

Cash Flows on a Hypothetical TOB Trust Prior to Trust Termination

Residual Interest holders receive all of the residual cash flows from the TOB Trust (interest earned on the underlying assets less the interest paid to the Tender Option Bond holders & Trust fees) and retain the full market risk on the underlying assets.

- Residual Interest holders receive all of the residual income from the TOB Trust, calculated by subtracting the interest paid on the Tender Option Bonds and all trust fees from the coupon on the underlying assets.

Sample Structure: 75% Leverage on \$10mm Beverly Hills Wtr Revs, 5.00% of 6/1/2037; Current Market Value of 3.91% / 107.892

| Cash Flow | Rate | Reference Amount | Par / Notional | \$Per Annum |
|-------------------------------------|-------|------------------------|----------------|------------------|
| Underlying Asset Coupon | 5.00% | Underlying Asset Par | \$10,000,000 | \$500,000 |
| (-) Tender Option Bond Rate | 0.15% | Tender Option Bond Par | \$7,500,000 | \$11,250 |
| (-) Liquidity Fee | 0.40% | Tender Option Bond Par | \$7,500,000 | \$30,000 |
| (-) Remarketing Fee | 0.10% | Tender Option Bond Par | \$7,500,000 | \$7,500 |
| (-) Trustee Fee | 0.01% | Underlying Asset Par | \$10,000,000 | \$1,000 |
| (=) Residual Interest Income | | | | \$450,250 |

- Residual Interests are subject to the entire mark-to-market movement on the underlying assets.

Residual Interest Price Computation on the same 75% Leverage Trust Funding the \$10mm Beverly Hills Wtr Revs, 5.00% of 6/1/2037; Current Market Value on the bonds of 3.91% / 107.892

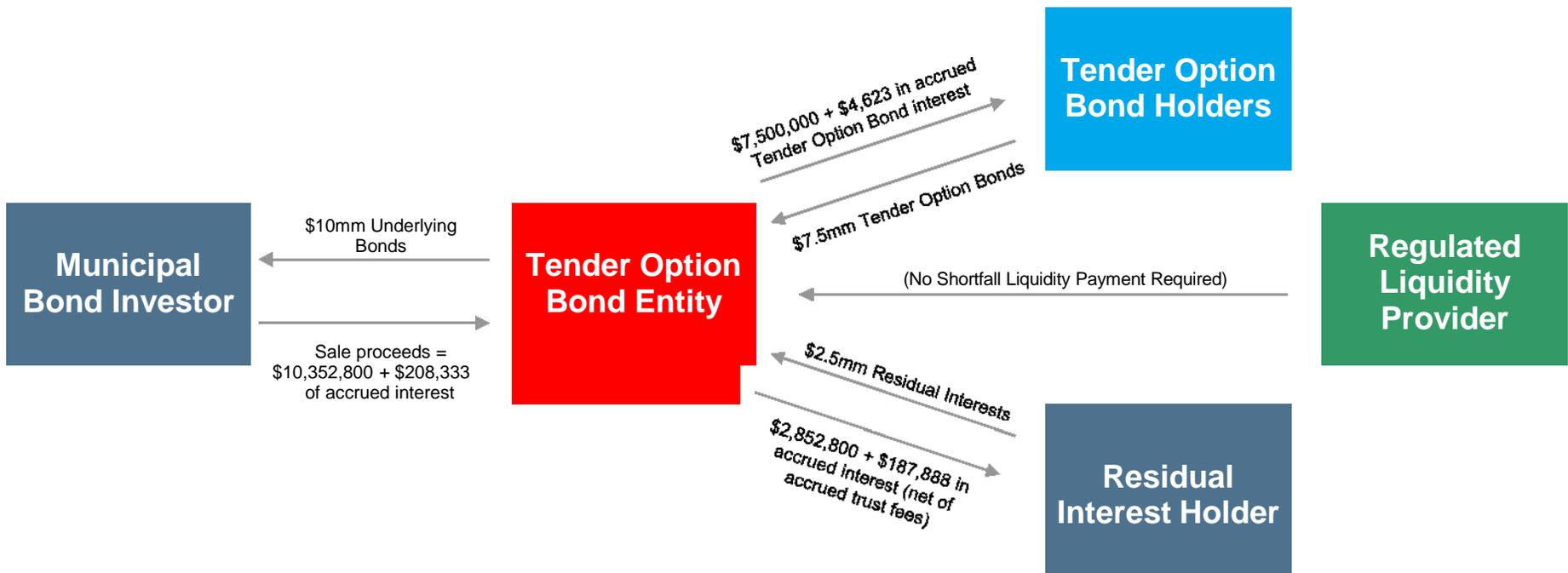
| Security | Proportion | Par / Notional | Price | Market Value |
|---------------------|------------|----------------|-----------|--------------|
| Tender Option Bonds | 75% | \$7,500,000 | \$100.000 | \$7,500,000 |
| Residual Interests | 25% | \$2,500,000 | \$167.184 | \$3,289,200 |
| TOTAL | 100% | \$10,000,000 | \$107.892 | \$10,789,200 |

Termination of the Hypothetical TOB Trust Pursuant to a Non-TOTE Event

- Upon any TOB Trust (“Tender Option Bond Entity”) termination that is triggered by a non-TOTE event, the TOB Trust is unwound as follows: – Underlying assets are sold from the Trust
 - Liquidity Provider is obligated to pay to the Trust any shortfall between the par value of the Tender Option Bonds + accrued interest thereon and the proceeds generated from the sale of the underlying assets (the “Shortfall Liquidity Payment”)
 - Accrued Trust fees are distributed to the Trustee, Remarketing Agent and Liquidity Provider
 - Tender Option Bonds are returned to the TOB Trust; the Tender Option Bonds holders receive, in exchange, the par value of their Tender Option Bonds + accrued interest thereon + gain share, if any
 - Residual Interests are returned to the trust and, in exchange, the balance of the proceeds generated from the sale of the underlying assets (after the distribution of accrued trust fees and payments to the Tender Option Bonds holders) is paid to the Residual Interest holders

Example: The assets of the sample Trust described on the previous page of this Appendix are sold out of the Trust at a price of 4.50% / \$103.528

- All market risk is borne by the Residual Interest holder: the value of the Residual Interests has declined to \$2,852,800

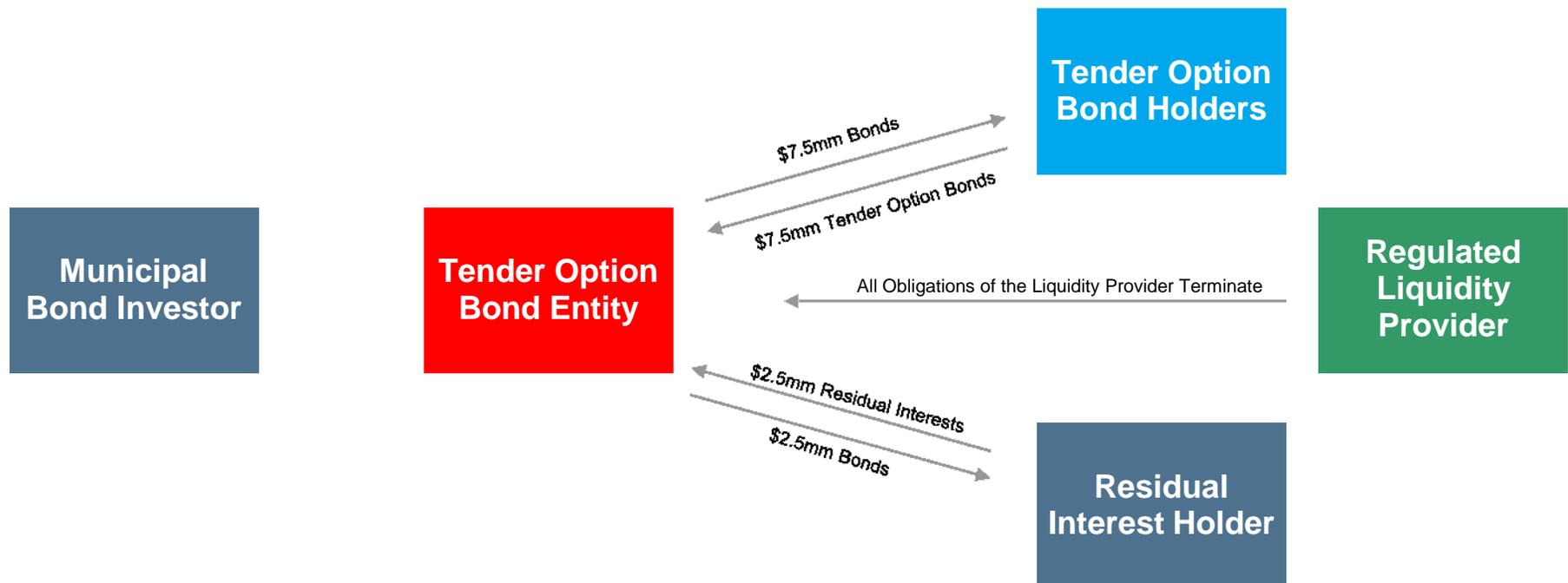


Termination of the Hypothetical TOB Trust Upon the Occurrence of a TOTE

- Upon the occurrence of a Tender Option Termination Event (a “TOTE”), –
 - All obligations of the Liquidity Provider terminate immediately
 - The TOB Trust is unwound and the underlying assets or the proceeds from the sale of the underlying assets are distributed to the Tender Option Bond and Residual Interest holders on a pari passu basis

Example: The assets of the TOB Trust described on the preceding pages of this Appendix are distributed upon the occurrence of TOTE as follows:

- Tender Option Bond holders receive 75% of the notional amount of the underlying assets of the Trust
 - Calculated by dividing the Tender Option Bond Par / (Tender Option Bond Par + the Residual Interest Par) = 75%
 - Residual Interest holders receive 25% of the notional amount of underlying assets of the Trust
 - Calculated by dividing the Residual Interest Par / (Tender Option Bond Par + the Residual Interest Par) = 25%
- Thus, the risk borne by the Residual Interest Holder equals 25% of the credit risk of the total TOB Trust assets



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