the Company or any Company Subsidiary for a Pre-Closing Tax Period, and may make all decisions in connection with such Tax Claim, provided, however, that the Optionors shall not settle any such Tax Claim without prior written consent of the Optionee, which consent shall not be unreasonably withheld, if such settlement would increase the Tax liability of the Company and/or Optionee for any Post-Closing Period. The Optionors and the Optionee shall

jointly control all proceedings taken in connection with any Tax Claim relating solely to Taxes of the Company or any Company Subsidiary for a Straddle Period, and neither party shall settle any such Tax Claim without the written consent of the other party. The Optionee shall control all proceedings with respect to all other Tax Claims.

Section 8.8 Tax Sharing Agreements. The Optionors shall cause any and all Tax sharing agreements between (i) the Optionors or any of their Affiliates (other than the Company and any Company Subsidiary) and (ii) the Company or any Company Subsidiary, to be terminated on or before the Closing Date. After the Closing Date, no party shall have any rights or obligations under any such Tax sharing agreements.

Section 8.9 Miscellaneous. All indemnity obligations payable under this Article VIII by or to Optionors shall be in accordance with each Optionor's Percentage Interest.

ARTICLE IX

CONDITIONS

Section 9.1 Conditions to Each Party's Obligation to Effect the Closing. The respective obligation of each party to effect the Closing shall be subject to the satisfaction at or prior to the Closing Date of each of the following conditions:

(a) Statutes; Court Orders. No statute, rule or regulation shall have been enacted or promulgated by any Governmental Entity which prohibits the consummation of the Closing; and there shall be no order or injunction of a court of competent jurisdiction in effect precluding consummation of the Closing.

(b) HSR Approval. The applicable waiting period under the HSR Act shall have expired or been terminated.

(c) Contingent Payment Agreement. The Contingent Payment Agreement shall have been executed by each other party thereto and shall be in full force and effect.

Section 9.2 Conditions to Obligations of Optionee to Effect the Closing. The obligations of Optionee to consummate the Closing shall be subject to the satisfaction on or prior to the Closing Date of each of the following conditions:

(a) Government Action. There shall not be threatened or pending any suit, action or proceeding by any Governmental Entity:

(i) seeking to prohibit or impose any limitations on Optionee's ownership or operation (or that of any of its Subsidiaries or Affiliates) of all or a portion of their or the Company's businesses or assets, or to compel Optionee or the Company or any of their respective Subsidiaries or Affiliates to dispose of or hold separate any portion of the business or assets of the Company or Optionee or any of their respective Subsidiaries or Affiliates;

(ii) seeking to restrain or prohibit the consummation of the Closing or the performance of any of the other Transactions, or seeking to obtain from the Company or Optionee any damages in connection with the performance of this Agreement or the other Transactions;

(iii) seeking to impose limitations on the ability of Optionee, or rendering Optionee unable, to accept for payment or pay for or purchase some or all of the Option Shares or consummate the Closing;

(iv) seeking to impose limitations on the ability of Optionee effectively to exercise full rights of ownership of the Option Shares, including the right to vote the Option Shares; or

(v) which otherwise is reasonably likely to have a material adverse effect on the prospects, consolidated financial condition, businesses or results of operations of the Company and the Company Subsidiaries, considered as a whole;

or there shall be any statute, rule, regulation, judgment, order or injunction enacted, entered, enforced, promulgated or deemed applicable to the Transactions, or any other action shall be taken by any Governmental Entity, other than the application to the Transactions of applicable waiting periods under the HSR Act, that is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (v) above.

(b) Certificate of Company's Officers. The Company shall have delivered to Optionee at the Closing a certificate signed by the chief executive officer of the Company and by the chief financial officer of the Company, dated the Closing Date, in form and substance reasonably satisfactory to Optionee, to the effect that, as of the Closing Date, (w) all of the representations and warranties of the Company set forth in this Agreement that are qualified as to materiality are true and correct, (x) all such representations and warranties that are not so qualified are true and correct in all material respects, (y) there has not occurred any Material Adverse Change since the date hereof and (z) the Company has performed all material obligations required under this Agreement to be performed by it, at or prior to the Closing.

(c) Certificates of Optionors' Officers. Each Optionor shall have delivered to Optionee at the Closing a certificate signed by an officer of such Optionor involved with such Optionor's investment in the Company, dated the Closing Date, in form and substance reasonably satisfactory to Optionee, to the effect that, as of the Closing Date, (x) all of the representations and warranties of such Optionor set forth in this Agreement that are qualified as to materiality are true and correct, (y) all such representations and warranties that are not so qualified are true and correct in all material respects and (z) such Optionor has performed all material obligations required under this Agreement to be performed by it.

(d) Consents Obtained. All material consents of any Person necessary to the consummation of the Closing and the other Transactions, including consents from parties to loans, contracts, leases or other agreements and consents from Governmental Entities, including, without limitation, all consents related to the transfer of all state, federal or foreign licenses and/or confirmation that such licenses have been transferred or reapplications

approved, whether federal, state or local shall have been obtained, and a copy of each such consent shall have been provided to Optionee at or prior to the Closing.

(e) Resignation of Directors and Officers. Such members of the boards of directors and such officers of the Company and the Company Subsidiaries as are designated in a written notice delivered at least two (2) Business Days prior to the Closing by Optionee to the Company shall have tendered, effective at the Closing, their resignations as such directors and officers or shall have been removed.

(f) Material Adverse Change. There shall not have occurred any Material Adverse Change.

(g) Representations and Warranties. All of the representations and warranties of the Optionors and the Company set forth in this Agreement that are qualified as to materiality shall be true and correct in all respects and each such representation or warranty that is not so qualified shall be true and correct in all material respects, in each case as of the Closing Date.

(h) No Optionor Breach. No Optionor shall have failed to perform in any material respect any obligation or to comply in any material respect with any agreement or covenant to be performed or complied with by such Optionor under this Agreement.

(i) No Company Breach. The Company shall not have failed to perform in any material respect any obligation or to comply in any material respect with any agreement or covenant to be performed or complied with by it under this Agreement.

(j) Acquisition of Common Stock and Termination of Company Options. The Company shall have consummated the acquisition of all outstanding shares of Common Stock not owned by an Optionor. There shall not be outstanding any Company Option that does not terminate upon the Closing.

(k) Certain Payments. The Company shall have made the payment to the Chief Executive Officer of the Company that is required under his employment agreement and is due and payable at Closing.

(l) Fee Matrix. The Company shall have delivered to Optionee at the Closing a copy of the Fee Matrix of the Servicer as it exists as of the Closing (the "Fee Matrix"). The Fee Matrix shall not reflect any increase in any fee set forth in the Signing Date Fee Matrix, unless the Optionee has consented to such increase.

The foregoing conditions are for the sole benefit of Optionee, may be waived by Optionee, in whole or in part, at any time and from time to time in the sole discretion of Optionee. The failure by Optionee at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

Section 9.3 Conditions to Obligations of Optionors to Effect the Closing. The obligations of the Optionors to consummate the Closing shall be subject to the satisfaction on or prior to the Closing Date of each of the following conditions:

(a) Government Action. There shall not be threatened or pending any suit, action or proceeding by any Governmental Entity seeking to restrain or prohibit the consummation of the Closing or the performance of any of the Transactions, or seeking to obtain from the Company or Optionee any damages that are material in relation to the Company or the Company Subsidiaries.

(b) Representations and Warranties. All of the representations and warranties of Optionee set forth in this Agreement that are qualified as to materiality shall be true and correct in all respects and each such representation or warranty that is not so qualified shall be true and correct in all material respects, in each case as of the date of this Agreement and as of the Closing Date.

(c) No Optionee Breach. Optionee shall not have failed to perform in any material respect any material obligation or to comply in any material respect with any agreement or covenant of Optionee to be performed or complied with by it under this Agreement.

(d) Certificate of Optionee's Officer. Optionors and the Company shall have received from Optionee a certificate, dated the Closing Date, duly executed by an officer of Optionee to the effect of paragraphs (a) and (b) above.

(e) Satisfaction of Promissory Notes. All amounts outstanding under the Promissory Notes shall have been paid in full on or prior to the Closing Date.

(f) Purchase Agreement. MSR Seller shall have performed all of its obligations under the Purchase Agreement required to be performed by it on or prior to the Closing Date.

The foregoing conditions are for the sole benefit of the Optionors, may be waived on behalf of all Optionors by PMI and FSA, acting jointly, in whole or in part, at any time and from time to time in the sole discretion of PMI and FSA. The failure by the Optionors at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

ARTICLE X

TERMINATION

Section 10.1 Termination. The Option and this Agreement shall terminate at the Expiration Time, without the need for any party hereto to take any action, if the Option has not been properly exercised prior to the Expiration Time in accordance with Section 3.1(a). In addition, the Option and this Agreement may be terminated or abandoned at any time prior to the Closing Date:

(a) By the mutual written consent of Optionee, PMI and FSA;

(b) By either PMI or FSA if Optionee shall have breached in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach cannot be or has not been cured within 30 days after the giving of

written notice by either PMI or FSA to Optionee and each other party hereto specifying such breach; or

(c) By Optionee if any Optionor or the Company shall have breached any representation, warranty, covenant or other agreement contained in this Agreement which would give rise to the failure of a condition set forth in Article IX which breach cannot be or has not been cured within 30 days after giving written notice by Optionee to all Optionors specifying such breach.

(d) By PMI and FSA, acting jointly, at any time after the first Business Day immediately following November 30, 2005 if the Closing has not occurred on or before such first Business Day and by either PMI or FSA at any time after the first Business Day immediately following December 31, 2005 if the Closing has not occurred on or before such first Business Day.

(e) By Optionee at any time after the first Business Day immediately following November 30, 2005 if the Closing has not occurred on or before such first Business Day.

Section 10.2 Effect of Termination. In the event of the termination or abandonment of the Option or this Agreement by any party hereto pursuant to the terms of this Agreement, written notice thereof shall forthwith be given to the other party or parties specifying the provision hereof pursuant to which such termination or abandonment is made, and there shall be no liability or obligation thereafter on the part of Optionee, the Optionors or the Company except (a) for breach of this Agreement prior to such termination or abandonment, (b) as set forth in Sections 12.1, 12.19 and 12.20, and (c) for breach of the confidentiality provisions of Section 7.2(c). Notwithstanding anything to the contrary contained herein, the termination or abandonment of the Option or this Agreement shall not terminate the Purchase Agreement.

ARTICLE XI

INDEMNIFICATION

Section 11.1 Survival of Representations and Warranties; Time Limitations.

(a) The representations, warranties, covenants and agreements made herein shall survive the Closing, subject to the other provisions of this Article XI.

(b) The right of any Optionee Indemnified Person to initiate any action against any Optionor for a breach of any of the covenants or agreements of the Company or any Optionor set forth herein shall terminate on December 31, 2007; except with respect to such covenants or agreements set forth in this Agreement that by their terms are required to be performed from and after such date (including, without limitation, the covenants and agreements set forth in Section 11.2(d)).

(c) The right of any Optionee Indemnified Person to initiate any action against any Optionor for a breach of any of the representations or warranties of the Optionors set forth in Article IV or any of the representations or warranties of the Company set forth in Sections 5.3 and 5.5 shall survive indefinitely.

(d) The right of any Optionee Indemnified Person to initiate any action against any Optionor for any breach of the representations or warranties of the Company set forth in Section 5.19 shall terminate thirty (30) days after the expiration of the applicable statute of limitations, taking into account any extensions.

(e) The right of any Optionee Indemnified Person to initiate any action against any Optionor for any breach of the representations or warranties of the Company set forth herein (other than the representations or warranties set forth in Sections 5.3, 5.5 and 5.19), shall terminate on December 31, 2007.

Section 11.2 Indemnification; Remedies.

(a) From and after the Closing Date, each Optionor shall, severally and not jointly, indemnify, defend and hold harmless each Optionee Indemnified Person from and against any and all Losses incurred by such Optionee Indemnified Person arising from any breach of any representation or warranty of such Optionor set forth in Article IV of this Agreement or any covenant or agreement of such Optionor set forth in this Agreement.

(b) From and after the Closing Date, each Optionor, severally in proportion with such Optionor's Percentage Interest, and not jointly, shall indemnify, defend and hold harmless each Optionee Indemnified Person from and against any and all Losses incurred by such Optionee Indemnified Person arising from (i) any breach by the Company on the Closing Date of any representation or warranty of the Company set forth in Article V of this Agreement, (ii) any breach by the Company prior to the Closing (which has not been cured or set forth in the Disclosure Schedules prior to the Closing Date) of any covenant of the Company contained in this Agreement, (iii) notwithstanding whether any indemnity obligation exists pursuant to Sections 11.2(b)(i) or 11.2(b)(ii) and notwithstanding any disclosures set forth in the Disclosure Schedule, the facts underlying the Specified Disputes to the extent that such Losses arise from events that have occurred prior to the Closing Date or (iv) notwithstanding whether any indemnity obligation exists pursuant to Sections 11.2(b)(i) or 11.2(b)(ii) and notwithstanding any disclosures set forth in the Disclosure Schedule, indemnification by the Company or a Company Subsidiary of directors or officers thereof (other than persons that are employed by the Company or a Company Subsidiary on the Closing Date) but only to the extent that such indemnification is mandatory under the terms of (A) an enforceable written indemnification agreement entered into by the Company or a Company Subsidiary with such director or officer prior to the Closing Date, (B) the certificate of incorporation or bylaws of the Company or a Company Subsidiary as they existed on or prior to the Closing Date or (C) applicable law (the "Specified Indemnification Obligations") and such Losses arise from a Mortgage Loan Servicing Error occurring before the Closing Date or a Regulatory Action; provided, however, that the Optionors' liability and indemnification obligation with respect to Specified Disputes shall be reduced by any amount received by an Optionee Indemnified Person in respect of any counter claim asserted by any Optionee Indemnified Person in connection with such Specified Dispute; provided, further, that the Optionors' liability and indemnification obligation with respect to the Specified Indemnification Obligations shall be reduced by any amount recovered pursuant to insurance policies or other contractual indemnities, which recovery each Optionee Indemnified Person agrees to pursue to the extent commercially reasonable. The right of an

Optionee Indemnified Person to initiate any action against any Optionor for indemnification relating to the Specified Indemnification Obligations shall terminate on December 31, 2007.

(c) Notwithstanding whether any indemnity obligation exists pursuant to Sections 11.2(b)(i) or 11.2(b)(ii) and notwithstanding any disclosures set forth in the Disclosure Schedule, from and after the Closing Date, each Optionor shall, severally in proportion with such Optionor's Percentage Interest, and not jointly, indemnify, defend and hold harmless each Optionee Indemnified Person from and against any and all Losses incurred by such Optionee Indemnified Person in respect of any Specified Real Property that arise from any Environmental Claim, to the extent arising from actions or conditions existing prior to the Closing Date; provided, however, that such liability and indemnification of the Optionors shall not apply with respect to (and the following shall not constitute Losses for purposes of this Section 11.2(c)): (i) the costs of any environmental testing, sampling or monitoring performed by or on behalf of an Optionee Indemnified Person, including the costs of any Phase I and Phase II environmental site assessments; (ii) any Losses arising from remedial or other actions to the extent such actions entail costs greater than necessary to meet the minimum standards mandated by applicable Environmental Laws; (iii) any Losses to the extent caused by or resulting from any action or omission of any Optionee Indemnified Person (provided, however, that the discovery of any environmental condition while conducting any Phase I or Phase II environmental site assessments shall not constitute an action causing or resulting in a Loss for purposes of this clause (iii)); and (iv) any Losses arising or resulting from any REO Property; provided, further, that such liability and indemnification of the Optionors shall be reduced by any amount recovered by any Optionee Indemnified Person pursuant to insurance policies, contractual indemnities, leaking tank or other governmental remediation trust funds, or cost recovery or contribution claims or from landlords, which recoveries each Optionee Indemnified Person agrees to pursue to the extent commercially reasonable. For any Optionee Indemnified Person to be eligible for indemnification under this Section 11.2(c), such person must have complied in all material respects with applicable Environmental Laws, as well as any orders or directives of any Governmental Entity, in connection with or relating to the issues for which indemnification is sought. No claim may be made against any Optionor for indemnification pursuant to this Section 11.2(c) unless the aggregate amount of Optionee's Losses (exclusive of legal fees incurred in connection with pursuing such claim) arising from claims under this Section 11.2(c) exceed $250,000, and in such event, shall be recoverable under this Section 11.2(c) only to the extent Optionee's Losses (exclusive of legal fees incurred in connection with pursuing such claim prior to satisfying such threshold and exclusive of any Losses in the first sentence of this Section 11.2(c) for which the Optionors are not liable) under this Section 11.2(c) exceed $250,000 in the aggregate. The portion of any Losses not subject to indemnification by the Optionors pursuant to this Section 11.2(c) shall be borne by the Optionee Indemnified Persons and shall not be subject to indemnification under any other provision of this Agreement or the Contingent Payment Agreement. The right of an Optionee Indemnified Person to initiate any action against any Optionor for indemnification under this Section 11.2(c) shall terminate on December 31, 2007.

(d) Notwithstanding whether any indemnity obligation exists pursuant to Sections 11.2(b)(i) or 11.2(b)(ii) and notwithstanding any disclosures set forth in the Disclosure Schedule, from and after December 31, 2007, each Optionor shall, severally in proportion with such Optionor's Percentage Interest, and not jointly, indemnify, defend and hold harmless the

Servicer from and against any and all (i) Designated Litigation Expenses paid by the Servicer on or after January 1, 2006 (subject to the immediately following sentence) arising from a Specified Private Litigation Matter to the extent that such Designated Litigation Expense was not deducted from a Monthly Contingent Payment or the Final Payment Amount and (ii) Customer Accommodations paid by the Servicer on or after January 1, 2006 (subject to the immediately following sentence) to the extent that such Customer Accommodations were not deducted from a Monthly Contingent Payment or the Final Payment Amount; provided, however, that the Optionors shall not be required to make any payments under this Section 11.2(d) until either (i) the Final Payment Amount is paid in full in accordance with the Contingent Payment Agreement or (ii) the Optionee provides written notice to the Optionors that the Final Payment Amount is zero. The Servicer shall have the right to defend any Specified Private Litigation Matter through counsel of its own choosing and may enter into any settlement, compromise or discharge of a Specified Private Litigation Matter without the consent of any Optionor and may pay any Customer Accommodation without the consent of any Optionor; provided, however, that if the Servicer enters into any settlement, compromise or discharge of a Specified Private Litigation Matter without the prior written consent of PMI and FSA that results in Designated Litigation Expenses in excess of $15,000, then the aggregate amount of Designated Litigation Expenses recoverable by the Servicer from the Optionors under this Section 11.2(d) and the Contingent Payment Agreement shall equal the sum of (i) $15,000 plus (ii) two-thirds of the total Designated Litigation Expenses for such Specified Private Litigation Matter in excess of $15,000; provided, further, that if the Servicer makes or pays any Customer Accommodation without the prior written consent of PMI and FSA that results in a Customer Accommodation in excess of $10,000, then the aggregate amount of such Customer Accommodation recoverable by the Servicer from the Optionors under this Section 11.2(d) and the Contingent Payment Agreement shall equal the sum of (i) $10,000 plus (ii) two-thirds of the total Customer Accommodation for such Customer Accommodation in excess of $10,000. The portion of any Designated Litigation Expenses not subject to indemnification by the Optionors pursuant to this Section 11.2(d) as a result of the immediately preceding sentence shall be borne by the Servicer and shall not be subject to indemnification under any other provision of this Agreement or the Contingent Payment Agreement.

(e) Notwithstanding whether any indemnity obligation exists pursuant to Sections 11.2(b)(i) or 11.2(b)(ii) and notwithstanding any disclosures set forth in the Disclosure Schedule, from and after the Closing Date, each Optionor shall, severally in proportion with such Optionor's Percentage Interest, and not jointly, indemnify the each Optionee Indemnified Person for (i) 100% of the first $500,000 of Regulatory Payments paid by the Servicer after the Closing; (ii) 60% of the next $4.5 million of Regulatory Payments paid by the Servicer after the Closing; (iii) 75% of the next $5.0 million of Regulatory Payments paid by the Servicer after the Closing; and (iv) 100% of all additional Regulatory Payments paid by the Servicer after the Closing. The portion of any Regulatory Payments not subject to indemnification by the Optionors pursuant to this Section 11.2(e) shall be borne by the Servicer and shall not be subject to indemnification under any other provision of this Agreement or the Contingent Payment Agreement and shall not count towards the satisfaction of the Indemnification Threshold. The Servicer shall have the right to defend any Regulatory Action occurring prior to the Closing Date through counsel of its own choosing and may enter into any settlement, compromise or discharge of such Regulatory Action without the consent of any Optionor, except that the Servicer shall (i) act in good faith and exercise ordinary business care and

prudence in entering into any settlement, compromise or discharge of such Regulatory Action and (ii) consult in good faith with the Optionors prior to entering into any settlement, compromise or discharge of a Regulatory Action that would result in a Regulatory Payment of $250,000 or more (it being agreed that the Servicer shall have no obligation under this Section 11.2(e) to follow or adopt any recommended action made by the Optionors hereunder). The right of an Optionee Indemnified Person to initiate any action against any Optionor for indemnification under this Section 11.2(e) shall terminate on December 31, 2007.

(f) No claim may be made against any Optionor for indemnification pursuant to Sections 11.2(b)(i) or 11.2(b)(ii) unless the aggregate amount of Optionee's Losses (exclusive of legal fees incurred in connection with pursuing such claim) arising from claims under Sections 11.2(b)(i) and 11.2(b)(ii) (together with the amount of the Optionee's Environmental Expenditures, if any) exceed $2,500,000 (the "Indemnification Threshold"), and in such event, shall be recoverable under such sections only to the extent Optionee's Losses (exclusive of legal fees incurred in connection with pursuing such claim prior to satisfying the Indemnification Threshold) under such sections (together with the amount of the Optionee's Environmental Expenditures, if any) exceed $2,500,000 in the aggregate; provided, however, that solely for purposes of determining whether the Indemnification Threshold has been satisfied, the qualification of any representation, warranty or covenant by reference to the terms "material" or "Material Adverse Effect" shall be disregarded and the determination of whether any such representation, warranty or covenant contained herein (other than Section 5.9(a)) has been breached prior to satisfying the Indemnification Threshold shall be made without regard to such qualification; provided, further, that once the Indemnification Threshold has been satisfied, references to the terms "material" or "Material Adverse Effect" shall no longer be disregarded.

(g) Under no circumstances shall the Optionors' liability under Sections 11.2(a), 11.2(b), 11.2(c), 11.2(d) and 11.2 (e) exceed $25,000,000 in the aggregate, nor shall the liability of any Optionor under Sections 11.2(a), 11.2(b), 11.2(c), 11.2(d) and 11.2(e) exceed such Optionor's proportionate share of the Losses incurred by Optionee, based on such Optionor's Percentage Interest.

(h) Notwithstanding anything to the contrary contained herein, the Optionee agrees that the sole and exclusive remedy available to any Optionee Indemnified Person relating to (i) Losses arising from Regulatory Actions, including Regulatory Payments, shall be under Section 11.2(e) hereof, (ii) Losses arising from Private Litigation, including Designated Litigation Expenses, shall be under the Contingent Payment Agreement and Section 11.2(d) hereof, (iii) Customer Accommodations shall be under the Contingent Payment Agreement and Section 11.2(d) hereof and (iv) Advances, including Nonrecoverable Advances, and Customer Reversals (in each case as such terms are defined in the Contingent Payment Agreement) shall be under the Contingent Payment Agreement. Accordingly, no Optionee Indemnified Person shall have any rights to indemnification with respect to such matters under Sections 11.2(b)(i) or 11.2(b)(ii).

(i) No Optionor shall be liable to any Optionee Indemnified Person pursuant to Sections 8.3(a), 8.3(b) or 11.2, to the extent the conduct giving rise to the right to indemnification is attributable to or arises out of the conduct of any Optionee Indemnified Person after the Closing Date, except for purposes of Sections 11.2(b)(iv), 11.2(d) and 11.2(e)

to the extent that Mortgage Loan Servicing Errors giving rise to indemnification thereunder occur both before the Closing Date and during the 180 day period immediately after the Closing Date. Notwithstanding anything to the contrary contained herein, the Optionee agrees that the Optionors shall have no liability for, and shall not provide any indemnification with respect to, any Mortgage Loan Servicing Errors that occur solely after the Closing Date.

(j) Notwithstanding anything to the contrary contained in this Agreement or the Contingent Payment Agreement, neither the inclusion of the Signing Date Fee Matrix as an exhibit hereto nor the delivery of the Fee Matrix at Closing shall alter or limit in any way any Optionee Indemnified Person's rights under this Article XI; provided, however, that this Section 11.2(j) shall not in any way limit or otherwise effect the ability of the Optionors to utilize the Signing Date Fee Matrix or the Fee Matrix in any action, suit or proceeding relating to this Agreement or the Contingent Payment Agreement (including, without limitation, in any dispute resolution pursuant to Section 3.3(c)(iv) of this Agreement or Section 3(e) of the Contingent Payment Agreement).

Section 11.3 Notice of Claim; Defense. (a) The Optionee Indemnified Person shall give each Optionor prompt notice of any claim (including third-party claims) that may give rise to any indemnification obligation under this Article XI (without regard to whether the Indemnification Threshold has been satisfied), together with the estimated amount of such claim, and the Optionors shall have the right to assume the defense (at their expense) of any such third-party claim (other than a Regulatory Action or a Private Litigation) through counsel of their own choosing by so notifying the Optionee Indemnified Person within 30 days of the first receipt by any Optionor of such notice from the Optionee Indemnified Person; provided, however, that any such counsel shall be reasonably satisfactory to Optionee. Failure to give such notice shall not affect the indemnification obligations hereunder in the absence of actual and material prejudice. If, under applicable standards of professional conduct, a conflict with respect to any significant issue between any Optionee Indemnified Person and any Optionor exists in respect of such third-party claim, the Optionee Indemnified Person shall be entitled to assume the defense of such third-party claim through counsel of its own choosing and, if the Indemnification Threshold has been satisfied, the Optionors shall pay the reasonable fees and expenses of such counsel. If the Indemnification Threshold has been satisfied, the Optionors shall be liable for the fees and expenses of counsel employed by any Optionee Indemnified Person for any period during which the Optionors have not assumed the defense of any such third-party claim (other than during any period in which the Optionee Indemnified Person will have failed to give notice of the third-party claim as provided above). If the Optionors assume such defense, the Optionee Indemnified Person shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Optionors, it being understood that the Optionors shall control such defense. If the Optionors choose to defend or prosecute a third-party claim, the Optionee Indemnified Person shall cooperate in the defense or prosecution thereof, which cooperation shall include, to the extent reasonably requested by the Optionors, the retention, and the provision to Optionors, of records and information reasonably relevant to such third-party claim, and making employees of the Company available on a mutually convenient basis to provide additional information and explanation of any materials provided hereunder. If the Optionors choose to defend or prosecute any third-party claim, the Optionee Indemnified Person shall agree to any settlement, compromise or discharge of such third-party claim that the Optionors may recommend and that, by its terms, discharges all the Optionee Indemnified

Persons from the full amount of liability in connection with such third-party claim; provided, however, that, without the consent of the Optionee Indemnified Person, the Optionors shall not consent to, and the Optionee Indemnified Person shall not be required to agree to, the entry of any judgment or enter into any settlement that (i) provides for injunctive or other non-monetary relief affecting any Optionee Indemnified Person, (ii) does not include as an unconditional term thereof the giving of a release from all liability with respect to such claim by each claimant or plaintiff to each Optionee Indemnified Person that is the subject of such third-party claim, or (iii) does not include as an unconditional term thereof the obligation to keep all terms and conditions of such settlement confidential.

(b) Notwithstanding the forgoing, if the Optionee Indemnified Person determines in good faith that there is a reasonable probability that a third-party claim that may give rise to any indemnification obligation under this Article XI may materially adversely affect the business of the Company or any Company Subsidiary from and after the Closing Date, then the Optionee Indemnified Person may, by notice to each Optionor, conduct and control, through counsel of its choosing, which counsel shall be reasonably acceptable to the Optionors, the defense, compromise or settlement of any such claim. In any such case, the Optionors shall cooperate in connection therewith and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Optionee Indemnified Person in connection therewith; provided, that the Optionors may participate, through counsel chosen by it and at its own expense, in the defense of any such claim as to which the Optionee Indemnified Person has so elected to conduct and control the defense thereof.

Section 11.4 Tax Treatment of Indemnification Payments. The parties agree to treat any indemnification payment pursuant to this Agreement as an adjustment to the Exercise Price for Tax purposes.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Fees and Expenses. All costs and expenses incurred in connection with this Agreement, the Contingent Payment Agreement and the consummation of the Transactions shall be paid by the party incurring such expenses, except as specifically provided to the contrary in this Agreement. The Optionee shall pay any fee payable to the Federal Trade Commission in connection with the pre-merger notice filing required by the HSR Act, but the Optionee shall be entitled to reimbursement of $62,500 of such fee at the Closing in accordance with Section 3.3(b).

Section 12.2 Amendment and Modification. This Agreement may be amended, modified and supplemented in any and all respects, but, except as otherwise contemplated by Section 7.4 with respect to Disclosure Schedule Supplements, such amendments shall be made only by a written instrument signed by all of the parties hereto expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

Section 12.3 Publicity. Until the Closing, or the date the Transactions are terminated or abandoned pursuant to Article X, neither the Optionors, the Company, Optionee nor any of their respective Affiliates shall issue or cause the publication of any press release or other public announcement or provide comments to the press when requested with respect to this Agreement or the other Transactions without prior consultation with the other party, except as may be required by law or by any listing agreement with a national securities exchange or trading market.

Section 12.4 Notices. All notices and other communications hereunder shall be in writing and shall be delivered personally by hand, by facsimile (which is confirmed) or sent by an overnight courier service, such as Federal Express, to the parties at the following addresses (or at such other address for a party as shall be specified by such party by like notice):

if to Optionee, to:

Credit Suisse First Boston (USA), Inc.
c/o Credit Suisse First Boston LLC
Eleven Madison Avenue, 4th Floor
New York, New York 10010
Attention: Bruce Kaiserman
Telephone: (212) 538-1962
Telecopy: (917) 326-7936

with copies to (which copies shall not constitute notice):

Credit Suisse First Boston (USA), Inc.
c/o Credit Suisse First Boston LLC
One Madison Avenue, 9th Floor
New York, New York 10010
Attention: Colleen A. Graham, Esq.
Telephone: (212) 325-7951
Telecopy: (212) 325-8282

Cadwalader, Wickersham & Taft LLP
One World Financial Center
New York, NY 10281
Attention: William P. Mills, III, Esq.
Telephone: 212-504-6436
Telecopy: 212-504-6666

if to PMI, to:

The PMI Group, Inc.
PMI Plaza
3003 Oak Road
Walnut Creek, CA 94597
Attention: General Counsel
Telephone: 925-658-6384
Telecopy: 925-658-6175

with a copy to (which copy shall not constitute notice):

Bracewell & Giuliani LLP
711 Louisiana Street, Suite 2300
Houston, Texas 77002
Attention: William S. Anderson
Telephone: 713-221-1122
Telecopy: 713-437-5370
Email: will.anderson@bracewellgiuliani.com

if to FSA, to:

FSA Portfolio Management Inc.,
c/o Financial Security Assurance Holdings Ltd.
31 West 52nd Street
New York, New York 10019
Attention: General Counsel
Telephone: 212-339-3482
Telecopy: 212-339-0849
Email: generalcounsel@fsa.com

if to Greenrange, to:

if via mail:

P.O. Box 975
Darien, CT 06820

if via personal delivery or overnight courier service:

114 Goodwives River Rd.
Darien, CT 06820

Attention: James H. Ozanne
Telephone: (203) 655-5410
Telecopy: (203) 655-6044

if to the Company, to:

SPS Holding Corp.
P. O. Box 65250
Salt Lake City, UT 84165-0250
Attention: General Counsel
Telephone: (801) 293-2512
Telecopy: (801) 293-3907

with a copy to (which copy shall not constitute notice):

Thomas F. Cooney, III
Kirkpatrick & Lockhart Nicholson Graham LLP
1800 Massachusetts Avenue, N.W.
Second Floor
Washington, D.C. 20036
Telephone: (202) 778-9076
Telecopy: (202) 778-9100

All notices given pursuant to this Section 12.4 shall be deemed to have been given (i) if delivered personally on the date of delivery or on the date delivery was refused by the addressee, (ii) if delivered by facsimile transmission, when transmitted to the applicable number so specified in (or pursuant to) this Section 12.4 and an appropriate confirmation is received or (iii) if delivered by overnight courier, on the date of delivery as established by the return receipt or courier service confirmation (or the date on which the courier service confirms that acceptance of delivery was refused by the addressee).

Section 12.5 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts, provided receipt of such counterparts is confirmed.

Section 12.6 Entire Agreement; No Third Party Beneficiaries. This Agreement, the Contingent Payment Agreement and the Purchase Agreement (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and thereof and (b) is not intended to confer any rights or remedies upon any Person other than the parties hereto and thereto.

Section 12.7 Severability. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is invalid, void or unenforceable, the parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

Section 12.8 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 principles of conflicts of law thereof.

Section 12.9 Enforcement; Venue. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States located in the State of New York or in New York state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any Federal court located in the State of New York or any New York state court in the event any dispute arises out of this Agreement or any of the Transactions, (b) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it shall not bring any action relating to this Agreement or any of the Transactions in any court other than a Federal or state court sitting in the State of New York.

Section 12.10 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS.

Section 12.11 Time of Essence. Each of the parties hereto hereby agrees that, with regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

Section 12.12 Extension; Waiver. At any time prior to the Closing Date, the parties may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties of the other parties contained in this Agreement or in any document delivered pursuant to this Agreement or (c) waive compliance by the other parties with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

Section 12.13 No Other Representations. Optionee acknowledges and agrees that the representations and warranties of the Optionors and the Company contained in this Agreement are the sole and exclusive representations and warranties of the Optionors and the Company to the Optionee in connection with the transactions contemplated by this Agreement and that, except as provided in Article IV and V, none of the Company or any Optionor makes or has made any express or implied representation or warranty to the Optionee regarding the Option Shares, the Company or any Company Subsidiaries or their respective businesses.

Section 12.14 Sole and Exclusive Remedy. Except with respect to instances of fraudulent misrepresentation, the indemnification provisions of Article XI shall be the sole and exclusive remedy of the Optionee Indemnified Persons for any breach by the Company or any Optionor of any representations, warranties, covenants or agreements contained in this Agreement or otherwise with respect to this Agreement.

Section 12.15 No Consequential Damages. In no event will any party to this Agreement be liable to any other party or any Optionee Indemnified Person for any punitive, exemplary, indirect, special, incidental or consequential damages, including lost profits or savings, damage to business reputation or loss of opportunity.

Section 12.16 No Set-Off. All payments to be made by the Optionee to an Optionor pursuant to this Agreement or the Contingent Payment Agreement (including, without limitation, the Cash Payment, the Monthly Contingent Payments and the Final Payment Amount) shall be made without any setoff, abatement, withholding, deduction, counter claim or reduction in respect of, or otherwise affected by, any claim or dispute related to this Agreement (including, without limitation, any claim pursuant to Article XI), any Servicing Agreement or any Subsequent Designated Agreement that the Optionee or the Company or any of their respective parents, Subsidiaries or Affiliates may have with any of the Optionors or their respective parents, Subsidiaries or Affiliates.

Section 12.17 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 12.18 Documentation. This Agreement was initially prepared by Optionee's legal counsel as a matter of convenience only, and such document has been thoroughly reviewed by the Optionors, the Company and their legal counsel and the input of the Optionors, the Company and their legal counsel was properly considered, and therefore, no interpretation will be made in favor of any of the parties or any of their respective Affiliates with respect to this Agreement for the reason that such document was prepared by Optionee's legal counsel.

Section 12.19 No Disparagement.

(a) Subject to Section 12.19(d), the Optionee agrees that, prior to the Closing, in the event that this Agreement is terminated, for a period of three years commencing on the date of such termination, and, in the event that the Closing occurs, for a period of three years commencing on the Closing Date, neither the Optionee nor any of its officers, directors, employees, counsel or other representatives shall publish in the media or make an oral statement related to this Agreement, the Contingent Payment Agreement or the Purchase Agreement with the intent or understanding that it be published in the media, or willfully make any statement to any other Person, that would libel, slander, disparage or denigrate the Company or any Company Subsidiary or any of their respective past or present officers, directors or shareholders.

(b) Subject to Section 12.19(d), the Company agrees that, prior to the Closing, in the event that this Agreement is terminated, for a period of three years commencing on the date of such termination and, in the event that the Closing occurs, for a period of three years commencing on the Closing Date, neither the Company nor any of its officers, directors, employees, counsel or other representatives shall publish in the media or make an oral statement related to this Agreement, the Contingent Payment Agreement or the Purchase

Agreement with the intent or understanding that it be published in the media, or willfully make any statement to any other Person, that would libel, slander, disparage or denigrate the Optionee or any of its Subsidiaries or any of their respective past or present officers, directors or shareholders.

(c) Subject to Section 12.19(d), each Optionor agrees, severally and not jointly, that, prior to the Closing, in the event that this Agreement is terminated, for a period of three years commencing on the date of such termination and, in the event that the Closing occurs, for a period of three years commencing on the Closing Date, neither such Optionor nor any of its officers, directors, employees, counsel or other representatives shall publish in the media or make an oral statement related to this Agreement, the Contingent Payment Agreement or the Purchase Agreement with the intent or understanding that it be published in the media, or willfully make any statement to any other Person directly related to this Agreement, the Contingent Payment Agreement or the Purchase Agreement, that would libel, slander, disparage or denigrate the Optionee or any of its Subsidiaries or any of their respective past or present officers, directors or shareholders.

(d) The provisions of Sections 12.19(a), (b) and (c) shall not restrict or otherwise limit the ability of the Optionee, any Optionor, the Company or any Company Subsidiary nor any of their respective officers, directors, employees, counsel or other representatives to make any statement in connection with any action, suit, investigation, examination, or proceeding or any filing with or submission to any Governmental Entity or any statement required by applicable law or judicial process.

Section 12.20 No Solicitation of Company Employees. The Optionee agrees that, prior to the Closing and, in the event that this Agreement is terminated, for a period of one year commencing on the date of such termination, neither the Optionee nor any of its Affiliates nor any of their respective officers, directors or employees shall, directly or indirectly, actively call on or solicit any employee or officer of the Company or any Company Subsidiary regarding employment of such person; provided, however, that the foregoing provision shall not prohibit the Optionee or any of its Affiliates from engaging in a general solicitation of employment not specifically directed towards an employee of SPS, including, but not limited to, solicitations by means of a general advertisement or through a professional recruiter or as a result of a general inquiry received by the Optionee or its affiliate regarding potential employment by an employee of SPS.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Optionee, the Company and each of the Optionors have executed this Agreement or caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first written above.

CREDIT SUISSE FIRST BOSTON (USA), INC.

By /s/ James P. Healy
Name: James P. Healy
Title: Managing Director

SPS HOLDING CORP.

By /s/ Matt Hollingsworth
Name: Matt Hollingsworth
Title: CEO

THE PMI GROUP, INC.

By /s/ Victor J. Bacigalupi
Name: Victor J. Bacigalupi
Title: Executive Vice President, Chief Administrative Officer and General Counsel

By /s/ Donald P. Lofe, Jr.
Name: Donald P. Lofe, Jr.
Title: Executive Vice President and General Counsel

FSA PORTFOLIO MANAGEMENT INC.

By /s/ Bruce E. Stern
Name: Bruce E. Stern
Title: General Counsel and Managing Director

GREENRANGE PARTNERS LLC

By /s/ James H. Ozanne
Name:
Title:

OPTIONOR DATA

Name of Optionor	Type of Legal Entity	Jurisdiction of Organization	Number of Shares of Series C Preferred Stock	Number of Shares of Common Stock
The PMI Group, Inc.	Corporation	Delaware	1,522,666	5,152,485
FSA Portfolio Management Inc.	Corporation	New York	361,333	3,140,620
Greenrange Partners LLC	Limited Liability Company	Connecticut	None	103,350

Execution Copy

CONTINGENT PAYMENT AGREEMENT

This Contingent Payment Agreement (the "Agreement"), dated as of August 12, 2005, is among Select Portfolio Servicing, Inc. ("SPS"), Credit Suisse First Boston (USA), Inc. (the "Option Holder"), Greenrange Partners LLC ("Greenrange"), The PMI Group, Inc. ("PMI") and FSA Portfolio Management, Inc. ("FSA", and together with Greenrange and PMI, each a "Payee" and collectively the "Payees").

Background

A. Pursuant to the Option Agreement (as defined herein), the Option Holder has acquired an option (the "Option"), exercisable on or before August 12, 2005, to acquire 100% of the outstanding capital stock of SPS Holding Corp. ("Holding") from the Payees. SPS is a wholly-owned subsidiary of Holding. The purchase price for such acquisition will be comprised of a "Cash Payment" (as defined in the Option Agreement), a series of "Monthly Contingent Payments" (as defined below) and the "Final Payment Amount" (as defined below).

B. The parties hereto wish to provide for the calculation of the Monthly Contingent Payments and the Final Payment Amount and for the remittance thereof by the Option Holder to the Payees to the extent applicable hereunder.

Agreement

In consideration of the mutual premises and mutual obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Definitions. Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"Accountants": As defined in Section 3(e).

"Advance": Any servicing advance or advance related to delinquent principal and/or interest made by SPS in respect of a Mortgage Loan.

"Affiliate": As defined in the Option Agreement.

"Aggregate Unit Cost": With respect to any calendar month, the sum of the Unit Costs for each Mortgage Loan serviced by SPS on the first day of such calendar month.

"Agreement": As defined in the preamble hereto.

"Ancillary Income": With respect to a Mortgage Loan, all income received by SPS from such Mortgage Loan (other than servicing and sub-servicing fees and prepayment penalties) including, but not limited to, late charges, non-sufficient fund charges, speed pay fees, assignment fees, demand fees, payoff statement fees, loan document fees and any other incidental fees and charges, in each case, to the extent that collection of such amounts is not prohibited by the applicable Servicing Requirements or applicable law.

"Business Day": A day of the week other than (a) Saturday or Sunday or (b) a day on which banking or savings institutions in New York or Utah are authorized or permitted under applicable law to be closed.

"Cash Payment": As defined in the Option Agreement.

"Closing Balance Sheet": As defined in the Option Agreement.

"Consent Order": Order Preliminarily Approving Stipulated Final Judgment and Order as to Fairbanks Capital Corp. and Fairbanks Capital Holding Corp., entered by the United States District Court for the District of Massachusetts on November 21, 2003, as the same may be modified from time to time in accordance with the terms thereof.

"Cumulative Shortfall": For any calendar month, (i) the sum of the Shortfall for that month and for any prior month less (ii) the Cumulative Shortfall Deductible Amount, if any, for all prior months.

"Cumulative Shortfall Deductible Amount": For any calendar month, the lesser of (i) the Cumulative Shortfall for such calendar month and (ii) the Monthly Contingent Payment for such calendar month, calculated assuming that the Cumulative Shortfall Deductible Amount for such month is zero.

"Curry Settlement": The Settlement Agreement and Release, dated November 14, 2003, entered into by Fairbanks Capital Corp., and Alanna Curry and certain other plaintiffs in connection with Civil Action No. 03-10895-DPW, and approved by the United States District Court for the District of Massachusetts, as the same may be modified from time to time in accordance with the terms thereof.

"Customer Accommodation": An amount paid by SPS to a customer, or a credit by SPS to a customer's account, in either case after the Option Closing Date, that (x) does not qualify as a Customer Reversal and (y) is a consequence of the customer alleging a Mortgage Loan Servicing Error or SPS identifying a Mortgage Loan Servicing Error, in each case which (i) occurred prior to the Option Closing Date (and which may or may not have continued thereafter) and (ii) SPS believes is reasonably likely to result in Private Litigation or a Regulatory Action; provided, however, that in no event will any Customer Accommodation (i) also be included in any calculation of Designated Litigation Expenses, (ii) include any amounts payable in connection with a Private Litigation or Regulatory Action or (iii) include any matter related to the Specified Disputes.

"Customer Accommodation Amount": With respect to any calendar month, the sum of all Customer Accommodations for such calendar month; provided, however, that:

(i) for any Customer Accommodation based in part upon Mortgage Loan Servicing Errors that occur both before the Option Closing Date and more than 180 days after the Option Closing Date, the related Customer Accommodation Amount (including pursuant to the immediately succeeding clause (ii)) shall be reduced by fifty percent (50%);

(ii) any Customer Accommodation in excess of $10,000 made by SPS without the prior written approval of FSA and PMI shall be reduced by one-third (1/3) of the excess of such Customer Accommodation over $10,000; and

(iii) for any Customer Accommodation involving only Mortgage Loan Servicing Errors occurring after the Option Closing Date, the related Customer Accommodation Amount shall be zero.

"Customer Information": As defined in Section 8(g).

"Customer Reversal": An amount paid by SPS to a customer, or a credit by SPS to a customer's account, in either case after the Option Closing Date, of an erroneous, duplicative or excessive fee or charge to such customer prior to the Option Closing Date that resulted from a Mortgage Loan Servicing Error which occurred prior to the Option Closing Date (and which may or may not have continued thereafter), except to the extent that SPS had established a reserve with respect thereto prior to the Option Closing Date and such reserve amount has not been reduced to zero as a result of a prior Customer Reversal Amount; provided, however, that in no event will any Customer Reversal (i) also be included in any calculation of Designated Litigation Expenses, (ii) include any amounts payable in connection with a Private Litigation or Regulatory Action or (iii) include any matter related to the Specified Disputes.

"Customer Reversal Amount": With respect to any calendar month, the sum of all Customer Reversals for such calendar month; provided, however, that:

(i) the Customer Reversal Amount shall not include any portion of a Customer Reversal that resulted from a Mortgage Loan Servicing Error that occurred after the Option Closing Date, unless, and only to the extent that, the erroneous, duplicative or excessive fee or charge billed to the customer after the Option Closing Date was included in the Monthly Contingent Payment actually paid to the Payees hereunder;

(ii) the portion of the Customer Reversal Amount that is permitted to be included pursuant to the immediately preceding clause (i) shall be reduced by fifty percent (50%) if the Mortgage Loan Servicing Error giving rise to the Customer Reversal continued to occur more than 180 days after the Option Closing Date; and

(iii) for any Customer Reversal involving only Mortgage Loan Servicing Errors occurring after the Option Closing Date, the related Customer Reversal Amount shall be zero.

"Delinquent": With respect to any Mortgage Loan, when all or part of the related monthly payment or, where applicable, the escrow payment, is not paid on the related due date, as calculated using the method established by the Mortgage Bankers Association and commonly referred to as the MBA method.

"Designated Litigation Expense Adjustment": Until such time as the Litigation Reserve Amount has been reduced to zero, the Designated Litigation Expense Adjustment shall equal zero. Thereafter, with respect to any calendar month (or portion thereof), the Designated Litigation Expense Adjustment shall equal the Designated Litigation Expenses paid by SPS during such calendar month (or portion thereof); provided, however, that to the extent the Litigation Reserve Amount has been reduced to zero and a Cumulative Shortfall exists with respect to a given calendar month, the Designated Litigation Expense Adjustment for such month shall equal zero.

"Designated Litigation Expenses": With respect to any calendar month, the aggregate, without duplication, out-of-pocket costs related to damages, judgments, settlements, penalties, fines or expenses of any kind paid by SPS during such calendar month arising out of any Private Litigation, including interest, penalties, reasonable attorneys' fees and expenses of outside counsel and all reasonable amounts paid in connection with the investigation, defense or settlement of any such claim; provided, however, that:

(i) for any Private Litigation based in part upon Mortgage Loan Servicing Errors that occur both before the Option Closing Date and more than 180 days after the Option Closing Date, the related Designated Litigation Expenses (including pursuant to the immediately succeeding clause (ii)) shall be reduced by fifty percent (50%);

(ii) for any Private Litigation that is settled by SPS without the prior written approval of FSA and PMI which results in Designated Litigation Expenses in excess of $15,000, the related Designated Litigation Expenses shall be reduced by one-third (1/3) of the excess of such Designated Litigation Expenses over $15,000;

(iii) for any Private Litigation involving only Mortgage Loan Servicing Errors occurring after the Option Closing Date, the related Designated Litigation Expenses shall be zero; and

(iv) in no event will any Designated Litigation Expense (x) also be included in any calculation of Designated Nonrecoverable Advances, Customer Accommodation Amounts or Customer Reversal Amounts, (y) include any amounts payable in connection with any Regulatory Action or Origination Litigation, or (z) include the Specified Disputes.

"Designated Nonrecoverable Advances": With respect to any calendar month, the sum of any Advance (other than any servicing, delinquency or other advance that was purchased, rather than made, by SPS) made by SPS prior to the Option Closing Date that

SPS reasonably determines during such calendar month, consistent with the practices of SPS during the six month period prior to the Option Closing Date, to be a Nonrecoverable Advance; provided, however, that in no event will any Designated Nonrecoverable Advance include any matter relating to the Specified Disputes.

"Designated Representative": As defined in Section 8(d).

"Fee Matrix": As defined in the Option Agreement.

"Final Payment Amount": As defined in Section 3(c).

"FSA": As defined in the preamble to the Agreement.

"Governmental Entity": As defined in the Option Agreement.

"Greenrange": As defined in the preamble to the Agreement.

"Holding": As defined in the preamble to the Agreement.

"Indemnified Party": As defined in Section 11(a).

"Indemnifying Party": As defined in Section 11(a).

"Interest Expense": With respect to any calendar month, an amount equal to the product of (i) the average outstanding balance of Advances on the Mortgage Loans during such calendar month, times (ii) 85%, times (iii) one-month LIBOR as of the first Business Day of the month preceding such calendar month plus 2%, times (iv) 1/12.

"Interest Income": With respect to any calendar month, an amount equal to the sum of all interest income (including, without limitation, income received under the Pledge Agreement), float income and/or earnings credit and interest on Advances received by SPS during such calendar month, to the extent that such amounts relate to the Servicing Agreements or the Subsequent Designated Agreements, in each case, to the extent such amounts may be collected in accordance with the related Servicing Agreements or the Subsequent Designated Agreements, as applicable, and the collection thereof is not prohibited by applicable law.

"Litigation Reserve Amount": As of any date of calculation, an amount equal to the (i) the sum of the reserve for legal disputes (other than reserves for the Specified Disputes) and the "reserve for unasserted claims in Mississippi", in each case as included on or reflected in the Closing Balance Sheet, minus (ii) the aggregate Designated Litigation Expenses paid by SPS prior to such date of calculation but during the Payment Period; provided, however, that the result shall not be less than zero.

"Measurement Date": As defined in the Option Agreement.

"Monthly Contingent Payment": With respect to any Payment Date, an amount paid to the Payees pursuant to Section 3(b), as such amount is received from collections

on the Mortgage Loans. Each Monthly Contingent Payment shall equal the following, for the calendar month preceding the calendar month in which the Payment Date occurs: (a) the sum of, without duplication, (i) all Servicing Income for such preceding calendar month, (ii) all Professional Services Income for such preceding calendar month, (iii) the Recovery Amount for such preceding calendar month, and (iv) the Interest Income for such preceding calendar month; less (b) the sum of, without duplication, (i) the Aggregate Unit Cost for such preceding calendar month, (ii) the Designated Litigation Expense Adjustment for such preceding calendar month or, to the extent that the Litigation Reserve Amount has been reduced to zero and a Cumulative Shortfall exists, the Cumulative Shortfall Deductible Amount, (iii) the Designated Nonrecoverable Advances for such preceding calendar month, (iv) the Customer Accommodation Amount for such preceding calendar month, (v) the Customer Reversal Amount for such preceding calendar month, and (vi) the Interest Expense for such preceding calendar month; provided, however, that if the Monthly Contingent Payment for any calendar month is a negative amount, then the Monthly Contingent Payment for such month shall be zero, and a "Shortfall" shall be created in accordance with the definition thereof. All components of each Monthly Contingent Payment, as itemized in Exhibit A, other than the Aggregate Unit Cost, the Designated Litigation Expense Adjustment, the Customer Accommodation Amount and the Interest Expense, shall be charged, collected, calculated and applied by SPS in a manner consistent with methods utilized by SPS during the six months immediately preceding the Option Closing Date, consistently applied; provided, however, that the Servicing Income and the Professional Services Income components of each Monthly Contingent Payment, as itemized in Exhibit A, shall be charged, collected, calculated and applied by SPS subject to Section 7(b); provided, further, that SPS shall use its commercially reasonable efforts and act in good faith to achieve the same outcome on individual Customer Accommodations and Designated Litigation Expenses that was realized for comparable situations during the six months prior to the Option Closing Date.

"Mortgage Loan": An individual mortgage loan related to a Servicing Agreement or Subsequent Designated Agreement. As applicable, "Mortgage Loan" shall be deemed to refer to the related REO Property.

"Mortgage Loan Servicing Error": With respect to any Portfolio Mortgage Loan, a violation by SPS of applicable laws or applicable Servicing Requirements in its servicing of such Portfolio Mortgage Loan.

"Nonrecoverable Advance": Any Advance (other than any servicing, delinquency or other advance that was purchased, rather than made, by SPS) with respect to a Portfolio Mortgage Loan that was made by SPS prior to the Option Closing Date as a result of a Servicing Process Error, which (i) SPS has reasonably determined will not be recovered from payments by or on behalf of the underlying obligor, liquidation proceeds or other amounts related to such Portfolio Mortgage Loan, or the related noteholder pursuant to the terms of the related Servicing Agreement and (ii) was not in a category included in SPS's calculation of "Reserves for advance receivables" on the Closing Balance Sheet.

"Notification Date": The twentieth (20^{th}) day of each calendar month (or, if such day is not a Business Day, the next succeeding Business Day) beginning with the second

month of the Payment Period and ending on January 20, 2008 (or, if such day is not a Business Day, the next succeeding Business Day). For purposes of illustration only, Exhibit B sets forth a sample timeline which identifies the Notification Date in relation to certain other dates relevant to this Agreement.

"Notification Summary": As defined in Section 3(a).

"Objection": As defined in Section 3(e).

"Option": As defined in the preamble.

"Option Agreement": The Option Agreement, dated as of August 12, 2005, among the Option Holder, Holding and the Payees.

"Option Closing Date": The "Closing Date" as defined in the Option Agreement.

"Option Holder": As defined in the preamble.

"Origination Litigation": Any litigation, action, suit, proceeding or claim to the extent relating to the origination, rather than the servicing, of a Portfolio Mortgage Loan.

"Payee": As defined in the preamble to the Agreement.

"Payee Designated Representative": As defined in Section 8(d).

"Payment Date": The twenty-fifth (25^{th}) day of each calendar month (or, if such day is not a Business Day, the next succeeding Business Day) beginning with the second month of the Payment Period and ending on January 25, 2008 (or, if such day is not a Business Day, the next succeeding Business Day).

"Payment Period": The period commencing on the first day of the first calendar month immediately following the Measurement Date and ending on December 31, 2007.

"Peer Group": Four Subprime Servicers, which shall initially be: Countrywide Home Loans, Inc., Ocwen Loan Servicing, Inc., Litton Loan Servicing, and Wells Fargo Bank, National Association doing business as America's Servicing Company, and any successor thereto, each solely in its (or its Affiliates') capacity as a Subprime Servicer. If any of such entities ceases to be a Subprime Servicer or acts as Subprime Servicer for a subprime mortgage loan portfolio of less than $10 billion, files or is the subject of an involuntary filing for bankruptcy protection or becomes insolvent, dissolves, liquidates, or sells all or substantially all of its assets to an unaffiliated entity, or merges with or into another member of the Peer Group, then PMI and FSA may (but shall not be required to) jointly propose to the Option Holder a replacement Subprime Servicer, which, subject to the consent of the Option Holder (not to be unreasonably withheld or delayed), shall replace the affected Supbrime Servicer as a member of the Peer Group.

"Pledge Agreement": The Security Agreement-Pledge (CDs, Commercial Paper, Loan Participations and Investment Property Accounts) executed by SPS and dated May 8, 2001

(in error, the actual date thereof being May 8, 2002), together with any Revolving Credit Note executed by SPS in connection therewith.

"PMI": As defined in the preamble to the Agreement.

"Portfolio Mortgage Loan": An individual mortgage loan for which SPS has been appointed as the servicer, subservicer and/or master servicer (excluding any loans assigned to SPS's Loss Recovery Division for collection which are not otherwise being serviced by SPS). As applicable, "Portfolio Mortgage Loan" shall be deemed to refer to the related REO Property. For the avoidance of doubt, "Portfolio Mortgage Loans" shall include all Mortgage Loans (as defined herein), as well as all other mortgage loans and REO Properties serviced by SPS.

"Privacy and Collection Legislation": (a) the Fair Debt Collection Practices Act, (b) the Gramm-Leach-Bliley Act, (c) federal and state collections licensing laws, (d) federal and state truth-in-lending laws, consumer credit protection laws, equal credit opportunity laws, predatory and abusive disclosure laws, and (e) personal data privacy laws, and all applicable regulations passed under any such legislation, all as the same may be amended or replaced from time to time.

"Private Litigation": Any action, suit or proceeding initiated by or on behalf of a borrower in any federal or state court of competent jurisdiction alleging commission of a Mortgage Loan Servicing Error by SPS prior to the Option Closing Date; provided, however, that (i) solely for purposes of the definition of Designated Litigation Expenses other than clause (iii) of the proviso contained therein, Private Litigation may include the alleged commission of a Mortgage Loan Servicing Error by SPS that occurred both prior and subsequent to the Option Closing Date; and (ii) Private Litigation shall exclude any Regulatory Action.

"Professional Services Income": All income earned from professional services performed by SPS or its Affiliates (including, without limitation, Alta Real Estate Services, Inc., Residential RealEstate Review, Inc., Mountain West Realty Corp., Pelatis Insurance Agency Corp. and Pelatis Insurance Limited), in each case to the extent derived from or related to the Mortgage Loans, less the amount of all direct or indirect, fixed or variable, costs or expenses derived from or related to such professional services.

"Proprietary Information": As defined in Section 8(g).

"Recovery Amount": For any calendar month, the aggregate amount recovered during such month on account of any Designated Nonrecoverable Advances irrespective of when such Designated Nonrecoverable Advance was deducted from the Monthly Contingent Payment.

"Regulatory Action": As defined in the Option Agreement.

"Regulatory Fee Scrutiny": Any of the following shall have occurred with respect to any fee or charge billed to a borrower which is included in the Fee Matrix:

(i) SPS is examined or receives a direct communication from a Federal or state regulator alleging that the fee or charge imposed by SPS violates applicable law or that the amount of such fee or charge by SPS might subject SPS to regulatory sanctions;

(ii) Either (A) a Federal or state regulator has made a statement that it intends to, or has taken an action to, subject Subprime Servicers to regulatory sanctions for imposing such fee or charge at a rate which equals or exceeds the rate being imposed by SPS or (B) Subprime Servicers have generally reduced the rate at which they impose such fees or charges to a rate that is less than the corresponding fee or charge included in the Fee Matrix; or

(iii) any such fee or charge in the Fee Matrix is shown to exceed the highest such fee or charge billed to borrowers by members of the Peer Group with respect to subprime mortgage loans that are substantially similar to the Mortgage Loans by more than 20%; provided, however, that for purposes of this clause (iii), the Option Holder shall use its commercially reasonable best efforts to obtain the amount of such fee or charge billed by each member of the Peer Group.

"REO Property": A mortgaged property acquired by SPS, as servicer, through foreclosure, by deed in lieu of foreclosure or otherwise.

"Servicing Agreement": Each pooling and servicing agreement, whole loan servicing agreement, subservicing agreement and similar agreement listed on Schedule 1 hereto.

"Servicing Income": All servicing fees earned, subservicing fees earned and Ancillary Income, in each case to the extent derived from or related to the Mortgage Loans, as reduced by any compensating interest payments required to be made by SPS related to the Mortgage Loans. Servicing Income for the applicable month shall be itemized and shown on each Monthly Contingent Payment report delivered pursuant to Section 3(a). Subject to Section 7(b), all components of Servicing Income shall be charged, collected, calculated and applied in a manner consistent with methods utilized by SPS during the six months immediately preceding the Option Closing Date, consistently applied.

"Servicing Process Error": A clearly erroneous application by SPS of the "net present value" formula that it utilized prior to the Option Closing Date to determine that an Advance would be reimbursable to SPS under the Servicing Agreement governing the Portfolio Mortgage Loan for which the Advance was being made.

"Servicing Requirements": With respect to each Mortgage Loan, the applicable provisions of the related Servicing Agreement with respect to the servicing, control and administration of such Mortgage Loan.

"Servicing Rights": Any and all of SPS's right, title and interest in and to: (1) all rights of subservicing, servicing and/or master servicing of Mortgage Loans pursuant to

any Servicing Agreement or Subsequent Designated Agreement; (2) all rights under each applicable Servicing Agreement to receive or retain amounts in respect of servicing fees, ancillary income, reimbursement for advances or other expenses and costs, and investment earnings or other benefits from positive account balances, together with all contract rights, incidental income and benefits to the extent payable to SPS; (3) rights to possession and use of servicing files and records directly or indirectly related to each Mortgage Loan or pertaining to the past, present or prospective servicing of such Mortgage Loan, including, without limitation, borrower lists, insurance policies and tax service agreements; (4) all agreements or documents creating, defining or evidencing any such servicing rights and all rights of SPS thereunder; (5) all accounts and other rights to payment related to any of the property described in this paragraph; and (6) all rights, powers and privileges incident to any of the foregoing.

"Shortfall": For any calendar month after the Litigation Reserve Amount has been reduced to zero, the dollar amount, if any (expressed as a positive number), by which the Monthly Contingent Payment for such calendar month is a negative amount.

"Specified Disputes": As defined in the Option Agreement.

"SPS": As defined in the preamble to the Agreement.

"SPS Designated Representative": As defined in Section 8(d).

"Subprime Servicer": An entity which services, master services and/or subservices subprime one-to-four family residential mortgage loans located within the United States, in each case solely in its capacity as such.

"Subsequent Designated Agreement": As defined in Section 9(b).

"Unit Cost": For any calendar month: (i) with respect to any Mortgage Loan which is less than ninety (90) days Delinquent as of the end of the last day of such calendar month, the Unit Cost is $18.35; and (ii) with respect to any Mortgage Loan which is ninety (90) days or more Delinquent as of the end of the last day of such calendar month, the Unit Cost is $50.96. The Unit Cost shall apply to each Mortgage Loan which is serviced by SPS for the related month and is subject to servicing as of the first day of such calendar month.

Section 2. Acknowledgment

(a) Mortgage Loans. The parties to this Agreement acknowledge that some, but not all, of the Portfolio Mortgage Loans will be factored into the calculation of the Cash Payment made by the Option Holder to the Payees pursuant to the Option Agreement. The Monthly Contingent Payments and the Final Payment Amount will be based upon the Mortgage Loans, and may reflect reductions, to the extent provided herein, with respect to Designated Litigation Expenses, Customer Accommodations, Customer Reversals, and Designated Nonrecoverable Advances relating to both the Mortgage Loans and all other Portfolio Mortgage Loans.

(b) Designated Litigation Expenses. The parties to this Agreement acknowledge that the Cash Payment made by the Option Holder to the Payees pursuant to the Option Agreement will not include an amount equal to the Litigation Reserve Amount. Accordingly, the Monthly Contingent Payments to be made to the Payees hereunder will only be reduced for Designated Litigation Expenses once the Litigation Reserve Amount shall have been reduced to zero, as more specifically described in the definition of "Designated Litigation Expense Adjustment".

Section 3. Payments

(a) Payment Notification. On each Notification Date, SPS shall notify the Payees of the amount of the Monthly Contingent Payment to be made on the next Payment Date. Such notification shall include a detailed summary of each component of such Monthly Contingent Payment in substantially the form of Exhibit A hereto (the "Notification Summary"), together with a certificate of the Chief Financial Officer of SPS (or, if there is a vacancy in such office, the Chief Executive Officer of SPS) stating that such statement was prepared on the basis described herein.

(b) Monthly Contingent Payments. On each Payment Date, the Option Holder shall remit (or cause SPS to remit on the Option Holder's behalf) to the Payees the Monthly Contingent Payment, if any, for such Payment Date.

(c) Final Payment. On March 31, 2008 the Option Holder shall remit (or cause SPS to remit on the Option Holder's behalf) to the Payees an amount (the "Final Payment Amount") equal to (i) the net present value, as of December 31, 2007, of the anticipated Monthly Contingent Payments (excluding, for purposes of such anticipated Monthly Contingent Payments, any deduction on account of Designated Litigation Expense Adjustment, Designated Nonrecoverable Advances, Customer Accommodation Amount, or Customer Reversal Amount) through the expected remaining term of the Servicing Rights, calculated using a discount rate of twenty percent (20%) per annum, reduced by (ii) the Cumulative Shortfall Deductible Amount, if any, as of such date. The calculation of the Final Payment Amount shall assume that the revenue components, the Aggregate Unit Costs and Interest Expense included in the calculation of Monthly Contingent Payments are made or incurred in accordance with SPS's financial projections as of December 31, 2007, which shall be prepared by SPS in good faith and in a manner that SPS reasonably believes will represent the Monthly Contingent Payments through the remaining term of the Servicing Rights, and, in the case of the one-month LIBOR rate used to calculate the Interest Expense, projected in accordance with the forward one-month LIBOR curve. SPS shall deliver to the Payees such projections and a detailed calculation of the Final Payment Amount no later than February 15, 2008, together with all related back-up material that may be reasonably requested by the Payees in reviewing such projections and calculation. SPS shall cooperate in good faith with the Payees in their review of such projections and calculation.

(d) Payment Instructions. All payments pursuant to this Section 3 shall be made as follows: 61.36500% of each Monthly Contingent Payment and the Final Payment Amount shall be paid to PMI, 37.40412% of each Monthly Contingent Payment

and the Final Payment Amount shall be paid to FSA and 1.23088% of each Monthly Contingent Payment and the Final Payment Amount shall be paid to Greenrange. Such payments shall be made by wire transfer as follows:

In the case of PMI:

Bank: Bank of New York
ABA #: 021 000 018
Account #: 290430
Account Name: The PMI Group, Inc.
Reference: Please include full details on the wire

In the case of FSA:

Bank: The Bank of New York
One Wall Street
New York, NY 10286
Bank ABA: 021 000 018
or
SWIFT Code: IRVTUS3N
For Further Credit:
FSA Portfolio Management Inc.
Account # : 8900 298 073
Reference: Please include full details on the wire.

In the case of Greenrange:

Name of Bank: Mellon Bank
Address of Bank: Pittsburgh, PA
ABA Number: 043-000-261
Credit to: Merrill Lynch A/C 101-1730

For credit to: 81N-07016 n/o
Greenrange Partners

Reference: Please include full details on the wire

Each Payee may change its wire transfer instructions by providing the Option Holder and SPS with written notice of such Payee's new wire transfer instructions.

(e) Reconciliation and Dispute Resolution. SPS shall deliver to the Payee Designated Representatives, within five (5) days after its receipt of written notice from the Payee Designated Representatives, all related back-up material that may be reasonably requested to verify the accuracy of the related Monthly Contingent Payment report delivered pursuant to Section 3(a) and to recalculate the related Monthly Contingent Payment. SPS shall cooperate in good faith with the Payees in their review of such material and in the Payees' reconciliation. In the event that that PMI or FSA does not agree with the amount of any particular Monthly Contingent Payment or the Final Payment Amount, such Payee may deliver to SPS (with a copy to the Option Holder) a notice objecting to the amount of such payment (an "Objection"). If PMI or FSA delivers an Objection to SPS (with a copy to the Option Holder), the Payees and SPS shall negotiate in good faith with a view to resolving the disputed items and arriving at a mutually agreed amount for such payment. If such negotiations fail to resolve all

disputed items within thirty (30) days after the Objection was delivered to SPS, the remaining disputed items shall be submitted to Ernst & Young LLP (or such other "Big Four" accounting firm as is mutually agreed to by SPS and the Payees) (the "Accountants") for final and exclusive resolution. The Accountants shall afford each of SPS and the Payees and their respective representatives the opportunity to present their positions as to the disputed items (which opportunity shall not extend for more than thirty (30) days after the expiration of the thirty (30) day period described in the previous sentence). Each presentation shall include a statement of the Monthly Contingent Payment or Final Payment Amount, as applicable, proposed by such party and shall be accompanied by reasonably detailed supporting documentation. No later than ten (10) days after the presentations to the Accountants by SPS and the Payees of their respective positions on the disputed items, the Accountants shall deliver their decision with respect to the disputed items, which decision shall be in writing and shall include a reasonably detailed description of the basis for such determination. The Accountants' determination shall be final and binding upon all parties hereto and shall be reflected in any necessary revisions to the relevant Notification Summary, and SPS shall promptly remit to the Payees any amounts due, if applicable, as a result of the Accountants' determination, in proportion to the percentages identified in Section 3(d). The fees, costs and expenses of the Accountants in connection with any such determination shall be borne by SPS if the amount adopted as correct by the Accountants is closer to the amount proposed by the Payees than the Monthly Contingent Payment or the Final Payment Amount, as the case may be, originally proposed by the Option Holder and shall otherwise be borne by the Payees in proportion to the percentages identified in Section 3(d). The Accountants' decision may be enforced in any state or federal court of competent jurisdiction. The failure to deliver an Objection with respect to any particular Monthly Contingent Payment (or the component calculations thereof) shall in no way prejudice the rights of the Payees to object to other Monthly Contingent Payments or the Final Payment Amount.

(f) Payments Unsecured. The Monthly Contingent Payment obligations owing under this Agreement shall be unsecured. No Payee will require, solicit or accept the pledge, mortgage, assignment or hypothecation of any property or property rights or interests of SPS or the Option Holder, including, without limitation, the Servicing Rights, as direct or indirect security for such Monthly Contingent Payment obligations, or any covenant to pledge any of the same, and the parties hereto agree that any such pledge, mortgage, assignment or hypothecation shall be void *ab initio*. Nothing in this Agreement, including the preceding sentence, shall be construed to prevent or limit the Payees from assigning their right to receive all or a portion of the Monthly Contingent Payments and the Final Payment Amount.

(g) No Set Off. All payments to be made by the Option Holder or SPS to a Payee hereunder (including, without limitation, the Monthly Contingent Payments and the Final Payment Amount) shall be made without any setoff, abatement, withholding, deduction, counter claim or reduction in respect of, or otherwise affected by, any claim or dispute related to the Option Agreement, any Servicing Agreement or any Subsequent Designated Agreement, that the Option Holder or SPS or any of their respective parents,

subsidiaries or Affiliates may have with any of the Payees or their respective parents, subsidiaries or Affiliates. For the avoidance of doubt:

(i) the Monthly Contingent Payment may be reduced by the Aggregate Unit Cost, Designated Litigation Expense Adjustment or Cumulative Shortfall Deductible Amount (as applicable), Customer Accommodation Amount, Customer Reversal Amount, Designated Nonrecoverable Advances and Interest Expense, as provided herein;

(ii) the Final Payment Amount may be reduced by the Aggregate Unit Cost and the Interest Expense, as contemplated by Section 3(c); and

(iii) nothing in the immediately preceding sentence shall preclude the Option Holder from seeking indemnification pursuant to and in accordance with the provisions of Section 11.2(d) of the Option Agreement.

(h) No Sale of Servicing Rights. SPS shall not sell, transfer or assign, and the Option Holder shall not permit the direct or indirect sale, transfer or assignment of, its respective right, title or interest in and to the Servicing Agreements and Designated Servicing Agreements. SPS shall, and the Option Holder shall cause SPS to, maintain its corporate existence until this Agreement is terminated in accordance with Section 10 hereof.

Section 4. Effective Date.

This Agreement shall become effective on the Option Closing Date.

Section 5. Representations and Warranties of SPS

SPS represents and warrants to each Payee and the Option Holder that, as of the date hereof and the Option Closing Date:

(a) SPS is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. SPS has all requisite power and authority to own its properties and carry on its business as and where now being conducted. SPS has all requisite power and authority to enter into this Agreement, and the agreements to which it is or will become a party as contemplated by this Agreement, and to carry out the transactions contemplated hereby.

(b) The execution and delivery by SPS of this Agreement, and of the agreements to be entered into pursuant hereto, and the consummation of the transactions contemplated hereby have each been duly and validly authorized by all necessary action, and this Agreement and such other agreements constitute valid and legally binding agreements enforceable in accordance with their respective terms.

(c) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not violate, conflict with, result in a breach of, constitute a default under or be prohibited by, or require any additional approval, waiver

or consent under SPS's charter or other agreement relating to its organization or any instrument or agreement to which it is a party or by which it is bound or any federal or state law, rule or regulation or any judicial or administrative decree, order, ruling or regulation applicable to it.

(d) There is no litigation or action at law or in equity pending, or, to SPS's knowledge, threatened against SPS and no proceeding or investigation of any kind is pending or, to its knowledge, threatened, by any federal, state or local governmental or administrative body, which could reasonably be expected to materially affect SPS's ability to consummate the transactions contemplated hereby.

(e) SPS holds and maintains all required permits, licenses, approvals and registrations for the servicing of the Mortgage Loans, except where the failure to hold any such permit, license, approval or registration would not have a material adverse effect on the servicing of the Mortgage Loans or the ability of SPS to perform its obligations hereunder.

Section 6. Representations and Warranties of the Option Holder

The Option Holder represents and warrants to the Payees and to SPS that, as of the date hereof and the Option Closing Date:

(a) The Option Holder is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. The Option Holder has all requisite power and authority to own its properties and carry on its business as and where now being conducted. The Option Holder has all requisite power and authority to enter into this Agreement, and the agreements to which it is or will become a party as contemplated by this Agreement, and to carry out the transactions contemplated hereby.

(b) The execution and delivery by the Option Holder of this Agreement, and of the agreements to be entered into pursuant hereto, and the consummation of the transactions contemplated hereby have each been duly and validly authorized by all necessary action, and this Agreement and such other agreements constitute valid and legally binding agreements enforceable in accordance with their respective terms.

(c) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not violate, conflict with, result in a breach of, constitute a default under or be prohibited by, or require any additional approval, waiver or consent under the Option Holder's charter or other agreement relating to its organization or any instrument or agreement to which it is a party or by which it is bound or any federal or state law, rule or regulation or any judicial or administrative decree, order, ruling or regulation applicable to it.

(d) There is no litigation or action at law or in equity pending, or, to the Option Holder's knowledge, threatened against the Option Holder and no proceeding or investigation of any kind is pending or, to its knowledge, threatened, by any federal, state or local governmental or administrative body, which could reasonably be expected to

materially affect the Option Holder's ability to consummate the transactions contemplated hereby.

Section 7. Servicing of the Mortgage Loans

(a) Compliance with Servicing Agreements. From and after the Option Closing Date, SPS shall service the Mortgage Loans in accordance with the Servicing Requirements, and in compliance with the Consent Order, the Curry Settlement, all consent agreements or similar documents to which SPS is a party with any other federal, state, or local regulatory authority or any other similar agreement, and applicable laws, rules and regulations and shall have full power and authority, acting alone, to do any and all things in connection with such servicing and administration that SPS may deem reasonably necessary or desirable, consistent with the terms of this Agreement and the Servicing Requirements. From and after the Option Closing Date, with respect to the Mortgage Loans, SPS shall apply the Servicing Requirements, consistent with the practices employed by SPS during the six month period prior to the Option Closing Date, unless prohibited by applicable law.

(b) Ancillary Income. Notwithstanding anything herein to the contrary, all components of Servicing Income and Professional Services Income for any calendar month based on fees or charges billed directly to borrowers shall be determined as if the rate for each such fee or charge utilized by SPS is the same as the rate for such fee or charge utilized by SPS during the six months prior to the Option Closing Date (regardless of whether SPS actually continues to impose such fees or charges at such rates) or, if greater, the highest rate for such fee or charge actually utilized by SPS in the applicable jurisdiction during such calendar month for the Portfolio Mortgage Loans; provided, however, that:

(i) if any such fee or charge is shown to, or due to a change in law will, violate applicable law, the rate deemed to be used for the jurisdiction subject to such law shall be limited to amounts that do not violate applicable law;

(ii) if a regulator with jurisdiction over SPS requires that SPS reduce such fee or charge, or indicates that SPS might face adverse regulatory consequences for failing to reduce such fee or charge, the rate deemed to be used in such jurisdiction shall be limited to the rate required, or requested in order to avoid adverse regulatory consequences, by the regulator; and

(iii) subject to Sections 7(b)(i) and 7(b)(ii), if any Regulatory Fee Scrutiny exists with respect to a particular fee or charge billed directly to borrowers that is included in the Fee Matrix in effect on the Option Closing Date, the rate of such particular fee or charge used for all Mortgage Loans within the jurisdiction of the applicable regulator shall be deemed to be equal to the greater of:

(x) the highest rate for such fee or charge actually utilized by SPS in the applicable jurisdiction during such calendar month for the Portfolio Mortgage Loans, and

(y) (1) the amount shown by the Option Holder to be the average of the top two (2) rates at which members of the Peer Group impose such fee or charge in the applicable jurisdiction, if it has obtained such information from at least two (2) members of the Peer Group, or (2) if the Option Holder obtains information from only one (1) member of the Peer Group, 98% of the rate at which such member imposes such fee or charge; provided, however, that for purposes of this clause (y), (a) the Option Holder shall use its commercially reasonable efforts to obtain the amount of such fee or charge billed by each member of the Peer Group in such jurisdiction, (b) if the Option Holder has been unable to obtain information from a member of the Peer Group (after using its commercially reasonable efforts to do so), the average described in clause (y)(1) shall be based on only the Peer Group members' fees or charges as to which the Option Holder has obtained such information, and (c) for the avoidance of doubt, if the top two (or more) rates of Peer Group members are identical, the fee or charge to be used hereunder shall be equal to 98% of such rate.

(c) Standard of Care. From and after the Option Closing Date, SPS shall assure that the Mortgage Loans are generally serviced with the same degree of care, attention and skill as the other Portfolio Mortgage Loans.

(d) Termination of Servicing Agreements. SPS will not waive any material right which it may have under a Servicing Agreement without the prior written consent of the Payee Designated Representatives, unless such waiver will not adversely affect the Payees' right to or interest in the Monthly Contingent Payments or the Final Payment Amount.

(e) Quarterly Accounting Forecast. Not later than 15 days before the end of any calendar quarter (any such date being a "Forecast Date"), beginning with the calendar quarter in which the Closing occurs and ending with the last quarter of 2007, the Company shall deliver to the Payees a forecast (each such forecast being a "Forecast") prepared as follows: for each calendar quarter beginning with the quarter immediately following the Forecast Date and ending with the last quarter of 2009, the Company shall estimate the amounts to be realized on account of Servicing Income, Interest Income, Professional Services Income, Interest Expense and Aggregate Unit Costs (the "Forecasted Items"), as those terms are used in, and with the supporting detail provided by, Exhibit A hereto. The estimates will be prepared using substantially the same procedures that the Company used in the six months prior to the Option Closing Date hereof to derive the cash flow projections used in its determination of the GAAP balance sheet values for the Servicing Rights. The Payees acknowledge that (i) the Forecasts are being prepared by the Company only as an accommodation to certain reporting requirements of the Payees and (ii) SPS shall not be deemed to make any representations or warranties as to whether the Forecasts will reflect the future performance of SPS or its business or whether the Forecasts will be achieved. Monthly Contingent Payments paid to the Payees from time to time shall be determined from amounts actually received or paid on account of the Forecasted Items and not from the amounts shown in any of the

Forecasts. SPS shall reasonably promptly provide each Payee with any additional information reasonably requested by such Payee in order for such Payee to prepare its audited financial statements and to satisfy any financial reporting obligations applicable to it. Notwithstanding anything to the contrary contained herein, in no event shall the Option Holder nor SPS have any liability for the accuracy of the information that it provides pursuant to this Section 7(e).

Section 8. Monitoring and Consultation Rights

(a) Monthly Reporting. SPS agrees that from and after the Option Closing Date, to the extent not prohibited by applicable law or the Servicing Requirements, SPS shall provide the Payees with: (i) access to all loan-level and pool-level monthly servicing reports and all other reports, notices and certifications that are delivered by SPS with respect to the Servicing Agreements, together with copies of such reports, notices and certifications upon request, and (ii) all documentation and information reasonably requested in writing by any Payee Designated Representative to verify the accuracy of any Monthly Contingent Payment report delivered pursuant to Section 3(a).

(b) Access to Information. Upon reasonable written prior notice to SPS, SPS shall provide the Payees and their respective counsel, accountants and other representatives with reasonable access during normal business hours to all of SPS's files, books and records relating to the Mortgage Loans; provided, however, that SPS shall be entitled to take reasonable and appropriate actions to assure that the Payees maintain the confidentiality of the names and addresses of the borrowers under the Mortgage Loans and all non-public information obtained in any such investigation that could reasonably be construed to be of a confidential or proprietary nature. SPS shall provide the Payees with access to and reasonable cooperation of SPS's officers and employees in connection with any such investigation.

(c) On-site Monitoring. PMI and FSA shall have the collective right, but not the obligation, to designate one individual to conduct onsite monitoring, to the extent not prohibited by law, of SPS's compliance with this Agreement. PMI and FSA shall have the collective right, exercisable in their sole discretion at any time, to remove any individual designated to conduct onsite monitoring pursuant to this Section 8(c) and may, if they collectively so elect, designate a new individual to conduct onsite monitoring pursuant to this Section 8(c). SPS shall provide (without cost to the Payees) such individual with an assigned workspace, reasonably requested support from SPS's Information Technology Department and access, during normal business hours, to all of SPS's files, books and records relating to the Mortgage Loans, with such access subject to SPS's normal security procedures for third party access to such information. It is expressly understood and agreed that the designated individual shall in no event be deemed an officer or employee of SPS.

(d) Designated Representatives. SPS shall designate two individuals (each an "SPS Designated Representative") and PMI and FSA shall each designate one individual (each a "Payee Designated Representative", and together with the SPS Designated Representatives, the "Designated Representatives") as contacts for SPS, PMI

and FSA, respectively, for all communications relating to this Agreement. Each of PMI and FSA shall have the individual right, exercisable in its sole discretion at any time, to remove any individual designated by it pursuant to the preceding sentence and to designate a new individual as a contact for such Payee. Each of the Payee Designated Representatives and at least one of the SPS Designated Representatives shall meet in person not less frequently than monthly during the first 18 months following the Option Closing Date, and beginning in the 19th month following the Option Closing Date and each quarter thereafter until the payment of the Final Payment Amount and conclusion of any dispute resolution proceedings pursuant to Section 3(e) hereof with respect thereto, to review any issues identified by SPS or the Payees with respect to this Agreement.

(e) Designated Litigation Expense and Regulatory Matters Review. In addition to the meetings referred to in Section 8(d) hereof, each of the Payee Designated Representatives and at least one of the SPS Designated Representatives (together with, if appropriate, one or more officers of SPS responsible for litigation and regulatory procedures) shall meet in person (except as otherwise mutually agreed to by such Designated Representatives) not less frequently than monthly to review (i) all Regulatory Actions (other than routine examinations, except to the extent that the applicable regulator identifies any matters which may give rise to matters subject to the indemnity provided in Section 11.2(f) of the Option Agreement), (ii) any action initiated by or on behalf of a consumer in any federal, state or arbitral forum in respect of a Mortgage Loan which is classified as a "Risk Rated 5" action by SPS, and (iii) any Designated Litigation Expenses which were used to reduce prior Contingent Monthly Payments or resulted in a Cumulative Shortfall Deductible Amount. The meetings referred to in this Section 8(e) and Section 8(d) shall be held at a mutually convenient location in New York, New York (with telephonic access provided upon request to each Payee Designated Representative and SPS Designated Representative), or via teleconference.

(f) Payees' Consultation Rights. Each Payee may (but has no obligation to) provide SPS with advice regarding the management of specific Mortgage Loans, which advice may be made in writing, in the form of electronic mail or orally. Such advice may be based on observations made in conjunction with the information provided pursuant to Section 8(a), 8(b), 8(c), 8(d) and 8(e) of this Agreement, or in conjunction with any Payee's general review of SPS's operations. Each party to this Agreement acknowledges that (i) such advice is made in the form of recommendations, and that the Payees do not have the right (nor any obligation) to direct SPS in performing its duties under the Servicing Agreements and (ii) SPS has no obligation to follow or adopt such recommendation.

(g) Confidentiality. The Payees shall keep confidential and shall not divulge to any party, without the prior written consent of SPS, any documents, files or other information pertaining to the Mortgage Loans or any mortgagor thereunder ("Customer Information"), except to the extent that it is appropriate for the Payees to do so in enforcing their rights hereunder or working with their respective legal counsel, auditors, taxing authorities, other governmental agencies, insurance carriers, any property inspector, or other person necessary to fulfill such Payee's obligations hereunder. To the extent that the Customer Information includes information which constitutes "nonpublic

personal information" under 16 C.F.R. 314 (2002), the Payees will maintain appropriate safeguards to safeguard such Customer Information in accordance with the "Standards for Safeguarding Customer Information" as required by 16 C.F.R., Chapter I, Part 314. Notwithstanding any provision of this Agreement, the trademarks, trade secrets, know-how, business methods and practices, internal procedures and other intellectual property and confidential information of SPS ("Proprietary Information") shall remain vested in SPS, and are not hereby transferred to the other party, and SPS shall have the right to take all actions necessary to protect the Proprietary Information. Notwithstanding any provision of this Agreement, this Agreement and its terms may be disclosed by the Payees without restriction.

Section 9. Option Holder

(a) Compliance with Agreement. From and after the Option Closing Date, the Option Holder shall cause SPS to fully and completely perform each of SPS's obligations under the Agreement in the manner and at the times set forth herein.

(b) Subsequent Designated Agreements. With respect to any mortgage servicing rights acquired or to be acquired by SPS after November 30, 2004 and prior to the Option Closing Date from any third party not affiliated with the Option Holder, SPS may request that the Option Holder indicate whether the purchase price to be bid by SPS for such servicing rights is acceptable to the Option Holder. The Option Holder shall respond to any such request within three (3) Business Days. If the Option Holder shall have notified SPS that the purchase price is acceptable, then such servicing rights will not constitute Subsequent Designated Agreements for purposes of the Cash Payment. If the Option Holder shall not have notified SPS that the purchase price is acceptable, but SPS proceeds with the transaction, then the related pooling and servicing agreement, whole loan servicing agreement, subservicing agreement or similar agreement shall be considered a "Subsequent Designated Agreement". Nothing in this Section 9(b) shall be deemed to limit SPS's ability to acquire mortgage servicing rights from any third party not affiliated with the Option Holder. The Subsequent Designated Agreements in effect as of the date hereof are identified on Schedule 1 hereto. On the Option Closing Date, SPS shall deliver to the Payees a revised Schedule 1 that identifies all of the Subsequent Designated Agreements as of such date.

Section 10. Termination of the Agreement

Except as otherwise specifically set forth herein, the obligations and responsibilities of the parties to this Agreement shall terminate upon the date (the "Termination Date") which is the earliest to occur of: (i) the date on which all Monthly Contingent Payments and the Final Payment Amount have been paid in full to the Payees in the manner required hereunder and are not subject to dispute under Section 3(e) hereof; and (ii) such other date as shall have been agreed upon by all of the parties hereto. Section 8(g) of this Agreement shall survive any termination of this Agreement. Section 11 of this Agreement shall survive any termination of this Agreement until the date (the "Indemnification Expiration Date") that is 18 months after the Termination Date; provided, however, that, notwithstanding the foregoing, the Option Holder shall remain

obligated under Section 11 with respect to any matter giving rise to indemnification thereunder as to which an Indemnified Party shall have given written notice to the Option Holder prior to the Indemnification Expiration Date.

Section 11. Indemnification

(a) Indemnification Obligations. Option Holder (the "Indemnifying Party") shall indemnify, defend and hold harmless each of the Payees and their respective parents, subsidiaries, Affiliates, directors, officers, shareholders, representatives, successors and assigns (each an "Indemnified Party"), from and against, without duplication, any and all actual losses, costs, obligations, liabilities, damages, settlement payments, awards, judgments, fines, penalties, damages, deficiencies or other charges (including without limitation reasonable attorneys' fees and expenses and reasonable accountants' fees and expenses), whether or not arising out of any claims by or on behalf of a third party, to the extent arising from: (i) the willful misconduct or gross negligence of the Indemnifying Party, SPS (from and after the Closing Date) or any of their respective agents in the performance of the duties and obligations of SPS (from and after the Closing Date) or the Option Holder hereunder; or (ii) the breach by the Indemnifying Party or SPS (from and after the Closing Date) of any of the representations, warranties or covenants of SPS or the Option Holder set forth herein; provided, however, that, in the event that the loss giving rise to such indemnification results from a Mortgage Loan Servicing Error occurring both before and after the Option Closing Date, then (i) such indemnity shall not apply to the portion of any such loss that results solely from a Mortgage Loan Servicing Error that occurred before the Option Closing Date and continues for no more than 180 days after the Option Closing Date; and (ii) the amount of loss indemnified shall be reduced by 50% of the portion of any such loss that results solely from a Mortgage Loan Servicing Error that occurred before the Option Closing Date and continues for more than 180 days after the Option Closing Date. Notwithstanding anything to the contrary contained herein, the Option Holder agrees that a Mortgage Loan Servicing Error that occurs solely after the Option Closing Date shall not adversely affect or otherwise diminish the foregoing indemnity in any respect.

(b) Indemnification Procedures. (i) Within ten (10) days after receipt by an Indemnified Party of any claim or the commencement of any action, the Indemnified Party shall, if a claim in respect thereof is to be made against the Indemnifying Party under this Agreement, deliver a claim notice to the Indemnifying Party; provided, however, that the omission to so notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability that the Indemnifying Party may have to the Indemnified Party unless such delay has materially prejudiced the Indemnifying Party. In the event that such claim is made or action brought against the Indemnified Party and the Indemnified Party notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party shall be entitled to participate therein and, to the extent that it shall wish, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Party. The Indemnifying Party shall give prompt notice to the Indemnified Party of whether it intends to participate and/or assume the Indemnified Party's defense.

(ii) The Indemnified Party may also employ separate counsel in any action or claim and to participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless: (i) the employment thereof has been specifically authorized by the Indemnifying Party in writing; (ii) the named parties to such action (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them; or (iii) the Indemnifying Party has failed to assume the defense of such action and employ counsel reasonably satisfactory to the Indemnified Party. If such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party in accordance with the preceding sentence, the Indemnifying Party shall not have the right to assume the defense of such action on behalf of such Indemnified Party, it being understood, however, that the Indemnifying Party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to local counsel) at any time for all Indemnified Parties.

(iii) Upon the payment in full of any claim hereunder, the Indemnifying Party shall be subrogated to the rights of the Indemnified Party against any person with respect to the subject matter of such claim. In the event of a dispute, the parties shall proceed in good faith to negotiate a resolution of such dispute.

(iv) The Indemnifying Party shall not be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment for the plaintiff in any such action, the Indemnifying Party agrees to indemnify and hold harmless any Indemnified Party from and against any loss or liability by reason of such settlement or judgment. The Indemnifying Party shall not, without prior written consent of the Indemnified Party, effect any settlement of any pending or threatened action in respect of which such 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 any claims that are the subject matter of such action.

(v) In the event that the Indemnifying Party reimburses the Indemnified Party with respect to any third party claim and the Indemnified Party subsequently receives reimbursement from another person with respect to that third party claim, then the Indemnified Party shall remit such reimbursement from such other person to the Indemnifying Party within fifteen (15) business days of receipt thereof.

(c) Tax Treatment of Indemnification Payments. The parties agree to treat any indemnification payment made pursuant to this Agreement as an adjustment to the Exercise Price (as defined in the Option Agreement) for tax purposes.

Section 12. Miscellaneous

(a) Amendments. This Agreement may be amended from time to time by the parties hereto only by written agreement signed by all of the parties hereto.

(b) Further Assurances. Each party hereto covenants and agrees that, subsequent to the execution of this Agreement, and without any additional consideration, such party will execute and deliver any further legal instruments and perform any acts which are or may become necessary to effectuate the purposes of this Agreement.

(c) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS CHOICE OF LAW PROVISIONS.

(d) WAIVER OF JURY TRIAL. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (1) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (2) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (3) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (4) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

(e) Notices. Any notices or other communications permitted or required hereunder shall be in writing and shall be deemed conclusively to have been given if delivered by overnight courier (delivery being evidenced by a written receipt) to, personally delivered at, mailed by registered mail, postage prepaid, and return receipt requested to or transmitted by confirmed facsimile, to (i) in the case of SPS, if by overnight courier, personal delivery or registered mail, 3815 South West Temple, Salt Lake City, Utah 84115-4412, Attn: General Counsel or, if by facsimile (801) 293-2555, or such other address or telecopy number as may hereafter be furnished to the other parties hereto in writing by SPS; (ii) in the case of FSA, if by overnight courier, personal delivery or registered mail, 31 West 52nd Street, New York, New York 10019, Attn: General Counsel, if by e-mail to generalcounsel@fsa.com or, if by facsimile [(212) 339-3560, or such other address or telecopy number as may hereafter be furnished to the other parties hereto in writing by FSA; provided, however, that the Notification Summary to be delivered to FSA shall be delivered via telecopy or e-mail to the Payee Designated Representative of FSA at such telecopy or e-mail address as such Payee Designated

Representative may specify; (iii) in the case of PMI, if by overnight courier, personal delivery or registered mail, 3003 Oak Road, Walnut Creek, California 94597, Attn: General Counsel, or, if by facsimile (925) 658-6384, or such other address or telecopy number as may hereafter be furnished to the other parties hereto in writing by PMI; provided, however, that the Notification Summary to be delivered to PMI shall be delivered via telecopy or e-mail to the Payee Designated Representative of PMI at such telecopy or e-mail address as such Payee Designated Representative may specify; (iv) in the case of Greenrange, if by registered mail, P.O. Box 975, Darien Connecticut 06820, Attn: James H. Ozanne, and if by overnight courier or personal delivery to 114 Goodwives River Road, Darien, Connecticut 06820 or, if by facsimile (203) 655-6044, or such other address or telecopy number as may hereafter be furnished to the other parties hereto in writing by Greenrange; and (v) in the case of the Option Holder, if by overnight courier, personal delivery or registered mail, 11 Madison Avenue, 4th Floor, New York, NY 10010, Attn: Bruce Kaiserman, or, if by facsimile (917) 326-7936, with a copy to One Madison Avenue, 9th Floor, New York, NY 10010, Attn: Colleen A. Graham, Esq., or if by facsimile (212) 325-8282, or such other address or telecopy number as may hereafter be furnished to the other parties hereto in writing by the Option Holder.

(f) Exhibits and Schedules. The Exhibits and Schedules to this Agreement are hereby incorporated and made a part hereof and are an integral part of this Agreement.

(g) Severability. Any part, provision, representation or warranty of this Agreement which is prohibited or which is held to be void or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any part, provision, representation or warranty of this Agreement which is prohibited or unenforceable or is held to be void or unenforceable in any jurisdiction shall be ineffective, as to such jurisdiction, to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereto waive any provision of law which prohibits or renders void or unenforceable any provision hereof. If the invalidity of any part, provision, representation or warranty of this Agreement shall deprive any party of the economic benefit intended to be conferred by this Agreement, the parties shall negotiate, in good-faith, to develop a structure the economic effect of which is as close as possible to the economic effect of this Agreement without regard to such invalidity.

(h) General Interpretive Principles. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(i) the terms defined in this Agreement have the meanings assigned to them in this Agreement and include the plural as well as the singular;

(ii) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles;

(iii) references herein to "Sections," "Subsections" and other subdivisions without reference to a document are to designated Sections, Subsections and other subdivisions of this Agreement;

(iv) the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision; and

(v) the term "include" or "including" shall mean without limitation by reason of enumeration.

(i) Reproduction of Documents. This Agreement and all documents relating thereto, including, without limitation, (i) consents, waivers and modifications which may hereafter be executed, (ii) documents received by any party at the closing, and (iii) financial statements, certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding, whether or not the original is in existence and whether or not such reproduction was made by a party in the regular course of business, and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one instrument. It shall not be necessary in making proof of this Agreement or any counterpart thereof to produce or account for any other counterpart. Telecopy signatures shall be deemed valid and binding to the same extent as originals.

(k) Expenses. Each of the parties hereto shall bear its own expenses incurred in connection with the transactions contemplated by this Agreement.

(l) Entire Agreement, Successors and Assigns. This Agreement and the Option Agreement constitute the entire agreement between the parties hereto and supersedes all rights and prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof. This Agreement shall not be assignable, directly or indirectly, in whole or in part by any party hereto without the prior written consent of the other parties hereto. Notwithstanding the foregoing, in the case of any assignment by the Payees, consent shall not be unreasonably withheld or delayed by the Option Holder or SPS; provided, however, that such consent may be unreasonably withheld or delayed by the Option Holder or SPS if the assignee is a competitor of one or more of the mortgage or mortgage-related businesses conducted by the Option Holder or any of its Affiliates or any of the businesses conducted by SPS; and provided, further, that the Payees may assign their rights under this Agreement to any of their respective Affiliates without the consent of any other party hereto. This Agreement and any rights, remedies, obligations or liabilities under or by reason of the Agreement shall inure to the

benefit of and be binding on the parties hereto and on their respective successors and permitted assigns.

Rest of Page left Blank Intentionally

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, as of the dates set forth below.

SELECT PORTFOLIO SERVICING, INC.

By: /s/ Matt Hollingsworth
Name: Matt Hollingsworth
Title: CEO

CREDIT SUISSE FIRST BOSTON (USA), INC.

By: /s/ James P. Healy
Name: James P. Healy
Title: Managing Director

THE PMI GROUP, INC.

By: /s/ Victor J. Bacigalupi
Name: Victor J. Bacigalupi
Title: Executive Vice President, Chief Administrative Officer and General Counsel

By: /s/ Donald P. Lofe, Jr.
Name: Donald P. Lofe, Jr.
Title: Executive Vice President and Chief Financial Officer

FSA PORTFOLIO MANAGEMENT, INC.

By: /s/ Bruce E. Stern
Name: Bruce E. Stern
Title: General Counsel and Managing Director

GREENRANGE PARTNERS LLC

By: /s/ James H. Ozanne
Name:
Title:

Exhibit A
to
Contingent Payment Agreement

Monthly Contingent Payment Calculation

Prepared for Calendar Month , 20

1. Servicing Income										
Servicing fees and subservicing fees, earned								$	xxxxxx	
Plus Ancillary Income								$	xxxxxx	
Less BofA Mortgage Loan demand fee applied against outstanding receivable on balance sheet								$	(xxxxx)	
Less compensating interest paid by SPS under the related Servicing Agreement								$	(xxxxx)	
Subtotal Servicing Income										$ xxxxxx
2. Professional Services Income (PSI)										
	ARS		**RRR**		**MWR**		**PIA**		**PIL**	
All income earned from professional services	$	xxx	$	xxx	$	xxx	$	xxx	$	xxx
Divided by # Units(1) and Portfolio Mortgage Loans generating income from professional services		xxx		xxx		xxx		xxx		xxx
Unit Margin	$	xxx	$	xxx	$	xxx	$	xxx	$	xxx
Multiplied by # of Mortgage Loans generating income from professional services		xxx		xxx		xxx		xxx		xxx
Calculated PSI by business	$	xxx	$	xxx	$	xxx	$	xxx	$	xxx
Subtotal calculated PSI										$ xxxxxx
3. Recovery Amount										$ xxxxxx
4. Interest Income										$ xxxxxx
2a. Subtotal Monthly Net Cash Flow Revenues										**$ xxxxxx**

(1) When the income earned from professional services is derived from both Portfolio Mortgage Loans and other sources, those other sources will be measured in units assigned so that the effort required to obtain income earned from professional services for the unit is comparable to the effort so required for a Portfolio Mortgage Loan.

5. Aggregate Unit Costs					
Unit Cost for Mortgage Loans less than 90 days Delinquent	$	18.35			
Number of Mortgage Loans less than than 90 days Delinquent		Xxxx			
Total Costs for Mortgage Loan less than 90 days Delinquent			$	xxxxxx	
Unit Cost for Mortgage Loan 90 days or more Delinquent	$	50.96			
Number of Mortgage Loans 90 days or more Delinquent		xxxx			
Total Costs for Mortgage Loans 90 days or more Delinquent			$	xxxxxx	
Subtotal Aggregate Unit Costs					$ (xxxxx)
6. Designated Litigation Expense Adjustment					**$ (xxxxx)**
OR (if the Litigation Reserve Amount has been reduced to zero and a Cumulative Shortfall exists):					
6. Cumulative Shortfall Deductible Amount					**$ (xxxxx)**
7. Designated Nonrecoverable Advances					**$ (xxxxx)**
8. Customer Accommodation Amount					**$ (xxxxx)**
9. Customer Reversal Amount					**$ (xxxxx)**
10. Interest Expense					**$ (xxxxx)**
Average outstanding Advances during the calendar month			$	xxxx	
One-month LIBOR as of the first Business Day of the immediately preceding calendar month				%	
10a. Subtotal Monthly Net Cash Flow Expenses					**$ (xxxxx)**
Monthly Net Cash Flow					**$ xxxxxx**

For your information:		
1. The remaining Litigation Reserve Amount at the end of the calendar month was	$	xxxxxxx
2. The Shortfall for the calendar month and all prior months was	$	xxxxxxx
3. The Cumulative Shortfall Deductible Amount for all prior months was	$	xxxxxxx
4. The Cumulative Shortfall at the end of the calendar month was	$	xxxxxxx

Exhibit B
to
Contingent Payment Agreement

Sample Timeline

For purposes of illustration only, assuming that on August 12, 2005 the Option Holder delivered notice of its intent to exercise the Option and close the purchase of the Option Shares on September 30, 2005, the following dates would become relevant under this Agreement.

August 12, 2005	Option Exercise Date
September 30, 2005 (month end for SPS)	Measurement Date
October 3, 2005 (first Business Day after the Measurement Date)	Option Closing Date
October 1, 2005 (first day of the first calendar month following the Measurement Date)	Commencement of the Payment Period under the Contingent Payment Agreement
November 21, 2005 (first Business Day following the 20th day of such calendar month)	The initial Notification Date under the Contingent Payment Agreement (relating to payment accruing during the month of October)
November 25, 2005	The initial Payment Date under the Contingent Payment Agreement (relating to payment accruing during the month of October)

Credit Suisse First Boston (USA), Inc.
c/o Credit Suisse First Boston LLC
One Madison Avenue, 9th Floor
New York, New York 10010

August 12, 2005

VIA FAX 925-658-6175
The PMI Group, Inc.
PMI Plaza
3003 Oak Road
Walnut Creek, CA 94597
Attention: General Counsel

VIA FAX 212-339-0849
FSA Portfolio Management Inc.,
c/o Financial Security Assurance Holdings Ltd.
31 West 52nd Street
New York, New York 10019
Attention: General Counsel

VIA FAX 203 655 - 6044
Greenrange Partners LLC
114 Goodwives River Rd.
Darien, CT 06820
Attention: James H. Ozanne

VIA FAX (801) 293-3907
SPS Holding Corp.
P. O. Box 65250
Salt Lake City, UT 84165-0250
Attention: General Counsel

RE: Exercise Notice

Ladies and Gentlemen:

Reference is made to that certain Option Agreement, dated as of August 12, 2005, by and among Credit Suisse First Boston (USA), Inc. (the "Optionee"), SPS Holding Corp., The PMI Group, Inc., FSA Portfolio Management Inc., and Greenrange Partners LLC (the "Option Agreement"). Certain capitalized terms used herein shall have the meanings assigned to them in Option Agreement.

Pursuant to Section 3.1(a) of the Option Agreement, and subject to Section 3.1(b) of the Option Agreement, the Optionee hereby exercises the Option to purchase the Option Shares for the Exercise Price in accordance with the terms of the Option Agreement. Please be advised that the Measurement Date shall be September 30, 2005.

Sincerely,

Credit Suisse First Boston (USA), Inc.

By: /s/ James P. Healy
James P. Healy
Managing Director

cc:

VIA FAX 713-437-5370
Bracewell & Giuliani LLP
711 Louisiana Street, Suite 2300
Houston, Texas 77002
Attention: William S. Anderson

VIA FAX (202) 778-9100
Thomas F. Cooney, III
Kirkpatrick & Lockhart Nicholson Graham LLP
1800 Massachusetts Avenue, N.W.
Second Floor
Washington, D.C. 20036

Acknowledgement of Receipt of Acceptance

Receipt of the foregoing notice of acceptance delivered by Credit Suisse First Boston (USA), Inc. on August 12, 2005 with respect to the exercise of the Option to purchase the Option Shares is hereby acknowledged this 12th day of August, 2005, and such notice is effective to exercise the right to purchase the Option Shares. This Acknowledgement of Receipt of Acceptance may be executed in counterparts.

The PMI Group, Inc.

/s/ Victor J. Bacigalupi
Name: Victor J. Bacigalupi
Title Executive Vice President, Chief Administrative Officer and General Counsel

FSA Portfolio Management Inc.

/s/ Bruce E. Stern
Name: Bruce E. Stern
Title General Counsel and Managing Director

Greenrange Partners LLC

/s/ James H. Ozanne
Name:
Title

SPS Holding Corp.

/s/ Matt Hollingsworth
Name: Matt Hollingsworth
Title CEO

Exhibit 10.4

Execution Copy

First Amendment to the Option Agreement and the Contingent Payment Agreement

This First Amendment to the Option Agreement and the Contingent Payment Agreement (the "Amendment") is made and entered into as of October 4, 2005, by and among Credit Suisse First Boston (USA), Inc., a Delaware corporation (the "Optionee"), SPS Holding Corp., a Delaware corporation (the "Company"), Select Portfolio Servicing, Inc., a Utah corporation (the "Servicer"), The PMI Group, Inc., a Delaware corporation ("PMI"), FSA Portfolio Management Inc., a New York corporation ("FSA"), and Greenrange Partners LLC, a Connecticut limited liability company ("Greenrange") (each of Greenrange, PMI and FSA, individually an "Optionor" and collectively the "Optionors").

WHEREAS, the Optionee, the Company and the Optionors have entered into the Option Agreement, dated as of August 12, 2005 (the "Option Agreement"), pursuant to which the Optionors have granted the Optionee the option to acquire all of the outstanding shares of capital stock of the Company;

WHEREAS, the Optionee, the Servicer and the Optionors have entered into the Contingent Payment Agreement, dated as of August 12, 2005 (the "Contingent Payment Agreement");

WHEREAS, the Optionee has exercised the Option and the parties hereto intend to consummate the Closing on the date hereof immediately after the execution and delivery of this Amendment;

WHEREAS, the parties hereto desire to set forth their mutual understanding of the manner in which the Specified Regulatory Matters (as defined below) will be indemnified under the Option Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Certain Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings ascribed to such terms in the Option Agreement.

2. Amendments of Section 1.1 of the Option Agreement.

(a) Section 1.1 of the Option Agreement is hereby amended to insert the following definitions:

"Maximum Indemnification Amount" shall be an amount equal the sum of (i) $25,000,000 *plus* (ii) the lesser of (a) the aggregate amount paid by the Optionors pursuant to Section 11.2(e) based upon the Specified Regulatory Matters and (b)

$9,000,000. The parties hereto agree that under no circumstances shall the Maximum Indemnification Amount exceed $34,000,000.

"Specified Regulatory Matters" shall mean the matters set forth in Schedule 1.1(d) hereto.

(b) The Option Agreement is hereby amended to insert a new schedule entitled "Schedule of Specified Regulatory Matters" as "Schedule 1.1(d)" thereto. Such new schedule is attached hereto as Schedule 1.1(d).

(c) Section 1.1 of the Option Agreement is hereby amended to insert the following immediately after the definition of the term "Regulatory Action":

"The parties hereto agree that the Specified Regulatory Matters shall be deemed to constitute a Regulatory Action for purposes of the Option Agreement and the Contingent Payment Agreement."

(d) Section 1.1 of the Option Agreement is hereby amended to insert the following immediately after the definition of the term "Regulatory Payment":

"The parties hereto agree that all Losses (which shall include, for this purpose, any reverse and reimbursement payments made by the Servicer of premiums, fees or other charges regardless of the beneficiary of such premiums, fees or other charges) that are paid by the Servicer or any of its Subsidiaries or Affiliates based upon or arising out of the Specified Regulatory Matters shall be deemed to constitute Regulatory Payments for purposes of the Option Agreement and the Contingent Payment Agreement; provided, however, that (i) to the extent the events giving rise to such Losses occur (A) before the Closing Date or (B) both before the Closing Date and during the 180-day period immediately after the Closing Date, 100% of such Losses shall be deemed to constitute Regulatory Payments for purposes of the Option Agreement and the Contingent Payment Agreement and (ii) to the extent the events giving rise to such Losses occur both before the Closing Date and after the 180-day period immediately after the Closing Date, 50% of such Losses shall be deemed to constitute Regulatory Payments for purposes of the Option Agreement and the Contingent Payment Agreement (it being agreed that the remaining 50% of such Losses shall be borne by the Servicer). In the event that the Servicer or any of its Subsidiaries or Affililiates offers, agrees or is required to reverse or reimburse any premiums, fees or other charges for optional products in connection with the Specified Regulatory Matters, then the parties hereto agree that all of such reverse or reimburse payments shall be deemed to constitute Regulatory Payments for purposes of the Option Agreement and the Contingent Payment Agreement; provided, however, that Servicer shall be permitted to respond to an individual customer-initiated complaint or inquiry with a Customer Accommodation or Customer Reversal to the extent otherwise permitted by the Contingent Payment Agreement, provided that such complaint or inquiry does not arise from the Servicer or one of its Subsidiaries or Affiliates contacting such customer. The parties hereto further agree that none of the Monthly Contingent Payments nor the Final Payment Amount shall be reduced, whether as a reduction to

Professional Services Income (as such term is defined in the Contingent Payment Agreement) or otherwise, by amounts paid or payable by the Optionors pursuant to Section 11.2(e) of this Agreement or amounts that are required to be borne by the Servicer pursuant to this definition or Section 11.2(e) of this Agreement."

3. Amendment of Section 11.2(e) of the Option Agreement. Section 11.2(e) of the Option Agreement is hereby amended to insert the following immediately after clause (iv) of the first sentence:

"; provided, however, that the portion of any Regulatory Payments not subject to indemnification by the Optionors pursuant to this Section 11.2(e) which shall be borne by the Servicer with respect to the Specified Regulatory Matters shall not exceed $2,550,000; provided, further, that the portion of any Regulatory Payments not subject to indemnification by the Optionors pursuant to this Section 11.2(e) which shall be borne by the Servicer in any event shall not exceed $3,050,000."

4. Amendment of Section 11.2(g) of the Option Agreement. Section 11.2(g) of the Option Agreement is hereby amended such that the number "$25,000,000" in such section is deleted and replaced with the term "Maximum Indemnification Amount".

5. Amendment of Article V of the Option Agreement. The first sentence of Article V of the Option Agreement is hereby amended to insert the following immediately after the word "hereof" and immediately before ", the Company":

"and except for the Specified Regulatory Matters"

6. Disclosure of the Specified Regulatory Matters. The Optionee hereby agrees that neither the Company nor any Optionor has been or is in breach of the Option Agreement for not delivering a Disclosure Schedule Supplement in respect of the Specified Regulatory Matters.

7. Amendment of Sections 3.3(b) and 3.3(c) of the Option Agreement. The parties hereto agree that the Company shall accrue an incentive bonus payment of $3,300,000 and an income tax benefit of $1,245,750 during the third quarter of fiscal year 2005 and shall reflect such accruals on the Estimated Closing Balance Sheet, the Actual Closing Balance Sheet and the Closing Balance Sheet. The parties hereto agree that, notwithstanding anything to the contrary contained in the Option Agreement, neither the Company nor the Optionors make any representations or warranties concerning whether such accruals are in accordance with GAAP or otherwise recorded in the same manner as the Company's consolidated balance sheet as of December 31, 2004. Sections 3.3(b) and 3.3(c) of the Option Agreement are hereby amended such that the number "$15,500,000" is deleted and replaced with the number "$17,554,250" in each such section.

8. Amendment of Article VII of the Option Agreement. The parties hereto agree to amend Article VII of the Option Agreement to insert the following as a new Section 7.11 thereof:

"Section 7.11 Mutual Cooperation. (a) Following the Closing Date, the parties agree to mutually cooperate with respect to the Specified Regulatory Matters and other actions, suits, litigations, arbitrations, proceedings, investigations or inquiries ("Other Actions") involving a party hereto. Such cooperation shall include, to the extent reasonably requested by a party (a "Requesting Party"), the provision by the other parties of reasonable access during normal business hours to the books and records of such other parties (each a "Cooperating Party"); provided, however, that a Cooperating Party may restrict the foregoing access to the extent that (i) in the reasonable judgment of the Cooperating Party, any law, treaty, rule or regulation of any Governmental Entity applicable to such Cooperating Party requires such Cooperating party or its Subsidiaries to restrict or prohibit access to any such properties or information, (ii) in the reasonable judgment of the Cooperating Party, the information is subject to confidentiality obligations to a third party, (iii) such disclosure would result in disclosure of any trade secrets of third parties or (iv) disclosure of any such information or document could reasonably result in the loss of attorney client privilege. In addition, each party shall use commercially reasonable efforts to make its officers and employees available on a mutually convenient basis to provide an explanation of any information provided hereunder.

(b) Any information obtained after the Closing Date pursuant to this Section 7.11 ("Confidential Information") shall be used solely for the purpose of evaluating, defending and resolving the Specified Regulatory Matters and Other Actions and shall be kept confidential (and shall not be disclosed) by the Requesting Party and all persons obtaining such information on such Requesting Party's behalf or who obtain such information from such Requesting Party. Confidential Information shall not include information that (A) is or becomes generally available to the public other than as a result of disclosure by the Requesting Party or its Representatives, (B) is or becomes available to the Requesting Party or its Representatives from sources that are not known by the Requesting Party to have any obligation not to disclose such information or (C) is independently generated by the Requesting Party without use of or reference to any proprietary or confidential information of the Disclosing Party. Notwithstanding the foregoing, Confidential Information may be disclosed by a Requesting Party (x) to its directors, officers, employees, representatives (including, without limitation, financial advisors, attorneys and accountants) or agents (collectively "Representatives") who need to know such information if the Requesting Party informs such Representatives of the confidential nature of such information and directs them to treat such information confidentially and to use such information for no purpose other than as specifically permitted by this Agreement, (y) if the Requesting Party is legally required to make such disclosure as a result of a court order, subpoena or similar legal duress, provided that prior to such disclosure, the Requesting Party gives to the Cooperating Party prompt written notice of its receipt of such order or subpoena or similar document so that the Cooperating Party has a reasonable opportunity prior to disclosure to obtain a protective order (if disclosure of Confidential Information is so required, the Requesting Party shall disclose only that portion of such information that is so required and shall assist the

Cooperating Party in obtaining protective orders or undertakings that confidential treatment will be accorded to any such information furnished) and (z) if it determines that it is required to disclose such Confidential Information pursuant to applicable laws or the rules or regulations of a Governmental Entity (including the Securities and Exchange Commission) or self regulatory organization (including the New York Stock Exchange), provided that in such event, it shall only disclose that portion of the Confidential Information which it is advised by counsel is required to be disclosed (after consulting with the Cooperating Party as to such disclosure and the nature and wording of such disclosure) and shall exercise all commercially reasonable efforts to obtain confidential treatment, to the extent available, of documents that are to be filed with a Governmental Entity that constitute Confidential Information. In the event of termination of this Agreement, each Requesting Party shall promptly return to the Cooperating Party all Confidential Information in its possession (including all written materials prepared or supplied by or on its behalf containing or reflecting any Confidential Information) and will not retain any copies, extracts or other reproductions in whole or in part of any Confidential Information. Each party shall be responsible for the breach of the terms of this Section 7.11 by its Representatives.

(c) Each Requesting Party agrees to reimburse the Cooperating Party for its reasonable out-of-pocket costs, if any, of gathering and copying any information pursuant to this Section 7.11 or for providing explanations of such information. Any request for reimbursement pursuant to this Section 7.11 shall be made in writing and shall provide reasonable detail of such out-of-pocket costs together with appropriate documentation of such out-of-pocket costs.

(d) Notwithstanding anything to the contrary contained in this Section 7.11, the obligations of the parties contained in Sections 7.11(b) and (c) shall not apply to any information provided to a party hereto pursuant to any other provision of this Agreement or the Contingent Payment Agreement and nothing in this Section 7.11 shall limit, modify or otherwise affect any other provision of this Agreement or the Contingent Payment Agreement."

9. Amendments to the Contingent Payment Agreement.

(a) Section 1 of the Contingent Payment Agreement is hereby amended to insert the following immediately at the end of the definition of the term "Mortgage Loan Servicing Error":

"or a violation by SPS of applicable law with respect to any optional product relating to such Portfolio Mortgage Loans."

(b) Section 7(b) of the Contingent Payment Agreement is hereby amended to insert the following immediately after clause (iii):

"and (iv) SPS may modify its practices of collecting premiums, fees and charges for optional products relating to the Mortgage Loans so long as it collects such premiums,

fees and charges consistent with its practices for collecting premiums, fees and charges for optional products relating to the other Portfolio Mortgage Loans (including, for the avoidance of doubt, transitions of collection of such premiums, fees and charges for the Mortgage Loans to third parties if SPS does not collect premiums, fees and charges for optional products on the other Portfolio Mortgage Loans)."

10. No Other Amendments; Option Agreement and Contingent Payment Agreement Remain in Effect. Except as expressly amended by Sections 2, 3, 4, 5, 7 and 8 of this Amendment, the Option Agreement shall remain in full force and effect in the form in which it existed immediately prior to the execution and delivery of this Amendment. Except as expressly amended by Section 9 of this Amendment, the Contingent Payment Agreement shall remain in full force and effect in the form in which it existed immediately prior to the execution and delivery of this Amendment.

11. 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 principles of conflicts of law thereof.

12. Entire Agreement; No Third Party Beneficiaries. The Option Agreement, as amended by this Amendment, the Contingent Payment Agreement, as amended by this Amendment, and the Purchase Agreement (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and thereof and (b) are not intended to confer any rights or remedies upon any Person other than the parties hereto and thereto.

13. Amendments. No amendments, changes or modifications to this Amendment shall be valid unless the same are in writing and signed by the parties hereto.

14. Counterparts. This Amendment may be executed in multiple counterparts. Each counterpart shall be an original, but altogether shall constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Optionee, the Servicer, the Company and each of the Optionors have executed this Amendment or caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first written above.

CREDIT SUISSE FIRST BOSTON (USA), INC.

By /s/ Neil Radey
Name: Neil Radey
Title: Managing Director and General Counsel

SPS HOLDING CORP.

By /s/ M. Hollingsworth
Name:
Title:

THE PMI GROUP, INC.

By /s/ Donald P. Lofe, Jr.
Name: Donald P. Lofe, Jr.
Title: Executive Vice President & Chief Financial Officer

By /s/ Glen S. Corso
Name: Glen S. Corso
Title: Group SVP

FSA PORTFOLIO MANAGEMENT INC.

By /s/ Bruce E. Stern
Name: Bruce E. Stern
Title: General Counsel & Managing Director

GREENRANGE PARTNERS LLC

By /s/ J.H. Ozanne
Name:
Title:

SELECT PORTFOLIO SERVICING, INC.

By /s/ M. Hollingsworth
Name:
Title:

Signature Page to First Amendment to Option Agreement and Contingent Payment Agreement

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES

STATEMENT RE COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)

(In millions, except for ratio)

	For the Nine Months Ended September 30, 2005	For the Year Ended December 31, 2004	2003	2002	2001	2000
Earnings:						
Income (loss) before provision for income taxes[1]	$ 805	$ 1,826	$ 569	$ (481)	$ (464)	$ (1,786)
Add: Fixed Charges						
Interest expense (gross)	7,578	5,731	4,447	5,436	9,923	6,823
Interest factor in rents	123	161	159	167	187	104
Total fixed charges from continuing operations	7,701	5,892	4,606	5,603	10,110	6,927
Subtract: Minority interests[2]	670	642	—	—	—	—
Earnings before fixed charges and provision for income taxes	$ 7,836	$ 7,076	$ 5,175	$ 5,122	$ 9,646	$ 5,141
Ratio of earnings to fixed charges	1.02	1.20	1.12	0.91 [3]	0.95 [4]	0.74 [5]

(1) Income (loss) from continuing operations before provision (benefit) for income taxes, minority interests, discontinued operations, extraordinary items and cumulative effect of change in accounting principle.

(2) Related to the Company's consolidation of certain private equity funds.

(3) The dollar amount of the deficiency in the ratio of earnings to fixed charges was $481 million for the year ended December 31, 2002.

(4) The dollar amount of the deficiency in the ratio of earnings to fixed charges was $464 million for the year ended December 31, 2001.

(5) The dollar amount of the deficiency in the ratio of earnings to fixed charges was $1.8 billion for the year ended December 31, 2000.

Exhibit 15

November 8, 2005

The Board of Directors
Credit Suisse First Boston (USA), Inc.
New York, New York

Re: Registration statements No. 333-116241, 333-86720, 333-71850, 333-62422, 333-07657, 333-34149, 333-53499, 333-73405 and 333-30928

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated November 8, 2005 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the "Act"), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP
New York, New York

Rule 13a-14(a) Certification of Chief Executive Officer

I, Brady W. Dougan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credit Suisse First Boston (USA), 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal 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(s) 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: November 8, 2005

/s/ BRADY W. DOUGAN
Name: Brady W. Dougan
Title: *President and Chief Executive Officer*

Rule 13a-14(a) Certification of Chief Financial and Accounting Officer

I, David C. Fisher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credit Suisse First Boston (USA), 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal 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(s) 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: November 8, 2005

/s/ DAVID C. FISHER
Name: David C. Fisher
Title: *Chief Financial and Accounting Officer*

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Credit Suisse First Boston (USA), Inc. (the "Company") does hereby certify, to such officer's knowledge, that:

1. the Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 of the Company (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.

November 8, 2005

/s/ BRADY W. DOUGAN
Name: Brady W. Dougan
Title: *President and Chief Executive Officer*

November 8, 2005

/s/ DAVID C. FISHER
Name: David C. Fisher
Title: *Chief Financial and Accounting Officer*