NOTICE TO INTERESTED PARTIES

On December 22, 2008, Jefferies & Company, Inc. ("Jefco"), Jefferies Group, Inc. ("Jefferies") and certain of its affiliates (collectively, the "Applicant") filed an application with the United States Department of Labor (the Department) to allow the Applicant to participate as underwriters and/or placement or selling agents in transactions which may involve investment by employee benefit plans in securities which represent fractional undivided interests in the following categories of issuers: (i) single and multi-family residential, manufactured housing or commercial mortgage investment; (ii) motor vehicle receivable investment issuers; (iii) consumer or commercial receivable investment issuers; or (iv) guaranteed governmental mortgage pool certificate investment issuers.

The transaction is the subject an EXPRO Submission No. E-00615 under PTCE 96-62, as amended at 67 FR 44622 (July 3, 2002), with the Department. The submission has met the requirements for tentative authorization by the Department. Any sale of these securities to employee benefit plans will only take place following the date of final authorization by the Department for the transactions.

Reference is made to one prior exemption and one Final Authorization that are substantially similar to the transaction under consideration and provide relief from the same restrictions :(i) FAN 2008-03E (SunTrust Robinson Humphrey, Inc.) (March 10, 2008) and (ii) PTE 2003-31 (RBC Dain Rauscher, Inc.), 68 FR 59202 (October 14, 2003). FAN 2008-03E referenced two prior exemptions and one Final Authorization: PTE 2006-07 (Harris Nesbitt Corp.), 71 FR 32134 (June 2, 2006); PTE 2003-31 (RBC Dain Rauscher, Inc.), 68 FR 59202 (October 14, 2003); and FAN 2007-03E (Raymond James & Associates Inc. and Raymond James Financial, Inc.) (June 14, 2003). Each of the exemptions and Final Authorizations referenced above and issued prior to March 20, 2007 were amended by PTE 2007-05, 72 FR 13130 (March 20, 2007), Technical Correction at 72 FR 16385 (April 4, 2007).

The conditions set forth in EXPRO Submission No. E-00615, which the Applicant has met, are essentially identical to those set forth in FAN 2008-03E and PTE 2003-31. Such conditions are more fully described in Attachments I and II appended to this Notice to Interested Parties and are summarized below:

1. The trustee of the issuer must not be an affiliate of any other member of the restricted group, other than the underwriter;

2. The sum of all payments made to and retained by the underwriters in connection with the distribution or placement of securities must represent not more than reasonable compensation for underwriting or placing the securities;

3. The consideration received by the sponsor as a consequence of the assignment of obligations (or interests therein) to the issuer must represent no more than the fair market value of such obligations (or interests), and the sum of all payments made to and retained by the servicer represents not more than reasonable compensation for the servicer's services under the

pooling and servicing agreement and reimbursement of the servicer's reasonable expenses in connection therewith;

4. The acquisition of securities by a plan is on terms (including the security price) that are at least as favorable to the plan as they would be in an arm's-length transaction with an unrelated party;

5. The rights and interests evidenced by the securities are not subordinated to the rights and interests evidenced by other securities of the same issuer, unless the securities are issued in certain designated transactions;

6. The securities acquired by a plan have received a rating from a rating agency at the time of the acquisition that it is in one of the three (or in the case of certain designated transactions, four) highest generic rating categories;

7. Any plan investing in such securities must be an "accredited investor" as defined in Rule 501(a)(1) of Regulation D of the Securities and Exchange Commission under the Securities Act of 1933, as amended;

8. If the obligations used to fund an issuer have not all been transferred to the issuer on the closing date, certain additional obligations may be transferred to the issuer during the pre-funding period in exchange for amounts credited to the pre-funding account, provided that: (i) the pre-funding limit is not exceeded; (ii) any additional obligations that are transferred meet the same terms and conditions for determining the eligibility of the original obligations used to create the issuer and which have been approved by a rating agency; (iii) the transfer of the additional obligations to the issuer during the pre-funding period does not result in the securities receiving a lower credit rating from a rating agency upon termination of the pre-funding period than the rating that was obtained at the time of the initial issuance of the securities by the issuer; (iv) the weighted average annual percentage interest rate for all of the obligations held by the issuer at the end of the pre-funding period will not be more than 100 basis points lower than the average interest rate for the obligations which were transferred to the issuer on the closing date; (v) the characteristics of the additional obligations will either be monitored by a credit support provider or other insurance provider independent of the sponsor, or an independent accountant retained by the sponsor; (vi) the pre-funding period is described in the prospectus or private placement memorandum provided to investing plans; and (vii) the trustee of the issuer is a substantial financial institution or trust company experienced in trust activities and familiar with its duties, responsibilities, and liabilities as a fiduciary under ERISA;

9. The legal documents establishing an issuer which is not a REMIC, FASIT or grantor trust will contain certain restrictions in order to ensure that the assets of the issuer may not be reached by creditors of the sponsor in the event of the bankruptcy or other insolvency of the sponsor and also will include a legal opinion prior to the issuance by the issuer of any securities which states that either: (i) a "true sale" of the assets being transferred to the issuer by the sponsor has occurred and that the transfer is not being made pursuant to a financing of the assets by the sponsor; or, (ii) in the event of insolvency or receivership of the sponsor, the assets transferred to the issuer will not be part of the estate of the sponsor;

10. Any swap transaction relating to securities that are covered by the Tentative Authorization must satisfy the several investor-protective conditions applicable to "Eligible Swaps" and must be entered into by the issuer with an "Eligible Swap Counterparty." Also, any class of securities to which one or more swap agreements entered into by the issuer applies may be acquired or held by plans in reliance upon the Tentative Authorization only if such plans are represented by "Qualified Plan Investors"; and

11. Prior to the issuance of any debt securities, a legal opinion is received which states that the debt holders have a perfected security interest in the issuer's assets.

Any interested person who wishes to submit comments to the Department by February 4, 2009 may do so in writing:

Attention: Ms. Wendy McColough
U.S. Department of Labor
Office of Exemption Determinations
Employee Benefits Security Administration
200 Constitution Avenue, N.W.
Room N-5700
Washington, D.C. 20210

Comments can also be submitted by fax to (202) 219-0204 or e-mail to mccolough.wendy@dol.gov. Any comment should note that it relates to EXPRO Submission No. E-00615.

ATTACHMENT I

Jefferies & Company, Inc.
520 Madison Avenue
New York, New York 10022
Attn: Thomas M. Thees

Tentative Authorization

I. Transactions

A. Effective for transactions occurring on or after the date this EXPRO application is authorized by the Department of Labor, the restrictions of sections 406(a) and 407(a) of the Act and the taxes imposed by sections 4975(a) and (b) of the Code, by reason of section 4975(c)(1)(A) through (D) of the Code, shall not apply to the following transactions involving Issuers and Securities evidencing interests therein:

(1) The direct or indirect sale, exchange or transfer of Securities in the initial issuance of Securities between the Sponsor or Underwriter and an employee benefit plan when the Sponsor, Servicer, Trustee or Insurer of an Issuer, the Underwriter of the Securities representing an interest in the Issuer, or an Obligor is a party in interest with respect to such plan;

(2) The direct or indirect acquisition or disposition of Securities by a plan in the secondary market for such Securities; and

(3) The continued holding of Securities acquired by a plan pursuant to subsection I.A.(1) or (2).

Notwithstanding the foregoing, section I.A. does not provide an exemption from the restrictions of sections 406(a)(1)(E), 406(a)(2) and 407 of the Act for the acquisition or holding of a Security on behalf of an Excluded Plan by any person who has discretionary authority or renders investment advice with respect to the assets of that Excluded Plan.[1]

B. Effective for transactions occurring on or after the date this EXPRO application is authorized by the Department of Labor, the restrictions of sections 406(b)(1) and 406(b)(2) of the Act and the taxes imposed by sections 4975(a) and (b) of the Code, by reason of section 4975(c)(1)(E) of the Code shall not apply to:

(1) The direct or indirect sale, exchange or transfer of Securities in the initial issuance of Securities between the Sponsor or Underwriter and a plan when the person who has discretionary authority or renders investment advice with respect to the investment of plan assets in the Securities is (a) an Obligor with respect to 5 percent or less of the fair market value of obligations or receivables contained in the Issuer, or (b) an Affiliate of a person described in (a); if:

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[1] Section I.A. provides no relief from sections 406(a)(1)(E), 406(a)(2)and 407 of the Act for any person rendering investment advice to an Excluded Plan within the meaning of section 3(21)(A)(ii) of the Act and regulation 29 CFR 2510.3–21(c).

(i) The plan is not an Excluded Plan;

(ii) Solely in the case of an acquisition of Securities in connection with the initial issuance of the Securities, at least 50 percent of each class of Securities in which plans have invested is acquired by persons independent of the members of the Restricted Group, and at least 50 percent of the aggregate interest in the Issuer is acquired by persons independent of the Restricted Group;

(iii) A plan's investment in each class of Securities does not exceed 25 percent of all of the Securities of that class outstanding at the time of the acquisition; and

(iv) Immediately after the acquisition of the Securities, no more than 25 percent of the assets of a plan with respect to which the person has discretionary authority or renders investment advice are invested in Securities representing an interest in an Issuer containing assets sold or serviced by the same entity.[2] For purposes of this paragraph B.(1)(iv) only, an entity will not be considered to service assets contained in an Issuer if it is merely a Subservicer of that Issuer;

(2) The direct or indirect acquisition or disposition of Securities by a plan in the secondary market for such Securities, provided that conditions set forth in paragraphs (i), (iii) and (iv) of subsection I.B.(1) are met; and

(3) The continued holding of Securities acquired by a plan pursuant to subsection I.B.(1) or (2).

C. Effective for transactions occurring on or after the date this EXPRO application is authorized by the Department of Labor, the restrictions of sections 406(a), 406(b), and 407(a) of the Act and the taxes imposed by sections 4975(a) and (b) of the Code by reason of section 4975(c) of the Code, shall not apply to transactions in connection with the servicing, management and operation of an Issuer, including the use of any Eligible Swap transaction; or the defeasance of a mortgage obligation held as an asset of the Issuer through the substitution of a new mortgage obligation in a commercial mortgage-backed Designated Transaction, provided:

(1) Such transactions are carried out in accordance with the terms of a binding Pooling and Servicing Agreement;

(2) The Pooling and Servicing Agreement is provided to, or described in all material respects in the prospectus or private placement memorandum provided to, investing plans before they purchase Securities issued by the Issuer;[3] and

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[2] For purposes of this Tentative Authorization, each plan participating in a commingled fund (such as a bank collective trust fund or insurance company pooled separate account) shall be considered to own the same proportionate undivided interest in each asset of the commingled fund as its proportionate interest in the total assets of the commingled fund as calculated on the most recent preceding valuation date of the fund.

[3] In the case of a private placement memorandum, such memorandum must contain substantially the same information that would be disclosed in a prospectus if the offering of the securities were made in a registered public offering under the Securities Act of 1933. In the Department's view, the private

(3) The defeasance of a mortgage obligation and the substitution of a new mortgage obligation in a commercial mortgage-backed Designated Transaction meet the terms and conditions for such defeasance and substitution as are described in the prospectus or private placement memorandum for such Securities, which terms and conditions have been approved by a Rating Agency and does not result in the Securities receiving a lower credit rating from the Rating Agency than the current rating of the Securities.

Notwithstanding the foregoing, Section I.C. does not provide an exemption from the restrictions of section 406(b) of the Act or from the taxes imposed by reason of section 4975(c) of the Code for the receipt of a fee by a Servicer of the Issuer from a person other than the Trustee or Sponsor, unless such fee constitutes a Qualified Administrative Fee.

D. Effective for transactions occurring on or after date this EXPRO application is authorized by the Department of Labor, the restrictions of sections 406(a) and 407(a) of the Act and the taxes imposed by sections 4975(a) and (b) of the Code by reason of Code section 4975(c)(1)(A) through(D) of the Code shall not apply to any transactions to which those restrictions or taxes would otherwise apply merely because a person is deemed to be a party in interest or disqualified person (including a fiduciary), with respect to the plan (or by virtue of having a relationship to such service provider described in section 3(14)(F), (G), (H) or (I) of the Act or section 4975(e)(2)(F),(G), (H) or (I) of the Code), solely because of the plan's ownership of Securities.

II. General Conditions

A. The relief provided under section I. is available only if the following conditions are met:

(1) The acquisition of Securities by a plan is on terms (including the Security price) that are at least as favorable to the plan as such terms would be in an arm's length transaction with an unrelated party;

(2) The rights and interests evidenced by the Securities are not subordinated to the rights and interests evidenced by other Securities of the same Issuer, unless the Securities are issued in a Designated Transaction;

(3) The Securities acquired by the plan have received a rating from a Rating Agency at the time of such acquisition that is in one of the three (or in the case of Designated Transactions, four) highest generic rating categories.

(4) The Trustee is not an Affiliate of any member of the Restricted Group, other than an Underwriter. For purposes of this requirement:

(a) The Trustee shall not be considered to be an Affiliate of a Servicer solely because the Trustee has succeeded to the rights and responsibilities of the Servicer pursuant to the terms of a Pooling and Servicing Agreement providing for such succession upon the occurrence of one or more events of default by the Servicer; and

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placement memorandum must contain sufficient information to permit plan fiduciaries to make informed investment decisions. For purposes of this exemption, references to "prospectus" include any related prospectus supplement thereto, pursuant to which Securities are offered to investors.

(b) Subsection II.A.(4) will be deemed satisfied notwithstanding a Servicer becoming an Affiliate of the Trustee as a result of a merger or acquisition involving the Trustee, such Servicer and/or their Affiliates which occurs after the initial issuance of the Securities, provided that:

(i) Such Servicer ceases to be an Affiliate of the Trustee no later than six months after the date such Servicer became an Affiliate of the Trustee; and

(ii) Such Servicer did not breach any of its obligations under the Pooling and Servicing Agreement, unless such breach was immaterial and timely cured in accordance with the terms of such agreement, during the period from the closing date of such merger or acquisition transaction through the date the Servicer ceased to be an Affiliate of the Trustee;

(5) The sum of all payments made to and retained by the Underwriters in connection with the distribution or placement of Securities represents not more than Reasonable Compensation for underwriting or placing the Securities; the sum of all payments made to and retained by the Sponsor pursuant to the assignment of obligations (or interests therein) to the Issuer represents not more than the fair market value of such obligations (or interests); and the sum of all payments made to and retained by the Servicer represents not more than Reasonable Compensation for the Servicer's services under the Pooling and Servicing Agreement and reimbursement of the Servicer's reasonable expenses in connection therewith;

(6) The plan investing in such Securities is an "accredited investor" as defined in Rule 501(a)(1) of Regulation D of the Securities and Exchange Commission under the Securities Act of 1933; and

(7) In the event that the obligations used to fund an Issuer have not all been transferred to the Issuer on the Closing Date, additional obligations as specified in subsection III.B.(1) may be transferred to the Issuer during the Pre-Funding Period in exchange for amounts credited to the Pre-Funding Account, provided that:

(a) The Pre-Funding Limit is not exceeded;

(b) All such additional obligations meet the same terms and conditions for eligibility as the original obligations used to create the Issuer (as described in the prospectus or private placement memorandum and/or Pooling and Servicing Agreement for such Securities), which terms and conditions have been approved by a Rating Agency.

Notwithstanding the foregoing, the terms and conditions for determining the eligibility of an obligation may be changed if such changes receive prior approval either by a majority vote of the outstanding securityholders or by a Rating Agency;

(c) The transfer of such additional obligations to the Issuer during the Pre-Funding Period does not result in the Securities receiving a lower credit rating from a Rating Agency, upon termination of the Pre-Funding Period than the rating that was obtained at the time of the initial issuance of the Securities by the Issuer;

(d) The weighted average annual percentage interest rate (the average interest rate) for all of the obligations in the Issuer at the end of the Pre-Funding Period will not be more than

100 basis points lower than the average interest rate for the obligations which were transferred to the Issuer on the Closing Date;

(e) In order to ensure that the characteristics of the receivables actually acquired during the Pre-Funding Period are substantially similar to those which were acquired as of the Closing Date, the characteristics of the additional obligations will either be monitored by a credit support provider or other insurance provider which is independent of the Sponsor or an independent accountant retained by the Sponsor will provide the Sponsor with a letter (with copies provided to the Rating Agency, the Underwriter and the Trustee) stating whether or not the characteristics of the additional obligations conform to the characteristics of such obligations described in the prospectus, private placement memorandum and/or Pooling and Servicing Agreement. In preparing such letter, the independent accountant will use the same type of procedures as were applicable to the obligations which were transferred on the Closing Date;

(f) The Pre-Funding Period shall be described in the prospectus or private placement memorandum provided to investing plans; and

(g) The Trustee of the Trust (or any agent with which the Trustee contracts to provide Trust services) will be a substantial financial institution or trust company experienced in trust activities and familiar with its duties, responsibilities, and liabilities as a fiduciary under the Act. The Trustee, as the legal owner of the obligations in the Trust or the holder of a security interest in the obligations held by the Issuer, will enforce all the rights created in favor of securityholders of the Issuer, including employee benefit plans subject to the Act.

(8) In order to ensure that the assets of the Issuer may not be reached by creditors of the Sponsor in the event of bankruptcy or other insolvency of the Sponsor:

(a) The legal documents establishing the Issuer will contain:

(i) Restrictions on the Issuer's ability to borrow money or issue debt other than in connection with the securitization;

(ii) Restrictions on the Issuer merging with another entity, reorganizing, liquidating or selling assets (other than in connection with the securitization);

(iii) Restrictions limiting the authorized activities of the Issuer to activities relating to the securitization;

(iv) If the Issuer is not a Trust, provisions for the election of at least one independent director/partner/member whose affirmative consent is required before a voluntary bankruptcy petition can be filed by the Issuer; and

(v) If the Issuer is not a Trust, requirements that each independent director/partner/member must be an individual that does not have a significant interest in, or other relationships with, the Sponsor or any of its Affiliates; and

(b) The Pooling and Servicing Agreement and/or other agreements establishing the contractual relationships between the parties to the securitization transaction will contain covenants prohibiting all parties thereto from filing an involuntary bankruptcy petition against the Issuer or initiating any other form of insolvency proceeding until after the Securities have been paid; and

(c) Prior to the issuance by the Issuer of any Securities, a legal opinion is received which states that either:

(i) A "true sale" of the assets being transferred to the Issuer by the Sponsor has occurred and that such transfer is not being made pursuant to a financing of the assets by the Sponsor; or

(ii) In the event of insolvency or receivership of the Sponsor, the assets transferred to the Issuer will not be part of the estate of the Sponsor;

(9) If a particular class of Securities held by any plan involves a Ratings Dependent or a Non-Ratings Dependent Swap entered into by the Issuer, then each particular swap transaction relating to such Securities:

(a) Shall be an Eligible Swap;

(b) Shall be with an Eligible Swap Counterparty;

(c) In the case of a Ratings Dependent Swap, shall provide that if the credit rating of the counterparty is withdrawn or reduced by any Rating Agency below a level specified by the Rating Agency, the Servicer (as agent for the Trustee) shall, within the period specified under the Pooling and Servicing Agreement:

(i) Obtain a replacement swap agreement with an Eligible Swap Counterparty which is acceptable to the Rating Agency and the terms of which are substantially the same as the current swap agreement (at which time the earlier swap agreement shall terminate); or

(ii) Cause the swap counterparty to establish any collateralization or other arrangement satisfactory to the Rating Agency such that the then current rating by the Rating Agency of the particular class of Securities will not be withdrawn or reduced.

In the event that the Servicer fails to meet its obligations under this subsection II.A.(9)(c), plan securityholders will be notified in the immediately following Trustee's periodic report which is provided to securityholders, and sixty days after the receipt of such report, the exemptive relief provided under section I.C. will prospectively cease to be applicable to any class of Securities held by a plan which involves such Ratings Dependent Swap; provided that in no event will such plan securityholders be notified any later than the end of the second month that begins after the date on which such failure occurs.

(d) In the case of a Non-Ratings Dependent Swap, shall provide that, if the credit rating of the counterparty is withdrawn or reduced below the lowest level specified in section III.GG., the Servicer (as agent for the Trustee) shall within a specified period after such rating withdrawal or reduction:

(i) Obtain a replacement swap agreement with an Eligible Swap Counterparty, the terms of which are substantially the same as the current swap agreement(at which time the earlier swap agreement shall terminate); or

(ii) Cause the swap counterparty to post collateral with the Trustee in an amount equal to all payments owed by the counterparty if the swap transaction were terminated; or

(iii) Terminate the swap agreement in accordance with its terms; and

(e) Shall not require the Issuer to make any termination payments to the counterparty (other than a currently scheduled payment under the swap agreement) except from Excess Spread or other amounts that would otherwise be payable to the Servicer or the Sponsor;

(10) Any class of Securities, to which one or more swap agreements entered into by the Issuer applies, may be acquired or held in reliance upon the Tentative Authorization only by Qualified Plan Investors; and

(11) Prior to the issuance of any debt securities, a legal opinion is received which states that the debt holders have a perfected security interest in the Issuer's assets.

B. Neither any Underwriter, Sponsor, Trustee, Servicer, Insurer, nor any Obligor, unless it or any of its Affiliates has discretionary authority or renders investment advice with respect to the plan assets used by a plan to acquire Securities, shall be denied the relief provided under section I., if the provision of subsection II. A.(6) is not satisfied with respect to acquisition or holding by a plan of such Securities, provided that (1) such condition is disclosed in the prospectus or private placement memorandum; and (2) in the case of a private placement of Securities, the Trustee obtains a representation from each initial purchaser which is a plan that it is in compliance with such condition, and obtains a covenant from each initial purchaser to the effect that, so long as such initial purchaser (or any transferee of such initial purchaser's Securities) is required to obtain from its transferee a representation regarding compliance with the Securities Act of 1933, any such transferees will be required to make a written representation regarding compliance with the condition set forth in subsection II.A.(6).

III. Definitions

For purposes of the Tentative Authorization:

A. "Security" means:

(1) A pass-through certificate or trust certificate that represents a beneficial ownership interest in the assets of an Issuer which is a Trust and which entitles the holder to payments of principal, interest and/or other payments made with respect to the assets of such Trust; or

(2) A security which is denominated as a debt instrument that is issued by, and is an obligation of, an Issuer; with respect to which the Underwriter is either (i) the sole underwriter or the manager or co-manager of the underwriting syndicate, or (ii) a selling or placement agent.

B. "Issuer" means an investment pool, the corpus or assets of which are held in trust (including a grantor or owner Trust) or whose assets are held by a partnership, special purpose corporation or limited liability company (which Issuer may be a Real Estate Mortgage Investment Conduit (REMIC) or a Financial Asset Securitization Investment Trust (FASIT) within the meaning of section 860D(a) or section 860L, respectively, of the Code); and the corpus or assets of which consists solely of:

(1)(a) Secured consumer receivables that bear interest or are purchased at a discount (including, but not limited to, home equity loans and obligations secured by shares issued by a cooperative housing association); and/or

(b) Secured credit instruments that bear interest or are purchased at a discount in transactions by or between business entities (including, but not limited to, Qualified Equipment Notes Secured by Leases); and/or

(c) Obligations that bear interest or are purchased at a discount and which are secured by single-family residential, multi-family residential and/or commercial real property (including obligations secured by leasehold interest on residential or commercial real property); and/or

(d) Obligations that bear interest or are purchased at a discount and which are secured by motor vehicles or equipment, or Qualified Motor Vehicle Leases; and/or

(e) Guaranteed governmental mortgage pool certificates, as defined in 29 CFR 2510.3–101(1)(2)[4]; and/or

(f) Fractional undivided interests in any of the obligations described in clauses (a)-(e) of this subsection B.(1).[5]

Notwithstanding the foregoing, residential and home equity loan receivables issued in Designated Transactions may be less than fully secured, provided that (i) the rights and interests evidenced by Securities issued in such Designated Transactions (as defined in section III.DD.) are not subordinated to the rights and interests evidenced by Securities of the same Issuer; (ii) such Securities acquired by the plan have received a rating from a Rating Agency at the time of such acquisition that is in one of the two highest generic rating categories; and (iii) any obligation included in the corpus or assets of the Issuer must be secured by collateral whose fair market value on the Closing Date of the Designated Transaction is at least equal to 80% of the sum of: (I) The outstanding principal balance due under the obligation which is held by the Trust and (II) the outstanding principal balance(s) of any other obligation(s) of higher priority (whether or not held by the Issuer) which are secured by the same collateral.

(2) Property which had secured any of the obligations described in subsection III.B.(1);

(3)(a) Undistributed cash or temporary investments made therewith maturing no later than the next date on which distributions are to be made to securityholders; and/or

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[4] In ERISA Advisory Opinion 99–05A (February 22, 1999), the Department expressed its view that mortgage pool certificates guaranteed and issued by the Federal Agricultural Mortgage Corporation meet the definition of a guaranteed governmental mortgage pool certificate as defined in 29 CFR 2510.3–101(i)(2).

[5] It is the Department's view that the definition of "Issuer" contained in section III.B. includes a two-tier structure under which Securities issued by the first Issuer, which contains a pool of receivables described above, are transferred to a second Issuer which issues Securities that are sold to plans. However, the Department is of the further view that, since the Underwriter Exemptions generally provide relief for the direct or indirect acquisition or disposition of Securities that are not subordinated, no relief would be available if the Securities held by the second Issuer were subordinated to the rights and interests evidenced by other Securities issued by the first Issuer, unless such Securities were issued in a Designated Transaction.

(b) Cash or investments made therewith which are credited to an account to provide payments to securityholders pursuant to any Eligible Swap Agreement meeting the conditions of subsection II.A.(9) or pursuant to any Eligible Yield Supplement Agreement, and/or

(c) Cash transferred to the Issuer on the Closing Date and permitted investments made therewith which:

(i) Are credited to a Pre-Funding Account established to purchase additional obligations with respect to which the conditions set forth in paragraphs (a)-(g) of subsection II.A.(7) are met; and/or

(ii) Are credited to a Capitalized Interest Account; and

(iii) Are held by the Issuer for a period ending no later than the first distribution date to securityholders occurring after the end of the Pre-Funding Period.

For purposes of this clause (c) of subsection III.B.(3), the term "permitted investments" means investments which: (i) Are either (x) direct obligations of, or obligations fully guaranteed as to timely payment of principal and interest by, the United States or any agency or instrumentality thereof, provided that such obligations are backed by the full faith and credit of the United States, or (y) have been rated (or the Obligor has been rated) in one of the three highest generic rating categories by a Rating Agency; (ii) are described in the Pooling and Servicing Agreement; and are permitted by the Rating Agency.

(4) Rights of the Trustee under the Pooling and Servicing Agreement, and rights under any insurance policies, third-party guarantees, contracts of suretyship, Eligible Yield Supplement Agreements, Eligible Swap Agreements meeting the conditions of subsection II.A.(9) or other credit support arrangements with respect to any obligations described in section III.B.(1).

Notwithstanding the foregoing, the term "Issuer" does not include any investment pool unless: (i) the assets of the type described in paragraphs (a)-(f) of subsection III.B.(1) which are contained in the investment pool have been included in other investment pools, (ii) Securities evidencing interests in such other investment pools have been rated in one of the three (or in the case of Designated Transactions, four) highest generic rating categories by a Rating Agency for at least one year prior to the plan's acquisition of Securities pursuant to this Tentative Authorization, and (iii) Securities evidencing interests in such other investment pools have been purchased by investors other than plans for at least one year prior to the plan's acquisition of Securities pursuant to this Tentative Authorization.

C. "Underwriter" means:

(1) Jefferies & Company, Inc. ("Jefco") and its Affiliates;

(2) Any person directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Jefco; and

(3) Any member of an underwriting syndicate or selling group of which a person described in subsections III.C.(1) or (2) is a manager or co-manager with respect to the Securities.

D. "Sponsor" means the entity that organizes an Issuer by depositing obligations therein in exchange for Securities.

E. "Master Servicer" means the entity that is a party to the Pooling and Servicing Agreement relating to assets of the Issuer and is fully responsible for servicing, directly or through Subservicers, the assets of the Issuer.

F. "Subservicer" means an entity which, under the supervision of and on behalf of the Master Servicer, services loans contained in the Issuer, but is not a party to the Pooling and Servicing Agreement.

G. "Servicer" means any entity which services loans contained in the Issuer, including the Master Servicer and any Subservicer.

H. "Trust" means an Issuer, which is a trust (including an owner trust, grantor trust or a REMIC or FASIT which is organized as a Trust).

I. "Trustee" means the Trustee of any Trust, which issues Securities, and also includes an Indenture Trustee. "Indenture Trustee" means the Trustee appointed under the indenture pursuant to which the subject Securities are issued, the rights of holders of the Securities are set forth and a security interest in the Trust assets in favor of the holders of the Securities is created. The Trustee or the Indenture Trustee is also a party to or beneficiary of all the documents and instruments transferred to the Issuer, and as such, has both the authority to, and the responsibility for, enforcing all the rights created thereby in favor of holders of the Securities, including those rights arising in the event of default by the Servicer.

J. "Insurer" means the insurer or guarantor of, or provider of other credit support for, an Issuer. Notwithstanding the foregoing, a person is not an insurer solely because it holds Securities representing an interest in an Issuer, which are of a class subordinated to Securities representing an interest in the same Issuer.

K. "Obligor" means any person, other than the Insurer, that is obligated to make payments with respect to any obligation or receivable included in the Issuer. Where an Issuer contains Qualified Motor Vehicle Leases or Qualified Equipment Notes Secured by Leases, "Obligor" shall also include any owner of property subject to any lease included in the Issuer, or subject to any lease securing an obligation included in the Issuer.

L. "Excluded Plan" means any plan with respect to which any member of the Restricted Group is a "plan sponsor" within the meaning of section 3(16)(B) of the Act.

M. "Restricted Group" with respect to a class of Securities means:

(1) Each Underwriter;

(2) Each Insurer;

(3) The Sponsor;

(4) The Trustee;

(5) Each Servicer;

(6) Any Obligor with respect to obligations or receivables included in the Issuer constituting more than 5 percent of the aggregate unamortized principal balance of the assets in the Issuer, determined on the date of the initial issuance of Securities by the Issuer;

(7) Each counterparty in an Eligible Swap Agreement; or

(8) Any Affiliate of a person described in subsections III.M.(1)-(7).

N. "Affiliate" of another person includes:

(1) Any person, directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with such other person;

(2) Any officer, director, partner, employee, relative (as defined in section 3(15) of the Act), a brother, a sister, or a spouse of a brother or sister of such other person; and

(3) Any corporation or partnership of which such other person is an officer, director or partner.

O. "Control" means the power to exercise a controlling influence over the management or policies of a person other than an individual.

P. A person will be "independent" of another person only if:

(1) Such person is not an Affiliate of that other person; and

(2) The other person, or an Affiliate thereof, is not a fiduciary who has investment management authority or renders investment advice with respect to assets of such person.

Q. "Sale" includes the entrance into a Forward Delivery Commitment, provided:

(1) The terms of the Forward Delivery Commitment (including any fee paid to the investing plan) are no less favorable to the plan than they would be in an arm's length transaction with an unrelated party;

(2) The prospectus or private placement memorandum is provided to an investing plan prior to the time the plan enters into the Forward Delivery Commitment; and

(3) At the time of the delivery, all conditions of this Tentative Authorization applicable to sales are met.

R. "Forward Delivery Commitment" means a contact for the purchase or sale of one or more Securities to be delivered at an agreed future settlement date. The term includes both mandatory contracts (which contemplate obligatory delivery and acceptance of the Securities) and optional contracts (which give one party the right but not the obligation to deliver Securities to, or demand delivery of Securities from, the other party).

S. "Reasonable Compensation" has the same meaning as that term is defined in 29 CFR 2550.408c–2.

T. "Qualified Administrative Fee" means a fee which meets the following criteria:

(1) The fee is triggered by an act or failure to act by the Obligor other than the normal timely payment of amounts owing in respect of the obligations;

(2) The Servicer may not charge the fee absent the act or failure to act referred to in subsection III.T.(1);

(3) The ability to charge the fee, the circumstances in which the fee may be charged, and an explanation of how the fee is calculated are set forth in the Pooling and Servicing Agreement; and

(4) The amount paid to investors in the Issuer will not be reduced by the amount of any such fee waived by the Servicer.

U. "Qualified Equipment Note Secured By a Lease" means an equipment note:

(1) Which is secured by equipment which is leased;

(2) Which is secured by the obligation of the lessee to pay rent under the equipment lease; and

(3) With respect to which the Issuer's security interest in the equipment is at least as protective of the rights of the Issuer as the Issuer would have if the equipment note were secured only by the equipment and not the lease.

V. "Qualified Motor Vehicle Lease" means a lease of a motor vehicle where:

(1) The Issuer owns or holds a security interest in the lease;

(2) The Issuer owns or holds a security interest in the leased motor vehicle; and

(3) The Issuer's security interest in the leased motor vehicle is at least as protective of the Issuer's rights as the Issuer would receive under a motor vehicle installment loan contract.

W. "Pooling and Servicing Agreement" means the agreement or agreements among a Sponsor, a Servicer and the Trustee establishing a Trust. "Pooling and Servicing Agreement" also includes the indenture entered into by the Issuer and the Indenture Trustee.

X. "Rating Agency" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.; Moody's Investors Service, Inc.; Fitch Ratings; DBRS Limited; or DBRS, Inc.; or any successors thereto.

Y. "Capitalized Interest Account" means an Issuer account: (i) which is established to compensate securityholders for shortfalls, if any, between investment earnings on the Pre-Funding Account and the interest rate payable under the Securities; and (ii) which meets the requirements of paragraph (c) of subsection III.B.(3).

Z. "Closing Date" means the date the Issuer is formed, the Securities are first issued and the Issue's assets (other than those additional obligations which are to be funded from the Pre-Funding Account pursuant to subsection II.A.(7)) are transferred to the Issuer.

AA. "Pre-Funding Account" means an Issuer account: (i) which is established to purchase additional obligations, which obligations meet the conditions set forth in paragraphs (a)-(g) of subsection II.A.(7); and (ii) which meets the requirements of paragraph (c) of subsection III.B.(3).

BB. "Pre-Funding Limit" means a percentage or ratio of the amount allocated to the Pre-Funding Account, as compared to the total principal amount of the Securities being offered, which is less than or equal to 25 percent.

CC. "Pre-Funding Period" means the period commencing on the Closing Date and ending no later than the earliest to occur of: (i) The date the amount on deposit in the Pre-Funding Account is less than the minimum dollar amount specified in the Pooling and Servicing Agreement; (ii) the date on which an event of default occurs under the Pooling and Servicing Agreement; or (iii) the date which is the later of three months or 90 days after the Closing Date.

DD. "Designated Transaction" means a securitization transaction in which the assets of the Issuer consist of secured consumer receivables, secured credit instruments or secured obligations that bear interest or are purchased at a discount and are: (i) Motor vehicle, home equity and/or manufactured housing consumer receivables; and/or (ii) motor vehicle credit instruments in transactions by or between business entities; and/or (iii) single-family residential, multi-family residential, home equity, manufactured housing and/or commercial mortgage obligations that are secured by single-family residential, multi-family residential, commercial real property or leasehold interests therein. For purposes of this section III.DD., the collateral securing motor vehicle consumer receivables or motor vehicle credit instruments may include motor vehicles and/or Qualified Motor Vehicle Leases.

EE. "Ratings Dependent Swap" means an interest rate swap, or (if purchased by or on behalf of the Issuer) an interest rate cap contract, that is part of the structure of a class of Securities where the rating assigned by the Rating Agency to any class of Securities held by any plan is dependent on the terms and conditions of the swap and the rating of the counterparty, and if such Security rating is not dependent on the existence of the swap and rating of the counterparty, such swap or cap shall be referred to as a "Non-Ratings Dependent Swap." With respect to a Non-Ratings Dependent Swap, each Rating Agency rating the Securities must confirm, as of the date of issuance of the Securities by the Issuer, that entering into an Eligible Swap with such counterparty will not affect the rating of the Securities.

FF. "Eligible Swap" means a Ratings Dependent or Non-Ratings Dependent Swap:

(1) Which is denominated in U.S. dollars;

(2) Pursuant to which the Issuer pays or receives, on or immediately prior to the respective payment or distribution date for the class of Securities to which the swap relates, a fixed rate of interest, or a floating rate of interest based on a publicly available index (e.g., LIBOR or the U.S. Federal Reserve's Cost of Funds Index (COFI)), with the Issuer receiving such payments on at least a quarterly basis and obligated to make separate payments no more frequently than the counterparty, with all simultaneous payments being netted;

(3) Which has a notional amount that does not exceed either: (i) The principal balance of the class of Securities to which the swap relates, or (ii) the portion of the principal balance of such class represented solely by those types of corpus or assets of the Issuer referred to in subsections III.B.(1),(2) and (3);

(4) Which is not leveraged (i.e., payments are based on the applicable notional amount, the day count fractions, the fixed or floating rates designated in subsection III.FF.(2), and

the difference between the products thereof, calculated on a one to one ratio and not on a multiplier of such difference);

(5) Which has a final termination date that is either the earlier of the date on which the Issuer terminates or the related class of Securities is fully repaid; and

(6) Which does not incorporate any provision which could cause a unilateral alteration in any provision described in subsections III.FF. (1) through (4) without the consent of the Trustee.

GG. "Eligible Swap Counterparty" means a bank or other financial institution which has a rating, at the date of issuance of the Securities by the Issuer, which is in one of the three highest long-term credit rating categories, or one of the two highest short- term credit rating categories, utilized by at least one of the Rating Agencies rating the Securities; provided that, if a swap counterparty is relying on its short-term rating to establish eligibility under the Underwriter Exemptions, such swap counterparty must either have a long-term rating in one of the three highest long-term rating categories or not have a long-term rating from the applicable Rating Agency, and provided further that if the class of Securities with which the swap is associated has a final maturity date of more than one year from the date of issuance of the Securities, and such swap is a Ratings Dependent Swap, the swap counterparty is required by the terms of the swap agreement to establish any collateralization or other arrangement satisfactory to the Rating Agencies in the event of a ratings downgrade of the swap counterparty.

HH. "Qualified Plan Investor" means a plan investor or group of plan investors on whose behalf the decision to purchase Securities is made by an appropriate independent fiduciary that is qualified to analyze and understand the terms and conditions of any swap transaction used by the Issuer and the effect such swap would have upon the credit ratings of the Securities. For purposes of the Tentative Authorization, such a fiduciary is either:

(1) A "qualified professional asset manager" (QPAM),[6] as defined under Part V(a) of Prohibited Transaction Exemption (PTE) 84–14, 49 FR 9494, 9506, (March 13, 1984), as amended by 70 FR 49305, August 23, 2005);

(2) An "in-house asset manager" (INHAM),[7] as defined under Part IV(a) of PTE 96–23, 61 FR 15975, 15982 (April 10, 1996); or

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[6] PTE 84–14 provides a class exemption for transactions between a party in interest with respect to an employee benefit plan and an investment fund (including either a single customer or pooled separate account) in which the plan has an interest, and which is managed by a QPAM, provided certain conditions are met. QPAMs (e.g., banks, insurance companies, registered investment advisers with total client assets under management in excess of $85 million) are considered to be experienced investment managers for plan investors that are aware of their fiduciary duties under ERISA.

[7] PTE 96–23 permits various transactions involving employee benefit plans whose assets are managed by an INHAM, an entity which is generally a subsidiary of an employer sponsoring the plan which is a registered investment adviser with management and control of total assets attributable to plans maintained by the employer and its affiliates which are in excess of $50 million.

(3) A plan fiduciary with total assets under management of at least $100 million at the time of the acquisition of such Securities.

II. "Excess Spread" means, as of any day funds are distributed from the Issuer, the amount by which the interest allocated to Securities exceeds the amount necessary to pay interest to securityholders, servicing fees and expenses.

JJ. "Eligible Yield Supplement Agreement" means any yield supplement agreement, similar yield maintenance arrangement or, if purchased by or on behalf of the Issuer, an interest rate cap contract to supplement the interest rates otherwise payable on obligations described in subsection III.B.(1). Such an agreement or arrangement may involve a notional principal contract provided that:

(1) It is denominated in U.S. dollars;

(2) The Issuer receives on, or immediately prior to the respective payment date for the Securities covered by such agreement or arrangement, a fixed rate of interest or a floating rate of interest based on a publicly available index (e.g., LIBOR or COFI), with the Issuer receiving such payments on at least a quarterly basis;

(3) It is not "leveraged" as described in subsection III.FF. (4);

(4) It does not incorporate any provision which would cause a unilateral alteration in any provision described in subsections III.JJ. (1)-(3) without the consent of the Trustee;

(5) It is entered into by the Issuer with an Eligible Swap Counterparty; and

(6) It has a notional amount that does not exceed either: (i) The principal balance of the class of Securities to which such agreement or arrangement relates, or (ii) the portion of the principal balance of such class represented solely by those types of corpus or assets of the Issuer referred to in subsections III.B. (1), (2) and (3).

ATTACHMENT II

Description of the Transactions Subject to Request for Final Authorization.

Generally

Jefferies & Company, Inc. ("Jefco") is a wholly-owned broker-dealer subsidiary of Jefferies Group, Inc. ("Jefferies Group" and together with its subsidiaries, "Jefferies"). Jefferies, a global investment bank and institutional Securities firm, has served growing and mid-sized companies and their investors for over 45 years. Headquartered in New York, with more than 25 offices around the world, Jefferies provides clients with capital markets and financial advisory services, institutional brokerage, Securities research and asset management. The firm is a leading provider of trade execution in equity, high yield, convertible and international Securities for institutional investors and high net worth individuals.

Jefferies' internet address is www.jefferies.com. Jefferies Group's common stock is listed on the New York Stock Exchange under the symbol "JEF." As of December 31, 2007, Jefferies Group had total assets of approximately $29.8 billion and total shareholders' equity of approximately $1.8 billion.

Jefco, a Delaware corporation, is the principal operating subsidiary of Jefferies Group. Jefco is a broker-dealer registered with the Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority ("FINRA"). Among other businesses, Jefco is engaged in a wide variety of capital markets related activities, with particular expertise in public equity offerings, structured debt offerings, private debt placements, public debt financing, convertible financing and private equity financing. Jefco's fixed income business, not including high yield, includes 100 professionals actively trading corporate bonds, US government agency Securities, mortgage-backed Securities, municipal bonds and emerging markets debt, and serves over 3,000 institutional clients and trades in more than 3,000 individual issues. Since the expansion of its fixed income business to include a team of seasoned mortgage specialists in April 2008, Jefco has become increasingly active in the underwriting and placement of mortgage-backed and other asset-backed Securities. Jefco acts as both the sole Underwriter/placement agent and co-Underwriter/placement agent with other leading Underwriters in offerings of pass-through certificates and notes backed by residential and commercial mortgage loans and other assets.

None of Jefco or any of its affiliates originates any mortgage loans. Affiliates of Jefco may purchase and sale loan portfolios and other assets for inclusion in securitizations and may act as a Sponsor of mortgage-backed and other asset-backed Securities offerings underwritten by Jefco.

Jefferies Mortgage Finance, Inc. ("JMFI") was incorporated in the State of Delaware on January 17, 2008 as a wholly owned subsidiary corporation of Jefferies Group. JMFI was organized for the purpose of issuing Securities through its affiliate's, Jefferies Mortgage Acceptance Corp. ("JMAC")'s, private secondary mortgage market conduits. JMFI maintains its principal office at One Station Place, Three North, Stamford, CT 06902. JMFI plans to sell and securitize mortgage loans. Such securitizations will include fixed and adjustable rate residential

mortgage loans of prime, alt-a and sub-prime residential mortgage loans originated by various third parties.

JMFI is a purchaser of seasoned, program exception, and non-performing residential mortgages. These loans are purchased from various institutions and brokers on a bulk or flow basis by competitive bid or through a pre-negotiated agreement. Portfolios may include second liens, REO and on a limited basis, non-residential properties. Products purchased include both fixed rate and ARM programs for Alt A, Jumbo (Prime) and subprime mortgages as well as fixed rate second liens. All loans acquired by the Sponsor are subject to due diligence prior to purchase. Portfolios are reviewed for issues including, but not limited to, credit, documentation, litigation, default and servicing related concerns as well as a thorough compliance review with loan level testing. Broker Price Opinions ("BPOs") are also obtained on a selective basis.

JMAC is a Delaware corporation organized on July 11, 2008, for the limited purpose of acquiring, owning and transferring mortgage assets and selling interests in those assets or bonds secured by those assets. The depositor is a limited purpose finance subsidiary of Jefferies Group and an affiliate of Jefco. JMAC maintains its principal office at 520 Madison Avenue, New York, NY 10022. JMAC does not have, nor is it expected in the future to have, any significant assets.

JMAC plans to securitize fixed and adjustable rate residential mortgage loans and other assets. In conjunction with JMFI's acquisition of seasoned, program exception, and non-performing residential mortgages, the JMAC will execute a mortgage loan purchase agreement to transfer the loans to itself. These loans are subsequently deposited in a common law or statutory Trust which will then issue the Securities. After issuance and registration of the Securities contemplated, JMAC will have no duties or responsibilities with respect to the pool assets or the Securities. Neither JMAC nor any of its affiliates will ensure or guarantee distributions on the Securities of any series.

Jefferies Mortgage and Asset-Backed Trading, LLC ("JMAT") is a Delaware limited liability company formed in October 21, 2008. Upon its registration as a broker-dealer with the SEC and FINRA, JMAT is expected to act as the sole Underwriter/placement agent and co-Underwriter/placement agent with other leading Underwriters in certain offerings of pass-through certificates and notes backed by residential and commercial mortgage loans and other assets, including securitizations by JMAC.

Issuer Assets

Jefferies seeks exemptive relief to permit plans to invest in and hold pass-through Securities representing undivided interests in the following categories of Issuers: (1) single and multi-family residential or commercial mortgage investment Issuers;[1] (2) motor vehicle

[1] PTE 83-1 (48 Fed.Reg. 895, Jan. 7, 1983), a class exemption for mortgage pool investment Trusts, would generally apply to Trusts containing single-family residential mortgages, provided that the applicable conditions of PTE 83-1 are met. Jefferies requests relief for single-family residential mortgages in this exemption because it would prefer one exemption for all Issuers of similar structure,

receivable investment Issuers; (3) consumer or commercial receivables investment Issuers; and (4) guaranteed governmental mortgage pool certificate investment Issuers.[2]

Securitization transactions in which the assets of the Issuer reflect the following categories of receivables (all of which are also described in more detail below) are referred to herein as "Designated Transactions": (1) automobile and other motor vehicle loans, (2) residential and home equity loans (which may have high loan-to-value ("HLTV") ratios. i.e., ratios in excess of 100%), (3) manufactured housing loans and (4) commercial mortgages.

Issuer Structure

Each Trust or other Issuer is established under a Pooling and Servicing Agreement or an equivalent agreement[3] among a Sponsor, a Servicer and a Trustee. Generally, prior to the Closing Date under the Pooling and Servicing Agreement, the Sponsor and/or the Servicer of an Issuer establishes the Issuer, designates an independent entity as Trustee for the Issuer, and, except to the extent a Pre-Funding Account will be used, selects receivables from the classes of assets described in section III.B.(1)(a)-(f) to be included in the Issuer. The assets are receivables, which may have been originated by a Sponsor or Servicer of the Issuer, an Affiliate of the Sponsor or Servicer, or by an unrelated lender and subsequently acquired by the Issuer, Sponsor or Servicer.

Typically, on or prior to the Closing Date, the Sponsor acquires legal title to all assets selected for the Issuer. In some cases, legal title to some or all of such assets continues to be held by the originator of the receivable until the Closing Date. On the Closing Date, the Sponsor and/or the originator of the receivables conveys to the Issuer legal title to the assets, and the Trustee issues Securities representing fractional undivided interests in the Issuer's assets.

The 2000 Proposed Amendment to the Underwriter Exemptions, 65 FR 51454, at 51456 (August 23, 2000)(the 2000 Proposed Amendment) contains a discussion of the legal structure, bankruptcy status and taxation of each securitization vehicle. It also explains why debt is issued

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and because the relief in PTE 83-1 is narrower than that in the requested exemption. However, Jefferies may still avail itself of the exemptive relief provided by PTE 83-1.

[2] Guaranteed governmental mortgage pool Securities are mortgage-backed Securities with respect to which interest and principal payable is guaranteed by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Federal National Mortgage Association (FNMA). The Department's regulation relating to the definition of plan assets (29 C.F.R. § 2510.3-101(i)) provides that where a plan acquires a guaranteed governmental mortgage pool security, the plan's assets include the security and all of its rights with respect to such security under applicable law, but do not, solely by reason of the plans holding of such security, include any of the mortgages underlying such security. Jefferies is requesting exemptive relief for Issuers containing guaranteed governmental mortgage pool Securities because the assets of such Issuers, including such Securities, may be plan assets.

[3] As used herein, the term "Pooling and Servicing Agreement" includes (1) the trust or indenture agreement entered into by an Issuer that is a Trust and the Trustee and (2) other, functionally similar, agreements that contain the terms discussed herein.

in certain transactions instead of equity and the relative rights of both types of securities. The 2000 Proposed Amendment applicant (2000 Applicant) noted that the principal factors in the choice of securitization vehicle and whether equity or debt securities are issued are not economic but involve a combination of tax, accounting and ERISA considerations and that the choice of securitization entity or type of security does not significantly affect Plan investors either from a legal rights, credit risks or tax perspective. Where the Issuer is not a Trust, equity will not be sold to Plans pursuant to the Underwriter Exemptions.

While the permissible types of Issuers under the requested exemption include Issuers which are not required under the tax rules to be passive entities,[4] in order for a transaction to qualify for exemptive relief, each of the applicable requirements of the Underwriter Exemptions must be met. This would mean, for example, that only transactions involving Issuers holding assets which are comprised of secured receivables (unless the assets are residential and home equity loans in a Designated Transaction) and which do not allow revolving pools of assets or hedging investments (unless specifically authorized) are permissible under the Underwriter Exemptions. Specifically, the Issuer must be maintained as an essentially passive entity, and, therefore, both the Sponsor's discretion and the Servicer's discretion with respect to assets included in an Issuer must be severely limited both as to those assets transferred on the Closing Date and those acquired during any Pre-Funding Period. Pooling and Servicing Agreements provide for the substitution of Issuer receivables by the Sponsor only in the event of breaches of representations and warranties or defects in documentation discovered within a short time after the issuance of Securities (typically within 120 days, except in the case of obligations having an original term of 30 years, in which case the period will not exceed two years). Any receivable so substituted is required to have characteristics substantially similar to the replaced receivable and will be at least as creditworthy as the replaced receivable. In some cases, the affected receivable would be repurchased, with the purchase price applied as a payment on the affected receivable and passed through to securityholders.

The Underwriter Exemptions require that, in connection with the original issuance of Securities, all transactions for which the Underwriter seeks exemptive relief will be governed by the Pooling and Servicing Agreement, the principal provisions of which are described in the prospectus, private placement memorandum, or other offering document and supplements thereto, which will be furnished to the investing Plans and is made available to Plan fiduciaries for their review prior to the Plan's investment in Securities. At or about the time distributions are made to securityholders, a report will be delivered to the Trustee as to the status of the Issuer and its assets, including underlying obligations. Such report also will be delivered to or made available to the Rating Agency or Agencies that have rated the Securities. In addition, promptly after each distribution date, securityholders will receive a statement prepared by the Servicer, paying agent or Trustee summarizing information regarding the Issuer and its assets.

The Applicant notes that some of the Securities will be multi-class Securities. The Applicant requests exemptive relief for two types of multi-class Securities: "strip" Securities and "senior/subordinate" (also sometimes referred to as "fast pay/slow pay") Securities. Strip

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[4] Grantor trusts and REMICs are required under the tax rules to be passive entities with limited asset substitution rights, but other types of Issuers are not so restricted.

Securities are a type of security in which the stream of interest payments on receivables is split from the flow of principal payments and separate classes of Securities are established, each representing rights to disproportionate payments of principal and interest.[5]

"Fast-pay/slow-pay" Securities involve the issuance of classes of Securities having different stated maturities or the same maturities with different payment schedules. Interest and/or principal payments received on the underlying Issuer's assets are distributed first to the class of Securities having the earliest stated maturity of principal, and/or earlier payment schedule, and only when that class of Securities has been paid in full (or has received a specified amount) will distributions be made with respect to the second class of Securities.

Distributions on Securities having later stated maturities will proceed in like manner until all the securityholders have been paid in full. The only difference between this multi-class arrangement and a single-class arrangement is the order in which distributions are made to securityholders. In each case, securityholders will have a beneficial ownership interest in the underlying Issuer's assets or a security interest in the collateral securing such assets. Except as permitted in a Designated Transaction, the rights of a Plan purchasing Securities will not be subordinated to the rights of another securityholder in the event of default on any of the underlying obligations. In particular, unless the Securities are issued in a Designated Transaction, if the amount available for distribution to securityholders is less than the amount required to be so distributed, all senior securityholders will share in the amount distributed on a pro rata basis.[6]

Issuer Structure with Pre-Funding Account

Pre-Funding Account

While in many cases all of the receivables to be held in the Issuer are transferred to the Issuer on or prior to the Closing Date,[7] transactions may be structured using a Pre-Funding

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[5] The Applicant is informed that it is the Department's understanding that when a Plan invests in REMIC "residual" interest certificates to which this exemption applies, some of the income received by the Plan as a result of such investment may be considered unrelated business taxable income to the Plan, which is subject to federal income tax under the Code. The Department emphasizes that the prudence requirement of section 404(a)(1)(B) of the Act would require Plan fiduciaries to carefully consider this and other tax consequences prior to causing Plan assets to be invested in certificates pursuant to this exemption.

[6] If an Issuer issues subordinated Securities, holders of such subordinated Securities may not share in the amount distributed on a pro rata basis. The Department notes that this exemption does not provide relief for Plan investment in such subordinated Securities, unless the Securities are issued in a Designated Transaction.

[7] The Department is of the view that the term "Issuer" under the Underwriter Exemptions would include an Issuer: (a) the assets of which, although all specifically identified by the Sponsor or originator as of the Closing Date, are not all transferred to the Issuer on the Closing Date for administrative or other reasons but will be transferred to the Issuer shortly after the Closing Date, or (b) with respect to which Securities are not purchased by plans until after the end of the Pre-Funding Period at which time all receivables are contained in the Issuer.

Account and/or a Capitalized Interest Account as described below. If pre-funding is used, some portion of the receivables will be transferred after the Closing Date during an interim Pre-Funding Period. The Pre-Funding Period for any Issuer will be defined as the period beginning on the Closing Date and ending on the earliest to occur of: (i) the date on which the amount on deposit in the Pre-Funding Account is less than a specified dollar amount, (ii) the date on which an event of default occurs under the related Pooling and Servicing Agreement[8] or (iii) the date which is the later of three months or ninety days after the Closing Date. If pre-funding is used, cash sufficient to purchase the receivables to be transferred after the Closing Date will be transferred to the Issuer by the Sponsor or originator on the Closing Date. During the Pre-Funding Period, such cash and temporary investments, if any, made therewith will be held in a Pre-Funding Account and used to purchase the additional receivables, the characteristics of which will be substantially similar to the characteristics of the receivables transferred to the Issuer on the Closing Date. Certain specificity and monitoring requirements described below will be met which will be disclosed in the Pooling and Servicing Agreement and/or the prospectus[9] or private placement memorandum.

For a transaction involving an Issuer using pre-funding, on the Closing Date, a portion of the offering proceeds will be allocated to the Pre-Funding Account generally in an amount equal to the excess of: (i) the principal amount of Securities being issued over (ii) the principal balance of the receivables being transferred to the Issuer on such Closing Date. In certain transactions, the aggregate principal balance of the receivables intended to be transferred to the Issuer may be larger than the total principal balance of the Securities being issued. In these cases, the cash deposited in the Pre-Funding Account will equal the excess of the principal balance of the total receivables intended to be transferred to the Issuer over the principal balance of the receivables being transferred on the Closing Date.

On the Closing Date, the Sponsor transfers the receivables to the Issuer in exchange for the Securities. The Securities are then sold to an Underwriter for cash or to the securityholders directly if the Securities are sold through a placement agent. The cash received by the Sponsor from the securityholders (or the Underwriter) from the sale of the Securities issued by the Issuer in excess of the purchase price for the receivables and certain other Issuer expenses, such as underwriting or placement agent fees and legal and accounting fees, constitutes the cash to be deposited in the Pre-Funding Account. Such funds are either held in the Issuer and accounted for separately, or are held in a sub-account or sub-trust. In either event, these funds are not part of assets of the Sponsor.

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[8] The minimum dollar amount is generally the dollar amount below which it becomes too uneconomical to administer the Pre-Funding Account. An event of default under the Pooling and Servicing Agreement generally occurs when: (i) a breach of a covenant or a breach of a representation and warranty concerning the Sponsor, the Servicer or certain other parties occurs which is not cured, (ii) there occurs a failure to make required payments to securityholders or (iii) the Servicer becomes insolvent.

[9] References to the term "prospectus" herein shall include any prospectus, private placement memorandum or other offering document, and any supplements thereto, pursuant to which Securities are offered to investors.

Generally, the receivables are transferred at par value, unless the interest rate payable on the receivables is not sufficient to service both the interest rates to be paid on the Securities and the transaction fees (i.e., servicing fees, Trustee fees and fees to credit support providers). In such cases, the receivables are sold to the Issuer at a discount, based on an objective, written, mechanical formula which is set forth in the Pooling and Servicing Agreement and agreed upon in advance between the Sponsor, the Rating Agency and any credit support provider or other Insurer. The proceeds payable to the Sponsor from the sale of the receivables transferred to the Issuer may also be reduced to the extent they are used to pay transaction costs. In addition, in certain cases, the Sponsor may be required by the Rating Agencies or credit support providers to set up Issuer reserve accounts to protect the securityholders against credit losses.

The exemptive relief provided under the 1997 Amendment for pre-funding is limited so that the percentage or ratio of the amount allocated to the Pre-Funding Account, as compared to the total principal amount of the Securities being offered (the Pre-Funding Limit), does not exceed 25% effective for transactions occurring on or after May 23, 1997 and did not exceed 40% effective for transactions occurring on or after January 1, 1992, but prior to May 23, 1997. The Pre-Funding Limit (which may be expressed as a ratio or as a stated percentage or as a combination thereof) will be specified in the prospectus or the private placement memorandum.

Any amounts paid out of the Pre-Funding Account are used solely to purchase receivables and to support the interest rate payable on the Securities (as explained below). Amounts used to support the interest rate are payable only from investment earnings and are not payable from principal. However, in the event that, after all of the requisite receivables have been transferred into the Issuer, any funds remain in the Pre-Funding Account, such funds will be paid to the securityholders as principal prepayments. Upon termination of the Issuer, if no receivables remain in the Issuer and all amounts payable to the securityholders have been distributed, any amounts remaining in the Issuer would be returned to the Sponsor.

A dramatic change in interest rates on the receivables held in an Issuer using a Pre-Funding Account would be handled as follows. If the receivables (other than those with adjustable or variable rates) had already been originated prior to the Closing Date, no action would be required as the fluctuations in market interest rates would not affect the receivables transferred to the Issuer after the Closing Date. In contrast, if interest rates fall after the Closing Date, receivables originated after the Closing Date will tend to be originated at lower rates, with the possible result that the receivables will not support the interest rate payable on the Securities. In such situations, the Sponsor could sell the receivables into the Issuer at a discount and more receivables will be used to fund the Issuer in order to support the interest rate. In a situation where interest rates drop dramatically and the Sponsor is unable to provide sufficient loans at the requisite interest rates, the pool of receivables would be closed. In this latter event, under the terms of the Pooling and Servicing Agreement, the securityholders would receive a repayment of principal from the unused cash held in the Pre-Funding Account. In transactions where the interest rates payable on the Securities are variable or adjustable, the effects of market interest rate fluctuations are mitigated. In no event will fluctuations in interest rates payable on the receivables affect the interest rate payable on fixed rate Securities.

The cash deposited into the Issuer and allocated to the Pre-Funding Account is invested in certain permitted investments (see below), which may be commingled with other accounts of

the Issuer. The allocation of investment earnings to each Issuer account is made periodically as earned in proportion to each account's allocable share of the investment returns. As Pre-Funding Account investment earnings are required to be used to support (to the extent authorized in the particular transaction) the amounts of interest payable to the securityholders with respect to a periodic distribution date, the Trustee is necessarily required to make periodic, separate allocations of the Issuer's earnings to each Issuer account, thus ensuring that all allocable commingled investment earnings are properly credited to the Pre-Funding Account on a timely basis.

Capitalized Interest Accounts

In certain transactions where a Pre-Funding Account is used, the Sponsor and/or originator may also transfer to the Issuer additional cash on the Closing Date, which is deposited in a Capitalized Interest Account and used during the Pre-Funding Period to compensate the securityholders for any shortfall between the investment earnings on the Pre-Funding Account and the interest rate payable on the Securities.

The Capitalized Interest Account is needed in certain transactions since the Securities are supported by the receivables and the earnings on the Pre-Funding Account, and it is unlikely that the investment earnings on the Pre-Funding Account will equal the interest rates payable on the Securities (although such investment earnings will be available to pay interest on the Securities). The Capitalized Interest Account funds are paid out periodically to the securityholders as needed on distribution dates to support the interest rate. In addition, a portion of such funds may be returned to the Sponsor from time to time as the receivables are transferred into the Issuer and the need for the Capitalized Interest Account diminishes. Any amounts held in the Capitalized Interest Account generally will be returned to the Sponsor and/or originator either at the end of the Pre-Funding Period or periodically as receivables are transferred and the proportionate amount of funds in the Capitalized Interest Account can be reduced. Generally, the Capitalized Interest Account terminates no later than the end of the Pre-Funding Period. However, there may be some cases where the Capitalized Interest Account remains open until the first date distributions are made to securityholders following the end of the Pre-Funding Period.

In other transactions, a Capitalized Interest Account is not necessary because the interest paid on the receivables exceeds the interest payable on the Securities at the applicable interest rate and the fees payable by the Issuer. Such excess is sufficient to make up any shortfall resulting from the Pre-Funding Account earning less than the interest rate payable on the Securities. In certain of these transactions, this occurs because the aggregate principal amount of receivables exceeds the aggregate principal amount of Securities.

Pre-Funding Account and Capitalized Interest Account Payments and Investments

Pending the acquisition of additional receivables during the Pre-Funding Period, it is expected that amounts in the Pre-Funding Account and the Capitalized Interest Account will be invested in certain permitted investments or will be held uninvested. Pursuant to the Pooling and Servicing Agreement, all permitted investments must mature prior to the date the actual funds are needed. The permitted types of investments in the Pre-Funding Account and Capitalized Interest Account are investments which are either: (i) direct obligations of, or obligations fully

guaranteed as to timely payment of principal and interest by, the United States or any agency or instrumentality thereof, provided that such obligations are backed by the full faith and credit of the United States or (ii) have been rated (or the Obligor on the investment has been rated) in one of the three highest generic rating categories by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (S&P's); Moody's Investors Service, Inc. (Moody's); Fitch Ratings (Fitch); DBRS Limited; or DBRS, Inc.; or any successors thereto (each a Rating Agency or collectively, the Rating Agencies) as set forth in the Pooling and Servicing Agreement and as required by the Rating Agencies. The credit grade quality of the permitted investments is generally no lower than that of the Securities. The types of permitted investments will be described in the Pooling and Servicing Agreement.

The ordering of interest payments to be made from the Pre-Funding Account and Capitalized Interest Accounts is pre-established and set forth in the Pooling and Servicing Agreement. The only principal payments which will be made from the Pre-Funding Account are those made to acquire the receivables during the Pre-Funding Period and those distributed to the securityholders in the event that the entire amount in the Pre-Funding Account is not used to acquire receivables. The only principal payments which will be made from the Capitalized Interest Account are those made to securityholders if necessary to support the Security interest rate or those made to the Sponsor either periodically as they are no longer needed or at the end of the Pre-Funding Period when the Capitalized Interest Account is no longer necessary.

The Characteristics of the Receivables Transferred During the Pre-Funding Period

In order to ensure that there is sufficient specificity as to the representations and warranties of the Sponsor regarding the characteristics of the receivables to be transferred after the Closing Date during the Pre-Funding Period:

1. All such receivables will meet the same terms and conditions for eligibility as those of the original receivables used to create the Issuer (as described in the prospectus or private placement memorandum and/or Pooling and Servicing Agreement for such Securities), which terms and conditions have been approved by a Rating Agency. However, the terms and conditions for determining the eligibility of a receivable may be changed if such changes receive prior approval either by a majority vote of the outstanding securityholders or by a Rating Agency;[10]

2. The transfer of the receivables acquired during the Pre-Funding Period will not result in the Securities receiving a lower credit rating from the Rating Agency upon termination

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[10] In some transactions, the Insurer and/or credit support provider may have the right to veto the inclusion of receivables, even if such receivables otherwise satisfy the underwriting criteria. This right usually takes the form of a requirement that the Sponsor obtain the consent of these parties before the receivables can be included in the Issuer. The Insurer and/or credit support provider may, therefore, reject certain receivables or require that the Sponsor establish certain Issuer reserve accounts as a condition of including these receivables. Virtually all Issuers which have Insurers or other credit support providers are structured to give such veto rights to these parties. The percentage of Issuers that have Insurers and/or credit support providers, and accordingly feature such veto rights, varies.

of the Pre-Funding Period than the rating that was obtained at the time of the initial issuance of the Securities by the Issuer;

3. The weighted average annual percentage interest rate (the average interest rate) for all of the receivables in the Issuer at the end of the Pre-Funding Period will not be more than 100 basis points ("bps") lower than the average interest rate for the receivables which were transferred to the Issuer on the Closing Date;

4. The Trustee of the Trust (or any agent with which the Trustee contracts to provide trust services) will be a substantial financial institution or trust company experienced in Issuer activities and familiar with its duties, responsibilities and liabilities as a fiduciary under the Act. The Trustee, as the legal owner of the receivables in the Issuer or the holder of a security interest in the receivables, will enforce all the rights created in favor of securityholders of the Issuer, including employee benefit plans subject to the Act.

In order to ensure that the characteristics of the receivables actually acquired during the Pre-Funding Period are substantially similar to receivables that were acquired as of the Closing Date, the Applicant represents that for transactions occurring on or after May 23, 1997,[11] the characteristics of the subsequently acquired receivables will either be monitored by a credit support provider or other insurance provider which is independent of the Sponsor or an independent accountant retained by the Sponsor will provide the Sponsor with a letter (with copies provided to the Rating Agencies, the Underwriter and the Trustee) stating whether or not the characteristics of the additional receivables acquired after the Closing Date conform to the characteristics of the receivables described in the prospectus, private placement memorandum and/or Pooling and Servicing Agreement. In preparing such letter, the independent accountant will use the same type of procedures as were applicable to the receivables which were transferred as of the Closing Date.

Each prospectus, private placement memorandum and/or Pooling and Servicing Agreement will set forth the terms and conditions for eligibility of the receivables to be held by the Issuer as of the related Closing Date, as well as those to be acquired during the Pre-Funding Period, which terms and conditions will have been agreed to by the Rating Agencies which are rating the applicable Securities as of the Closing Date. Also included among these conditions is the requirement that the Trustee be given prior notice of the receivables to be transferred, along with such information concerning those receivables as may be requested. Each prospectus or private placement memorandum will describe the amount to be deposited in, and the mechanics of, the Pre-Funding Account and will describe the Pre-Funding Period for the Issuer.

Parties to the Transactions

The originator of a receivable is the entity that initially lends money to a borrower (Obligor), such as a homeowner or automobile purchaser, or leases property to a lessee. The originator may either retain a receivable in its portfolio or sell it to a purchaser, such as a

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[11] May 23, 1997, was the date the proposed 1997 Amendment to the Underwriter Exemption was published in the Federal Register.

Sponsor. Originators of receivables held by the Issuer will be entities that originate receivables in the ordinary course of their business including finance companies for whom such origination constitutes the bulk of their operations, financial institutions for whom such origination constitutes a substantial part of their operations, and any kind of manufacturer, merchant, or service enterprise for whom such origination is an incidental part of its operations. Each Issuer may hold assets of one or more originators. The originator of the receivables may also function as the Sponsor or Servicer.

The Sponsor will be one of three entities: (i) a special-purpose or other corporation unaffiliated with the Servicer, (ii) a special-purpose or other corporation affiliated with the Servicer, or (iii) the Servicer (including the Master Servicer) itself. Where the Sponsor is not also the Servicer, the Sponsor's role will generally be limited to acquiring the receivables to be held by the Issuer, establishing the Issuer, designating the Trustee, and assigning the receivables to the Issuer and, if necessary, repurchasing the receivables from the Issuer in the case of breach of representations and warranties or a document defect.

The Trustee of a Trust (or the Issuer, if it is not a Trust) is the legal owner of the obligations held by the Issuer and would hold a security interest in the collateral securing such obligations. The Trustee is also a party to or beneficiary of all the documents and instruments transferred to the Issuer, and as such, has both the authority to, and the responsibility for, enforcing all the rights created thereby in favor of securityholders, including those rights arising in the event of default by the servicer.

Generally, the Trustee will be an independent entity. However, the Trustee may be affiliated with the Underwriter of the Securities issued by the Issuer[12] but it will be unrelated to the Sponsor or the Servicer or any other member of the Restricted Group or their affiliates. The Applicant represents that the Trustee will be a substantial financial institution or trust company experienced in trust activities. The Trustee receives a fee for its services, which will be paid by the Servicer, Sponsor or out of the Issuer's assets. The method of compensating the Trustee will be specified in the Pooling and Servicing Agreement and disclosed in the prospectus or private placement memorandum relating to the offering of the Securities.

The rights and obligations of the Indenture Trustee are no different than those of the Trustee of an Issuer which is a Trust. The Indenture Trustee is obligated to oversee and administer the activities of all of the ongoing parties to the transaction and possesses the authority to replace those entities, sue them, liquidate the collateral and perform all necessary acts to protect the interests of the debt holders. If debt is issued in a transaction, there may not be a pooling and servicing agreement. Instead, there is a sales agreement and servicing agreement (or these two agreements are sometimes combined into a single agreement). The agreement(s) set(s) forth, among other things, the duties and responsibilities of the parties to the transaction relating to the administration of the Issuer. The Indenture Trustee is often a party to these agreements. At a minimum, the Indenture Trustee acknowledges its rights and

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[12] See the 2002 Amendment, which permits the Trustee to be an Affiliate of the Underwriter of the securities.

responsibilities in these agreements or they are contractually set forth in the indenture agreement pursuant to which the Indenture Trustee is appointed.

The Servicer of an Issuer administers the receivables on behalf of the securityholders. The Servicer's functions typically involve, among other things, notifying borrowers of amounts due on receivables, maintaining records of payments received on receivables and instituting foreclosure or similar proceedings in the event of default. In cases where a pool of receivables has been purchased from a number of different originators and transferred to an Issuer, it is common for the receivables to be "subserviced" by their respective originators (or their delegate) and for a single entity to "master service" the pool of receivables on behalf of the owners of the related series of Securities. Where this arrangement is adopted, a receivable continues to be serviced from the perspective of the borrower by the local Subservicer, while the investor's perspective is that the entire pool of receivables is serviced by a single, central Master Servicer who collects payments from the local Subservicers and pays them to securityholders.

A Servicer's default is treated in the same manner whether or not the Issuer is a Trust. The original Servicer is replaced. The entity replacing the Servicer varies from transaction to transaction. In certain cases, it may be the Trustee (or Indenture Trustee if the Issuer is not a Trust) or may be a third party satisfactory to the Rating Agencies. In addition, there are transactions where the Trustee or Indenture Trustee will assume the Servicer's responsibilities on a temporary basis until the permanent replacement takes over. In all cases, the replacement entity must be capable of satisfying all of the duties and responsibilities of the original Servicer and must be an entity that is satisfactory to the Rating Agencies.

As noted above, the Underwriter Exemptions generally require that the Trustee not be an Affiliate of any member of the Restricted Group, other than an Underwriter. Thus, if a Servicer of receivables held by an Issuer which has issued Securities in reliance upon the Underwriter Exemptions (or an Affiliate thereof) merges with or is acquired by (or acquires) the Trustee of such Trust (or an Affiliate thereof), exemptive relief would cease to be available under the Underwriter Exemptions. This condition will not be considered to be violated for transactions occurring on or after January 1, 1998, merely by reason of a Servicer becoming an Affiliate of the Trustee as the result of a merger or acquisition between or among the Trustee, such Servicer and/or their Affiliates which occurs after the initial issuance of the Securities, provided that: (i) such Servicer ceases to be an Affiliate of the Trustee no later than six months after the date such Servicer became an Affiliate of the Trustee; and (ii) such Servicer did not breach any of its obligations under the Pooling and Servicing Agreement, unless such breach was immaterial and timely cured in accordance with the terms of such agreement, during the period from the closing date of such merger or acquisition transaction through the date the Servicer ceased to be an Affiliate of the Trustee.

The Underwriter will be a registered broker-dealer that acts as Underwriter or placement agent with respect to the sale of Securities. Public offerings of Securities are generally made on a firm commitment or agency basis. Private placement of Securities may be made on a firm commitment or agency basis. It is anticipated that the lead or co-managing Underwriters will make a market in Securities offered to the public.

In some cases, the originator and servicer of receivables to be held by an Issuer and the Sponsor of the Issuer (though they themselves may be related) will be unrelated to the Underwriter. In other cases however, Affiliates of the Underwriter may originate or service receivables held by an Issuer or may sponsor an Issuer.

Security Price, Interest Rate and Fees

In some cases, the Sponsor will obtain the receivables from various originators or other secondary market participants pursuant to existing contracts with such originators or other secondary market participants under which the Sponsor continually buys receivables. In other cases, the Sponsor will purchase the receivables at fair market value from the originator or a third party pursuant to a purchase and sale agreement related to the specific offering of Securities. In other cases, the Sponsor will originate the receivables itself.

As compensation for the receivables transferred to the Issuer, the Sponsor receives Securities representing the entire beneficial interest in the Issuer and/or debt Securities representing the Issuer's obligations to debt securityholders, or the cash proceeds of the sale of such Securities. If the Sponsor receives Securities from the Issuer, the Sponsor may sell some or all of these Securities for cash to investors or securities underwriters.

The price of the Securities, both in the initial offering and in the secondary market, is affected by market forces including investor demand, the interest rate payable on the Securities in relation to the rate payable on investments of similar types and quality, expectations as to the effect on yield resulting from prepayment of the underlying receivables, and expectations as to the likelihood of timely payment.

The interest rate payable on the Securities is equal to the interest rate on receivables included in the Issuer minus a specified servicing fee.[13] This rate is generally determined by the same market forces that determine the price of a Security. The price of a Security and its interest, or coupon, rate, together determine the yield to investors. If an investor purchases a Security at less than par, that discount augments the stated interest rate; conversely, a Security purchased at a premium yields less than the stated coupon.

As compensation for performing its servicing duties, the Servicer (who may also be the Sponsor or an Affiliate thereof, and receive fees for acting as Sponsor) will retain the difference between payments received on the receivables held by the Issuer and payments (payable at the interest rate) to securityholders, except that in some cases a portion of the payments on the receivables may be paid to a third party, such as a fee paid to a provider of credit support. The Servicer may receive additional compensation by having the use of the amounts paid on the receivables between the time they are received by the Servicer and the time they are due to the Issuer (which time is set forth in the Pooling and Servicing Agreement). The Servicer typically

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[13] The interest rate payable on Securities representing interests in Issuers holding leases is determined by breaking down lease payments into "principal" and "interest" components based on an implicit interest rate.

will be required to pay the administrative expenses of servicing the Issuer, including in some cases the Trustee's fee, out of its servicing compensation.

The Servicer is also compensated to the extent it may provide credit enhancement to the Issuer or otherwise arranges to obtain credit support from another party. This "credit support fee" may be aggregated with other servicing fees, and is either paid out of the income received on the receivables in the Issuer in excess of the interest rate or paid in a lump sum at the time the Issuer is established.

The Servicer may be entitled to retain certain administrative fees paid by a third party, usually the Obligor. These administrative fees fall into three categories: (a) prepayment fees; (b) late payment and payment extension fees; and (c) expenses, fees and charges associated with foreclosure or repossession, or other conversion of a secured position into cash proceeds, upon default of an obligation.

Compensation payable to the Servicer will be set forth or referred to in the Pooling and Servicing Agreement and described in reasonable detail in the prospectus or private placement memorandum relating to the Securities.

Payments on receivables held by the Issuer may be made by Obligors to the Servicer at various times during the period preceding any date on which interest payments to the Issuer are due. In some cases, the Pooling and Servicing Agreement may permit the Servicer to place these payments in non-interest bearing accounts in itself or to commingle such payments with its own funds prior to the distribution dates. In these cases, the Servicer would be entitled to the benefit derived from the use of the funds between the date of payment on a receivable and the payment date on the Securities. Commingled payments may not be protected from the creditors of the Servicer in the event of the Servicer's bankruptcy or receivership. In those instances when payments from receivables are held in non-interest bearing accounts or are commingled with the Servicer's own funds, the Servicer is required to deposit these payments by a date specified in the Pooling and Servicing Agreement into an account from which the Issuer makes payments to securityholders.

The Underwriter will receive a fee in connection with the underwriting or private placement of Securities. In a firm commitment underwriting, this fee would normally consist of the difference between what the Underwriter receives for the Securities that it distributes and what it pays the Sponsor for those Securities. In a private placement, the fee normally takes the form of an agency commission paid by the Sponsor. In a best efforts underwriting in which the Underwriter would sell Securities in a public offering on an agency basis, the Underwriter would receive an agency commission rather than a fee based on the difference between the price at which the Securities are sold to the public and what it pays the Sponsor. In some private placements, the Underwriter may buy Securities as principal, in which case its compensation would be the difference between what the Underwriter receives for the Securities and what it pays the Sponsor for these Securities.

Purchase of Receivables by the Servicer

The Applicant represents that as the principal amount of the receivables held by an Issuer is reduced by payments, the cost of administering the Issuer generally increases, making the servicing of the receivables prohibitively expensive at some point. Consequently, the Pooling and Servicing Agreement generally provides that the Servicer may purchase the receivables remaining in the Issuer when the aggregate unpaid balance payable on the receivables is reduced to a specified percentage (usually between 5 and 10 percent) of the initial aggregate unpaid balance.

The purchase price of a receivable is specified in the Pooling and Servicing Agreement and will be at least equal to either: (1) the unpaid principal balance on the receivable plus accrued interest, less any unreimbursed advances of principal made by the Servicer, or (2) the greater of the amount in (1) or (b) the fair market value of such obligations in the case of a REMIC, or the fair market value of the receivables in the case of an Issuer which is not a REMIC.

Security Ratings

The Securities in transactions which are not Designated Transactions will have received one of the three highest generic ratings available from a Rating Agency. Insurance or other credit support (such as surety bonds, letters of credit, guarantees or overcollateralization) will be obtained by the Sponsor to the extent necessary for the Securities to attain the desired rating. The amount of this credit support is set by the Rating Agencies at a level that is typically a multiple of the worst historical net credit loss experience for the types of obligations included in the Issuer. For information on how the ratings on a class of Securities are an evaluation by the Rating Agency of the credit, structural and legal risks of a transaction, which is made to help predict the probability of an investor receiving timely payment of interest and payment of principal by the maturity date of the Securities, see the section on the rating process in the Proposed 2000 Amendment, 65 FR 51454, at 51470.

Provision of Credit Support

In some cases, the Master Servicer, or an Affiliate of the Servicer, may provide credit support to the Issuer (i.e., act as an Insurer). In these cases, the Servicer will first advance funds to the full extent that it determines that such advances will be recoverable (a) out of late payments by the Obligors, (b) from the credit support provider (which may be the Master Servicer or an Affiliate Servicer) or, (c) in the case of an Issuer that issues subordinated Securities, from amounts otherwise distributable to holders of subordinated Securities, and the Master Servicer will advance such funds in a timely manner. When the Servicer is a provider of the credit support and provides its own funds to cover defaulted payments, it will do so either on the initiative of the Trustee, or on its own initiative on behalf of the Trustee, but in either event it will provide such funds to cover payments to the full extent of its obligations under the credit support mechanism. In some cases, however, the Master Servicer may not be obligated to advance funds but instead would be called upon to provide funds to cover defaulted payments to the full extent of its obligations as Insurer. Moreover, a Master Servicer typically can recover advances either from the provider of credit support or from the future payments on the affected receivables.

If the Master Servicer fails to advance funds, fails to call upon the credit support mechanism to provide funds to cover delinquent payments, or otherwise fails in its duties, the Trustee would be required and would be able to enforce the securityholders' rights as both a party to the Pooling and Servicing Agreement and the owner of the Trust estate where the Issuer is a Trust (or as the holder of the security interest in the receivables), including rights under the credit support mechanism. Therefore, the Trustee, who is independent of the Servicer, will have the ultimate right to enforce the credit support arrangement.

When a Master Servicer advances funds, the amount so advanced is recoverable by the Master Servicer out of future payments on receivables held by the Issuer to the extent not covered by credit support. However, where the Master Servicer provides credit support to the Issuer, there are protections, including those described below, in place to guard against a delay in calling upon the credit support to take advantage of the fact that the credit support declines proportionally with the decrease in the principal amount of the obligations held by the Issuer as payments on receivables are passed through to investors. These protective safeguards include:

1. There is often a disincentive to postponing credit losses because the sooner repossession or foreclosure activities are commenced, the more value that can be realized on the security for the obligation;

2. The Master Servicer has servicing guidelines which include a general policy as to the allowable delinquency period after which an obligation ordinarily will be deemed uncollectible. The Pooling and Servicing Agreement will require the Master Servicer to follow its normal servicing guidelines and will set forth the Master Servicer's general policy as to the period of time after which delinquent obligations ordinarily will be considered uncollectible;

3. As frequently as payments are due on the receivables held by the Issuer, as set forth in the Pooling and Servicing Agreement (typically monthly, quarterly or semi-annually), the Master Servicer is required to report to the independent Trustee the amount of all payments which are past due more than a specified number of days and the amount of all Servicer advances, along with other current information as to collections on the assets and draws upon the credit support. Further, the Master Servicer is required to deliver to the Trustee annually a certificate of an executive officer of the Master Servicer stating that a review of the servicing activities has been made under such officer's supervision, and either stating that the Servicer has fulfilled all of its obligations under the Pooling and Servicing Agreement or, if the Master Servicer has defaulted under any of its obligations, specifying any such default. The Master Servicer's reports are reviewed at least annually by independent accountants to ensure that the Master Servicer is following its normal servicing standards and that the Master Servicer's reports conform to the Master Servicer's internal accounting records. The results of the independent accountant's review are delivered to the Trustee; and

4. The credit support has a "floor" dollar amount that protects investors against the possibility that a large number of credit losses might occur towards the end of the life of the Issuer, whether due to Servicer advances or any other cause. Once the floor amount has been reached, the Servicer lacks an incentive to postpone the recognition of credit losses because the credit support amount becomes a fixed-dollar amount, subject to reduction only for actual draws. From the time that the floor amount is effective until the end of the life of the Issuer,

there are no proportionate reductions in the credit support amount caused by reductions in the pool principal balance. Indeed, since the floor is a fixed-dollar amount, the amount of credit support ordinarily increases as a percentage of the pool principal balance during the period that the floor is in effect.

Disclosure

In connection with the original issuance of Securities, the prospectus or private placement memorandum will be furnished to investing plans. The prospectus or private placement memorandum will contain information material to a fiduciary's decision to invest in the Securities, including:

1. Information concerning the payment terms of the Securities, the rating of the Securities, any material risk factors with respect to the Securities and the fact that principal amounts left in the Pre-Funding Account at the end of the Pre-Funding Period will be paid to securityholders as a repayment of principal.

2. A description of the Issuer as a legal entity and a description of how the Issuer was formed by the seller/Servicer or other Sponsor of the transaction;

3. Identification of the independent Trustee;

4. A description of the receivables contained in the Issuer, including the types of receivables, the diversification of the receivables, their principal terms and their material legal aspects, and a description of any Pre-Funding Account used or Capitalized Interest Account used in connection with a Pre-Funding Account;

5. A description of the Sponsor and Servicer;

6. A description of the Pooling and Servicing Agreement, including a description of the Sponsor's principal representations and warranties as to the Issuer's assets, including the terms and conditions for eligibility of any receivables transferred during the Pre-Funding Period and the Trustee's remedy for any breach thereof; a description of the procedures for collection of payments on receivables and for making distributions to investors, and a description of the accounts into which such payments are deposited and from which such distributions are made; a description of permitted investments for any Pre-Funding Account or Capitalized Interest Account; identification of the servicing compensation and a description of any fees for credit enhancement that are deducted from payments on receivables before distributions are made to investors; a description of periodic statements provided to the Trustee, and provided or made available to investors by the Issuer; and a description of the events that constitute events of default under the pooling and servicing contract and a description of the Trustee's and the investors' remedies incident thereto;

7. A description of the credit support;

8. A general discussion of the principal federal income tax consequences of the purchase, ownership and disposition of the Securities by a typical investor;

9. A description of the Underwriter's plan for distributing the Securities to investors;

10. Information about the scope and nature of the secondary market, if any, for the Securities; and

11. A statement as to the duration of any Pre-Funding Period and the Pre-Funding Limit for the Issuer.

Reports indicating the amount of payments of principal and interest are provided to securityholders at least as frequently as distributions are made to securityholders. Securityholders will also be provided with periodic information statements setting forth material information concerning the underlying assets, including, where applicable, information as to the amount and number of delinquent and defaulted loans or receivables.

In the case of an Issuer that offers and sells Securities in a registered public offering, the Issuer, the Servicer or the Sponsor will file such periodic reports as may be required to be filed under the Securities Exchange Act of 1934. Although previously, some Issuers that offered Securities in a public offering filed quarterly reports on Form 10-Q and Annual Reports on Form 10-K, many Issuers obtained, by application to the Securities and Exchange Commission (SEC), relief from the requirement to file quarterly reports on Form 10-Q and a modification of the disclosure requirements for annual reports on Form 10-K. If such relief was obtained, these Issuers normally continued to have the obligation to file current reports on Form 8-K to report material developments concerning the Issuer and the Securities and copies of the statements sent to securityholders.

After the adoption of Regulation AB (All ABS issuances commencing after December 31, 2005 were subject to the new regulatory requirements), the SEC adopted a new report, Form 10-D, which is a monthly reporting form that is specific to issuers of asset-backed securities. The Form 10-Q described in prior Underwriter Exemptions is no longer used in connection with issuances of asset-backed securities. In addition, issuers of asset-backed securities may be required to make filings on Form 8-K to report certain material developments concerning the issuer and the securities. While the SEC's interpretation of the periodic reporting requirements remains subject to change, periodic reports concerning an Issuer will be filed to the extent required under the Securities Exchange Act of 1934.

At or about the time distributions are made to securityholders, a report will be delivered to the Trustee as to the status of the Issuer and its assets, including underlying obligations. Such report will typically contain information regarding the Issuer's assets (including those purchased by the Issuer from any Pre-Funding Account), payments received or collected by the Servicer, the amount of prepayments, delinquencies, Servicer advances, defaults and foreclosures, the amount of any payments made pursuant to any credit support, and the amount of compensation payable to the Servicer. Such report also will be delivered to or made available to the Rating Agency or Agencies that have rated the Securities.

In addition, promptly after each distribution date, securityholders will receive a statement prepared by the Servicer, paying agent or Trustee summarizing information regarding the Issuer

and its assets. Such statement will include information regarding the Issuer and its assets, including underlying receivables. Such statement will typically contain information regarding payments and prepayments, delinquencies, the remaining amount of the guaranty or other credit support and a breakdown of payments between principal and interest.

Forward Delivery Commitments

To date, Jefferies has not entered into any forward delivery commitments in connection with the offering of any Securities. However, Jefferies may contemplate entering into such commitments. The utility of forward delivery commitments has been recognized with respect to the offering of similar Securities backed by pools of residential mortgages. As such, Jefferies may find it desirable in the future to enter into such commitments for the purchase of Securities.

Secondary Market Transactions

Under normal circumstances, Jefferies will likely attempt to make a market for Securities for which it is lead or co-managing Underwriter, although Jefferies will have no obligation to do so. Jefferies may also facilitate sales by investors who purchase Securities if Jefferies has acted as agent or principal in the original private placement of the Securities and if such investors request Jefferies' assistance.

Retroactive Relief

Jefferies has not assumed that retroactive relief would be granted with respect to this exemption. However, in order to avoid administrative delays and for the avoidance of doubt, Jefferies respectfully requests the exemptive relief granted to be retroactive to the date of its application.

Jefferies represents that, to the extent that any Securities are offered in reliance upon the tentative authorization prior to final authorization, the offering memorandum or prospectus for such Securities will disclose: (a) the availability of the tentative authorization; (b) the right of potentially interested plan fiduciaries to comment on the tentative authorization; and (c) a copy of the tentative authorization.

Coverage by PTCE 95-60

The Department of Labor granted Prohibited Transaction Class Exemption 95-60 ("PTCE 95-60") for certain transactions involving insurance company general accounts. PTCE 95-60 includes relief for insurance company general accounts investing in asset-backed Securities in accordance with the terms of one of the specified individual exemptions granted to various Underwriters and "any other exemption providing similar relief to the extent that the Department expressly determines, as part of the proceeding to grant such exemption, to include the exemption within this definition." Since the Final Authorization requested by Jefferies is substantially similar to those specified in Section V(h) of PTCE 95-60, Jefferies requests the Department to take the actions contemplated by PTCE 95-60 to extend the relief afforded by PTCE 95-60 to transactions entered into pursuant to the request for Final Authorization.

Summary

In summary, the Applicant represents that the transactions for which exemptive relief is requested satisfy the statutory criteria of section 408(a) of the Act due to the following:

A. The Issuers contain "fixed pools" of assets. There is little discretion on the part of the Sponsor to substitute receivables contained in the Issuer once the Issuer has been formed;

B. In the case where a Pre-Funding Account is used, the characteristics of the receivables to be transferred to the Issuer during the Pre-Funding Period must be substantially similar to the characteristics of those transferred to the Issuer on the Closing Date thereby giving the Sponsor and/or originator little discretion over the selection process, and compliance with this requirement will be assured by the specificity of the characteristics and the monitoring mechanisms contemplated under the exemptive relief proposed. In addition, certain cash accounts will be established to support the Security interest rate and such cash accounts will be invested in short-term, conservative investments; the Pre-Funding Period will be of a reasonably short duration; a pre-funding limit will be imposed; and any Internal Revenue Service requirements with respect to pre-funding intended to preserve the passive income character of the Issuer will be met. The fiduciary of the plans making the decision to invest in Securities is thus fully apprised of the nature of the receivables which will be held in the Issuer and has sufficient information to make a prudent investment decision;

C. Securities in which plans invest will have been rated in one of the three highest generic rating categories (or four in the case of Designated Transactions) by a Rating Agency. The Rating Agency, in assigning a rating to such Securities, will take into account the fact that Issuers may hold interest rate swaps or yield supplement agreements with notional principal amounts or, in Designated Transactions, Securities may be issued by Issuers holding residential and home equity loans with LTV ratios in excess of 100%. Credit support will be obtained to the extent necessary to attain the desired rating;

D. Securities will be issued by Issuers whose assets will be protected from the claims of the Sponsor's creditors in the event of bankruptcy or other insolvency of the Sponsor, and both equity and debt securityholders will have a beneficial or security interest in the receivables held by the Issuer. In addition, an independent Trustee will represent the securityholders' interests in dealing with other parties to the transaction;

E. All transactions for which the Underwriter seeks exemptive relief will be governed by the Pooling and Servicing Agreement, the principal provisions of which are described in the prospectus or private placement memorandum and which is made available to plan fiduciaries for their review prior to the plan's investment in Securities;

F. Exemptive relief from sections 406(b) and 407 for sales to plans is substantially limited; and

G. It is the Underwriter's intention to make a secondary market in Securities.

General Information

The attention of interested persons is directed to the following:

1. The fact that a transaction is the subject of an exemption under section 408(a) of the Act and section 4975(c)(2) of the Code or an authorization under PTE 96-62, as amended, does not relieve a fiduciary or other party in interest or disqualified person from certain other provisions of the Act and the Code, including any prohibited transaction provisions to which the exemption or authorization does not apply and the general fiduciary responsibility provisions of section 404 of the Act, which require, among other things, a fiduciary to discharge his or her duties respecting the plan solely in the interest of the participants and beneficiaries of the plan and in a prudent fashion in accordance with section 404(a)(1)(B) of the Act; nor does it affect the requirements of section 401(a) of the Code that the plan operate for the exclusive benefit of the employees of the employer maintaining the plan and their beneficiaries;

2. Before an exemption can be granted under section 408(a) of the Act and section 4975(c)(2) of the Code or individual exemptive relief authorized pursuant to PTE 96-62, as amended, the Department must find that the exemption or the tentative authorization is administratively feasible, in the interest of the plans and of their participants and beneficiaries and protective of the rights of participants and beneficiaries of the plans;

3. The proposed amendment, if granted, or tentative authorization, if finalized, will be supplemental to, and not in derogation of, any other provisions of the Act and/or the Code, including statutory or administrative exemptions and transitional rules. Furthermore, the fact that a transaction is subject to an administrative or statutory exemption or final authorization is not dispositive of whether the transaction is in fact a prohibited transaction; and

4. The proposed amendment, if granted, or tentative authorization, if finalized, will be subject to the express condition that the material facts and representations contained in each application are true and complete and accurately describe all material terms of the transaction which is the subject of the exemption or authorization.