

## REGISTRATION OF ASSET-BACKED SECURITIES

*Adopted October 25, 1995, Amended May 7, 2007; May 6, 2012*

### I. INTRODUCTION

#### A. Application

1. This Statement of Policy applies to the registration of ASSET-BACKED SECURITIES, as defined in Section I.B.7; below, and will be applied by analogy to similar securities issued by ISSUERS that are not required to register as an Investment Company under the Investment Company Act of 1940.
2. The contents of this Statement of Policy shall be referred to herein as "Guidelines". While applications not conforming to the standards contained in these Guidelines shall be looked upon with disfavor, where good cause is shown, certain Guidelines may be modified or waived by the ADMINISTRATOR.

#### B. Definitions

1. ACQUISITION COST: the cost of an ELIGIBLE ASSET as reflected on the ISSUER'S balance sheet, net of applicable ACQUISITION EXPENSES AND ORIGINATION FEES.
2. ACQUISITION CRITERIA: the specified characteristics an ELIGIBLE ASSET is required to possess in order for it to be sufficiently similar to other ELIGIBLE ASSETS to make possible a reliable prediction of the CASH FLOWS associated with the ELIGIBLE ASSETS when pooled in large numbers.
3. ACQUISITION EXPENSES: all direct and indirect expenses incurred by the ISSUER in connection with the selection and acquisition of ELIGIBLE ASSETS, whether or not acquired, other than ORIGINATION FEES.
4. ADMINISTRATOR: the official or agency administering the securities laws of a state, province or commonwealth.
5. AFFILIATE: with respect to another PERSON, any of the following:
  - (a) Any PERSON directly or indirectly owning, controlling, or holding, with power to vote, ten percent or more of the outstanding voting securities of such other PERSON.
  - (b) Any PERSON ten percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held, with power to vote, by such other PERSON.
  - (c) Any PERSON directly or indirectly controlling, controlled by, under common control with such other PERSON.
  - (d) Any executive officer, director, trustee, or partner of such other PERSON.
  - (e) Any legal entity for which such PERSON acts as an executive officer, director, trustee, or partner.
6. ALLOWED EXPENSES TRUSTEE FEES, ongoing fees paid to RATING AGENCIES, SERVICING FEES, ORIGINATION FEES, ACQUISITION EXPENSES, LIQUIDATION EXPENSES, bank service charges, taxes, attorneys' fees, audit fees, and other direct charges incurred by the ISSUER in the ordinary course of the ISSUER'S business, exclusive of ORGANIZATIONAL AND OFFERING EXPENSES, CONVERSION EXPENSES and extraordinary expenses.
7. ASSET-BACKED SECURITIES:S: securities that provide a STATED RATE OF RETURN to SECURITIES HOLDERS and that are primarily serviced as to both return of investment and return on investment by the CASH FLOW from designated

ELIGIBLE ASSETS, excluding:

- (a) the securities of an investment company, subject to the Investment Company Act of 1940, and
  - (b) equity interests in limited partnerships or other direct investment vehicles subject to other applicable registration guidelines.
8. CASH FLOW: the amount of cash generated from operations, calculated in compliance with Financial Accounting Standards 95, plus receipts from the disposition or liquidation of ELIGIBLE ASSETS.
9. COLLECTION ACCOUNTS: the bank account created to receive CASH FLOW generated by the ELIGIBLE ASSETS and to maintain the segregation of such cash from other assets of the SERVICER.
10. CONVERSION EXPENSES: the expenses associated with changing from one SERVICER to another SERVICER or one TRUSTEE to another TRUSTEE.
11. CREDIT ENHANCEMENT: insurance, letters of credit, lines of credit, over collateralization, seller recourse, reserve accounts, senior claim, guarantees, and other arrangements intended to decrease the likelihood of default on the ASSET-BACKED SECURITIES.
12. ELIGIBLE ASSETS: financial or commercial assets, either fixed or revolving, which are:
  - (a) generally homogenous in nature,
  - (b) subject to reasonably objective valuation,
  - (c) for other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, self-liquidating or easily liquidated, and
  - (d) for other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, capable of generating a predictable CASH FLOW.
13. INVESTMENT GRADE: a rating that is in one of the four highest rating categories as determined by a RATING AGENCY.
14. ISSUER: the entity formed to issue the ASSET-BACKED SECURITIES and to hold ownership of, or a security interest in, the ELIGIBLE ASSETS.
15. LIQUIDATION EXPENSES: the expenditures necessary to convert residual or non-performing ELIGIBLE ASSETS, or any underlying collateral into cash, including expenditures necessary to collect on insurance or other CREDIT ENHANCEMENTS.
16. NET WORTH: the excess of total assets over total liabilities as determined by generally accepted accounting principles.
17. OBLIGOR: a PERSON obligated to make the payments on or under an ELIGIBLE ASSET.
18. OPERATING ACCOUNT: the bank account created to receive offering proceeds and revenues from the COLLECTIONS ACCOUNT which are not required to be transferred to the TRUST ACCOUNT, and from which payments are made for additional ELIGIBLE ASSETS and ALLOWED EXPENSES.
19. ORIGINATION FEES: all fees, commissions, or other consideration, other than the purchase price of the ELIGIBLE ASSETS, paid by any party to any party in connection with the origination and sale of ELIGIBLE ASSETS to the ISSUER. ORIGINATION FEES does not include professional fees paid to attorneys, accountants, appraisers, initial fees paid to RATING AGENCIES, and similar professionals for providing routine professional services, which fees shall be deemed ACQUISITION EXPENSES.
20. ORIGINATOR: an entity, which may or may not be the SPONSOR, that creates

- or originates, directly or indirectly, ELIGIBLE ASSETS to be sold or pledged, to the ISSUER.
21. ORGANIZATIONAL AND OFFERING EXPENSES: All expenses incurred in connection with and in preparing the ASSET-BACKED SECURITIES for registration and subsequently offering and distributing the ASSET-BACKED SECURITIES to the public. ORGANIZATIONAL AND OFFERING EXPENSES include, but are not limited to total underwriting and brokerage discounts and commissions (including fees of the underwriters' attorneys), initial fees paid to RATING AGENCIES, expenses for printing, engraving, mailing, salaries of employees while engaged in sales activity, charges of transfer agents, registrars, trustees, escrows holders, depositaries, experts, expenses of qualification of the sale of the securities under Federal and State laws, including taxes and fees, and accountants' and attorneys' fees.
  22. PERSON: any natural person, partnership, corporation, association, trust, or other legal entity.
  23. PAYING AGENT: the TRUSTEE or other entity responsible for disbursing funds from the TRUST ACCOUNT to the SECURITY HOLDERS in satisfaction of the ISSUER'S obligation for payments on the ASSET-BACKED SECURITIES.
  24. PROSPECTUS: the primary disclosure document(s), by whatever name known, utilized for the purpose of offering and selling ASSET-BACKED SECURITIES to the public.
  25. RATING AGENCY: Standard and Poor's Ratings Group, a division of McGraw Hill Company; Moody's Investors Service, Inc.; Fitch Investors Service, Inc. or Duff & Phelps Credit Rating Co. or a successor to any of the foregoing.
  26. SECURITY HOLDERS: the PERSONS in whose names the ISSUER'S ASSET-BACKED SECURITIES are held and to whom payments pursuant to the terms of the TRUST AGREEMENT are entitled to be made.
  27. SERVICER: the entity responsible for the management of the ISSUER'S assets and the conversion of such assets into the CASH FLOW necessary to make stated payments on the ASSET-BACKED SECURITIES.
  28. SERVICING AGREEMENT: the contract that establishes the responsibilities and compensation of the SERVICER.
  29. SERVICING FEES: compensation paid to the SERVICER pursuant to the terms of the SERVICING AGREEMENT.
  30. SPECIAL PURPOSE ENTITY: a trust, corporation, partnership, limited liability company, or other legal entity formed for the purpose of making one or more offerings of ASSET-BACKED SECURITIES, holding an ownership interest or a security interest in the ELIGIBLE ASSETS, and forwarding the CASH FLOWS from the ELIGIBLE ASSETS to the SECURITY HOLDERS.
  31. SPONSOR: any PERSON directly or indirectly instrumental in organizing, wholly or in part, an ISSUER or any PERSON, other than the TRUSTEE, who will control, manage, or participate in the management of an ISSUER or its assets. Not included is any PERSON whose only relationship with the ISSUER is that of an independent SERVICER of the ISSUER'S ELIGIBLE ASSETS, and whose only compensation is as such. "SPONSOR" does not include wholly independent third parties such as attorneys, accountants, RATING AGENCIES, and underwriters whose only compensation is for professional services rendered in connection with the offering of ASSET-BACKED SECURITIES.
  32. STATED RATE OF RETURN: a return where the SECURITY HOLDER is entitled to receive either:

- (a) a stated principal amount;
  - (b) interest on the principal amount (which may be a notional principal amount) calculated by reference to:
    - (i) a fixed rate, or
    - (ii) a standard or formula which does not reference any change in the market value or fair value of ELIGIBLE ASSETS;
  - (c) interest on a principal amount (which may be a notional principal amount) calculated by reference to:
    - (i) auctions among SECURITY HOLDERS and prospective SECURITY HOLDERS, or
    - (ii) a periodic remarketing of the ASSET-BACKED SECURITY;
  - (d) an amount representing specified fixed or variable portions of the interest generated by the underlying ELIGIBLE ASSETS; or
  - (e) any combination of the above.
33. TRUST ACCOUNT: the bank account created to receive funds from the COLLECTIONS ACCOUNT and the OPERATING ACCOUNT and from which payments are made on the ASSET-BACKED SECURITIES of the ISSUER.
34. TRUST AGREEMENT: the governing document(s), by whatever name, which defines the pooling arrangements and which establishes the rights, privileges, duties, and responsibilities of the TRUSTEE, the ISSUER, the SECURITY HOLDERS, and, in some cases; the SERVICER in connection with the issuance of the ASSET-BACKED SECURITIES. The Trust established by the TRUST AGREEMENT may or may not be a taxable entity and it may or may not serve as the ISSUER of the ASSET-BACKED SECURITIES. The TRUST AGREEMENT may include the SERVICING AGREEMENT.
35. TRUSTEE: the financial institution meeting the requirements under Section V which is party to the TRUST AGREEMENT and which has the primary responsibility of representing the interests of the SECURITY HOLDERS by assuring the terms of the TRUST AGREEMENT are enforced.
36. TRUSTEE FEES: the fees and other consideration paid to the TRUSTEE for performing services under the TRUST AGREEMENT.

## **II. REQUIREMENTS OF SPONSOR**

- A. Experience
 

For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, the SPONSOR or its management shall be able to demonstrate the knowledge and expertise necessary to supervise the origination, pooling, and servicing of the type of ELIGIBLE ASSETS being securitized.
- B. Financial Condition
  - 1. The SPONSOR shall generally be required to demonstrate that it is solvent and will, with reasonable certainty, be able to meet any financial obligations to the ISSUER.
  - 2. If the ADMINISTRATOR deems it relevant, the SPONSOR shall provide, supplementally, complete audited financial statements for its most recent fiscal year and, if necessary, unaudited financial statements prepared within 135 days of the date that the application for registration of the ASSET-BACKED SECURITIES is made effective by the ADMINISTRATOR.

C. CREDIT ENHANCEMENTS

1. The SPONSOR will be required to make or cause to be made an equity contribution to the ISSUER or provide or cause to be provided other substantial CREDIT ENHANCEMENTS to help establish a reasonable likelihood that the STATED RATE OF RETURN will be realized, unless:
  - (a) the ASSET-BACKED SECURITIES have an INVESTMENT GRADE rating, or
  - (b) the ADMINISTRATOR waives this requirement.
2. The SPONSOR shall describe the CREDIT ENHANCEMENT in the PROSPECTUS. If the CREDIT ENHANCEMENT is provided by third parties, the description of the CREDIT ENHANCEMENT shall include summary information about the entity providing the CREDIT ENHANCEMENT.

D. Portfolio Characteristics

1. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, the SPONSOR must be able to demonstrate, based on designated ACQUISITION CRITERIA or specifically identified ELIGIBLE ASSETS, that the ELIGIBLE ASSETS being pooled will generate sufficient CASH FLOW to make all scheduled payments on the ASSET-BACKED SECURITIES after taking ALLOWED EXPENSES into consideration.
2. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, if a significant portion of the CASH FLOW is anticipated to come from the liquidation of tangible assets underlying the ELIGIBLE ASSETS, additional evidence should be provided establishing the ISSUER'S or SERVICER'S ability to reliably predict the value of such tangible assets.
3. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, if the CASH FLOW is primarily based upon the credit quality of the OBLIGORS, evidence should be provided demonstrating that adequate measures are taken to qualify OBLIGORS.
4. The SPONSOR shall disclose, in the PROSPECTUS, certain information regarding the identified ELIGIBLE ASSETS, including:
  - (a) the outstanding principal balance of the ELIGIBLE ASSETS,
  - (b) the outstanding principal balance of the ELIGIBLE ASSETS as a percentage of the total amount of ASSET-BACKED SECURITIES being offered,
  - (c) the CASH FLOW currently being generated by the ELIGIBLE ASSETS as a percentage of the total amount of ASSET-BACKED SECURITIES being offered,
  - (d) a description of what constitutes a default,
  - (e) the amount of ELIGIBLE ASSETS in default,
  - (f) the amount of ELIGIBLE ASSETS in default as a percentage of the total amount of ASSET-BACKED SECURITIES being offered, and
  - (g) the amount of ELIGIBLE ASSETS in default as a percentage of the CREDIT ENHANCEMENT.

E. STATED RATE OF RETURN

ASSET-BACKED SECURITIES must have a STATED RATE OF RETURN.

- F. Asset Selection
1. ACQUISITION CRITERIA for the ELIGIBLE ASSETS or the relevant characteristics of any specified pool of ELIGIBLE ASSETS must be set forth in the PROSPECTUS and the TRUST AGREEMENT.
  2. If ELIGIBLE ASSETS are selected from a larger pool of ELIGIBLE ASSETS owned or controlled by the SPONSOR, the selection process must be random, unless a reasonable basis exists for selecting ELIGIBLE ASSETS on a non-random basis. Any selection method used must be fair and must be fully disclosed in the PROSPECTUS.
- G. Asset Repurchases and Substitutions
1. The SPONSOR may repurchase an ELIGIBLE ASSET or may substitute one or more ELIGIBLE ASSETS which are part of the collateral underlying the ASSET-BACKED SECURITIES with new ELIGIBLE ASSETS if:
    - (a) the ELIGIBLE ASSETS which are to be repurchased or replaced are found not to meet the ACQUISITION CRITERIA or are otherwise found not to comply with the requirements set forth in the TRUST AGREEMENT, and
    - (b) the repurchase or substitution is not made for the purpose of recognizing gains or decreasing losses resulting from market value changes in the ISSUER'S portfolio of ELIGIBLE ASSETS.
  2. The SPONSOR or another PERSON may repurchase the ELIGIBLE ASSETS when the pool of ELIGIBLE ASSETS has been reduced to 15% or less of the original ELIGIBLE ASSETS.
  3. A repurchase must be made at a price determined by a fair and reasonable formula set forth in the original PROSPECTUS.
  4. If a substitution takes place, the new ELIGIBLE ASSET must have equal or greater scheduled CASH FLOW, approximately the same term and, if appropriate, equal or greater liquidation value than the ELIGIBLE ASSET to be replaced. Compliance with this requirement must be verified by a certified public accountant, or if the ELIGIBLE ASSET is readily marketable, by documentation of the current market value of the ELIGIBLE ASSET.
  5. If any repurchases or substitutions take place and the ASSET-BACKED SECURITIES are rated at the time of the initial offering, then the initial rating must be maintained.
  6. The SPONSOR shall provide a report representing compliance with these requirements to the TRUSTEE simultaneously with consummating the repurchase or substitution.
  7. The SPONSOR shall disclose, in the PROSPECTUS, any obligation it has to repurchase ELIGIBLE ASSETS.
- H. Reinvestment of Excess CASH FLOW
- CASH FLOW not needed for stated payments on the ASSET-BACKED SECURITIES, reserve deposits, or other designated purposes, may be reinvested in additional ELIGIBLE ASSETS which meet ACQUISITION CRITERIA.
- I. Distributions to SPONSOR and Residual Owners
1. Distributions of excess CASH FLOW or ELIGIBLE ASSETS to the SPONSOR, or other residual owners of the ISSUER, while the ASSET-BACKED SECURITIES are outstanding will be allowed, provided that:

- (a) the specific circumstances permitting such distributions are fully disclosed in the PROSPECTUS, and
  - (b) the ability of the ISSUER to make all subsequent stated payments on the ASSET-BACKED SECURITIES, as determined on the date of such distributions, is not materially diminished as a result of such distributions.
- 2. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, the ISSUER must provide reasonable evidence that such distribution rights will not impact the credit quality of the ASSET-BACKED SECURITIES at the time the ASSET-BACKED SECURITIES are registered.

### **III. REQUIREMENTS OF ISSUER**

- A. Must be a SPECIAL PURPOSE ENTITY
  - 1. The ISSUER must be a SPECIAL PURPOSE ENTITY and, therefore, will generally not be permitted to:
    - (a) have employees, other than non-compensated officers, or
    - (b) incur obligations other than ALLOWED EXPENSES, CONVERSION EXPENSES, ORGANIZATIONAL AND OFFERING EXPENSES and other extraordinary expenses arising from a change of SERVICERS or similar extraordinary event.
  - 2. The ISSUER may make more than one offering, if the ASSET-BACKED SECURITIES have an INVESTMENT GRADE rating or if each offering is secured by a distinct pool of assets, with cross-defaults and cross-collateralization prohibited by contract or otherwise.
  - 3. If the ISSUER is not a trust, there must be a supplemental TRUST AGREEMENT administered by a TRUSTEE.
- B. Interest in ELIGIBLE ASSETS
  - 1. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, the ISSUER'S interest in the ELIGIBLE ASSETS must be an ownership interest or a security interest.
  - 2. The ELIGIBLE ASSETS may be held by a SPECIAL PURPOSE ENTITY other than the ISSUER if the ISSUER'S ownership interest or security interest in the ELIGIBLE ASSETS is supported by an opinion of counsel as required by Section III.C.2. below.
- C. Opinion of Counsel
 

For offerings where the ISSUER acquires ownership of the ELIGIBLE ASSETS, the ADMINISTRATOR may require the ISSUER to provide an opinion of qualified counsel to the effect that, in the event of a bankruptcy by the SPONSOR or an ORIGINATOR or other seller of ELIGIBLE ASSETS to the ISSUER, the transfer of ELIGIBLE ASSETS would be treated as a true sale.

  - 1. For offerings where the ISSUER acquires a security interest in the ELIGIBLE ASSETS an opinion may be required indicating:
    - (a) that the security interest will be perfected based on procedures set forth in the TRUST AGREEMENT, and
    - (b) whether financing statements under the Uniform Commercial Code are necessary to perfect security interests in the ELIGIBLE ASSETS.
  - 2. If a SPECIAL PURPOSE ENTITY, other than the ISSUER, is

established to hold the ELIGIBLE ASSETS that are pledged to the ISSUER, an opinion may be required indicating that, in the event of a bankruptcy by the SPONSOR or an ORIGINATOR or other seller of ELIGIBLE ASSETS to the SPECIAL PURPOSE ENTITY, the transfer of ELIGIBLE ASSETS would be treated as a true sale.

D. Minimum Offering

For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, the minimum amount of proceeds required to close the offering shall be sufficient to allow the ISSUER to acquire all specified ELIGIBLE ASSETS or a sufficient amount of unspecified ELIGIBLE ASSETS to diversify the pool of ELIGIBLE ASSETS to the extent necessary to achieve a high level of confidence with respect to the statistical characteristics of the portfolio.

E. Proceeds Escrow

All funds received prior to achieving the minimum offering size must be deposited in an interest bearing account with an independent escrow agent whose name and address shall be disclosed in the PROSPECTUS. Provision must be made for the return to the investors of 100% of paid subscriptions, plus interest earned, in the event that the established minimum size is not reached.

F. Offering and Investment Period

1. The offering period may not exceed one year from the date of effectiveness unless permitted by the ADMINISTRATOR.
2. The ADMINISTRATOR may require the available proceeds from offerings that do not have an INVESTMENT GRADE rating to be fully invested in ELIGIBLE ASSETS within two months from the date such proceeds are released from escrow.

G. Investments other than in ELIGIBLE ASSETS

For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, cash held in COLLECTIONS ACCOUNTS, OPERATING ACCOUNTS, TRUST ACCOUNTS or reserve accounts, cash held pending investment in ELIGIBLE ASSETS, cash held pending distribution to SECURITY HOLDERS, and other temporary cash balances may be invested, either directly or through money market funds, in securities that are direct obligations of, or fully guaranteed by, the U.S. Government or a U.S. Government agency or instrumentality, certificates of deposit, demand or time deposits, and bankers acceptances from any state or federally chartered depository institution having an INVESTMENT GRADE rating.

H. Monitoring by Rating Agency

If the ASSET-BACKED SECURITIES are rated at the time of the initial offering the ISSUER must agree to pay to have that rating monitored at least annually.

I. ISSUER Reports

The TRUST AGREEMENT shall provide that the ISSUER or TRUSTEE shall cause to be prepared and distributed to the SECURITY HOLDERS the following reports:

1. concurrently with distributions to SECURITY HOLDERS, a report containing relevant information regarding the performance of the ISSUER'S portfolio of ELIGIBLE ASSETS, including cash flows, delinquency rates, gross and net loss rates substitution, and changes in the outstanding principal balance of ELIGIBLE ASSETS, if applicable;
2. where forecasts have been provided to SECURITY HOLDERS, at least annually, a table comparing the forecasts previously provided with the



3. actual results during the period covered by the report; and  
an annual audited financial statement of the ISSUER.

#### **IV. REQUIREMENTS OF SERVICER**

##### **A. Experience**

1. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, the SERVICER or its management must have at least three years experience servicing ELIGIBLE ASSETS similar to those to be acquired by the ISSUER.
2. With respect to portfolios of ELIGIBLE ASSETS that require intensive levels of servicing, a greater amount of experience may be required.
3. The SERVICER may be required to provide, supplementally, summary information regarding the performance of prior pools of similar ELIGIBLE ASSETS which it has SERVICED.

##### **B. Financial Condition**

1. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, the SERVICER must be able to demonstrate that it is solvent and possesses the financial resources necessary to perform under the SERVICING AGREEMENT and/or TRUST AGREEMENT.
2. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, if the SERVICER is to provide any financial guarantees or advances in connection with the issuance of the ASSET-BACKED SECURITIES it must demonstrate its ability to perform on such guarantees or advances under a default.
3. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, if the ADMINISTRATOR deems it relevant, the SERVICER shall provide, supplementally, complete audited financial statements for its most recent fiscal year end and, if necessary, unaudited financial statements prepared within 135 days of the date that the application for registration of the ASSET-BACKED SECURITIES is made effective by the ADMINISTRATOR.

##### **C. Independence**

The SERVICER may not be AFFILIATED with the TRUSTEE. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, the SERVICER may not be AFFILIATED with any OBLIGOR under any ELIGIBLE ASSET. Provided however, the TRUSTEE may serve as successor SERVICER if it is otherwise qualified to perform the servicing function.

##### **D. SERVICER Reports**

The SERVICING AGREEMENT shall require that the SERVICER prepare and deliver to the TRUSTEE the following reports, if applicable:

1. On a monthly basis or similar time interval that coincides with the timing of CASH FLOWS from the ELIGIBLE ASSETS:
  - (a) for other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, a report containing relevant information regarding the performance of the portfolio of ELIGIBLE ASSETS, including cash flows, delinquency rates, gross and net loss rates, substitution, and changes in the outstanding principal balance of ELIGIBLE ASSETS;
  - (b) information regarding the status of CREDIT

- ENHANCEMENTS, including the extent to which any such CREDIT ENHANCEMENTS have been utilized by the SERVICER to supplement the CASH FLOW associated with the ELIGIBLE ASSETS; and
- (c) for other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, notification of any default in the payment of principal and interest on any other ASSET-BACKED SECURITIES issued by a SPECIAL PURPOSE ENTITY with the same SPONSOR, SERVICER, and business plan.
2. On a quarterly basis:
- (a) information regarding the identity of each ORIGINATOR or seller of ELIGIBLE ASSETS to the ISSUER, and if the ORIGINATOR or seller has guaranteed any aspect of performance of any ELIGIBLE ASSETS, complete financial statements of the ORIGINATOR or seller as of the most recent date available together with specific information regarding the historical performance of the ORIGINATOR'S or seller's portfolio of ELIGIBLE ASSETS;
- (b) information regarding the percentage of ELIGIBLE ASSETS acquired from each ORIGINATOR or seller; and
- (c) information regarding the diversification of each ORIGINATOR'S or seller's portfolio of ELIGIBLE ASSETS with respect to underlying OBLIGORS, if applicable.
- E. Termination and Replacement
1. The SERVICER may not voluntarily withdraw as SERVICER, except as may be required by law, or upon at least 30 days' prior notice to the TRUSTEE, provided that a qualified successor SERVICER has been retained, effective as of the resignation date of its predecessor.
2. In the event that the TRUSTEE, SPONSOR, or SECURITY HOLDERS terminate the SERVICER, the SERVICING AGREEMENT shall designate a qualified successor SERVICER, or the SERVICING AGREEMENT shall specify the criteria for selecting a qualified successor SERVICER. The successor SERVICER must be approved by the TRUSTEE and must be capable of commencing the servicing of the ELIGIBLE ASSETS within a commercially reasonable period of time.

## V. REQUIREMENTS OF TRUSTEE

### A. General Requirements

1. There shall at all times be one or more TRUSTEES under the TRUST AGREEMENT.
2. At least one TRUSTEE shall at all times be a corporation organized and doing business under the laws of the United States or of any state or territory thereof or of the District of Columbia which:
- (a) is authorized under such laws to exercise corporate trust powers;
- (b) is subject to supervision or examination by federal, state,

- (c) territorial, or District of Columbia authority; and has a rating, or is a subsidiary of an institution having a rating, issued by a nationally recognized bank or financial institution rating organization, in one of the four highest categories.

B. Experience

1. The TRUSTEE or one or more of its corporate trust officers must have at least three years' relevant experience.
2. The TRUSTEE in its commercial capacity must have origination or servicing experience with respect to similar ELIGIBLE ASSETS.

C. Independence

1. The TRUSTEE may not be AFFILIATED with the SERVICER, the SPONSOR, or the ISSUER. Provided however, the TRUSTEE may serve as successor SERVICER if it is otherwise qualified to perform the servicing function.
2. The TRUSTEE may not have receive within the last 5 years and may not receive during the terms of the TRUST AGREEMENT more than 5% of its total revenue from all sources, including TRUSTEE'S fees, from the SPONSOR and the SERVICER on a combined basis.
3. The TRUST AGREEMENT shall provide that no more than 5% of the loan portfolio of the TRUSTEE or its AFFILIATES may be loans to either the ISSUER, the SPONSOR, or the SERVICER.

D. Withdrawal or Termination

1. If the TRUSTEE voluntarily withdraws as TRUSTEE, the ISSUER or SPONSOR shall designate a successor TRUSTEE. The withdrawing TRUSTEE may petition a court to appoint a successor TRUSTEE. The withdrawing or resigning TRUSTEE must continue to perform under the TRUST AGREEMENT until the successor TRUSTEE is designated by the ISSUER, the SPONSOR, or the court.
2. If the TRUST AGREEMENT allows the TRUSTEE to be terminated by the SECURITY HOLDERS or by the ISSUER, there must be a reasonable procedure set forth in the TRUST AGREEMENT for replacing the TRUSTEE.

E. Duties

At a minimum, the TRUST AGREEMENT shall provide that it shall be the responsibility of the TRUSTEE to perform the following duties:

1. Maintain the custodianship of the documentation delivered to it evidencing title or perfected security interest in the ISSUER'S ELIGIBLE ASSETS.
2. Verify all funds deposited in the TRUST ACCOUNT for the benefit of the SECURITY HOLDERS and use its best efforts to verify all payments called for under the terms of the TRUST AGREEMENT.
3. Verify the delivery of all reports and other instruments required pursuant to the terms of the TRUST AGREEMENT and the Securities Exchange Act of 1934.
4. Examine all reports or other instruments furnished to the TRUSTEE pursuant to the terms of the TRUST AGREEMENT and determine, based on the information provided, whether there is a violation of any of the terms and conditions set forth in the TRUST AGREEMENT.
5. In the event that the TRUSTEE determines there has been a default under the terms of the TRUST AGREEMENT, the TRUSTEE shall be

responsible for the timely notification of SECURITY HOLDERS and the implementation of appropriate remedial actions, and may not first seek additional indemnification other than that provided in the TRUST AGREEMENT from the SECURITY HOLDERS before taking such actions. The TRUSTEE shall be entitled to reimbursement for all costs relating to a default, but the TRUSTEE shall not be indemnified for its breach of contract, misconduct, or gross negligence.

6. Upon notification of a default under Section IV.D.1.(c), the TRUSTEE may, if it deems it appropriate, replace the SERVICER and take any other steps necessary for the protection of SECURITY HOLDERS.
- F. TRUSTEE Report
- Annually, the TRUSTEE shall provide a report to the SECURITY HOLDERS which indicates whether the TRUSTEE has fulfilled its obligations under the TRUST AGREEMENT and whether there have been any known uncured defaults under the TRUST AGREEMENT.

## **VI. SUITABILITY OF SECURITY HOLDERS**

- A. General Policy
1. The provisions of this Section VI shall not apply to ASSET-BACKED SECURITIES:
    - (a) which have an INVESTMENT GRADE rating;
    - (b) which are firmly underwritten; or
    - (c) for which the SPONSOR is able to demonstrate that there will be a substantial and active secondary market.
  2. The SPONSOR shall propose minimum income and net worth standards which are reasonable given the risks associated with the purchase of the ASSET-BACKED SECURITIES. Offerings with greater investor risk shall have minimum standards with a greater income and NET WORTH requirements. The ADMINISTRATOR shall evaluate the standards proposed by the SPONSOR when the ISSUER'S application for registration is reviewed. In evaluating the proposed standards, the ADMINISTRATOR may consider the following:
    - (a) potential for variances in CASH FLOWS;
    - (b) intensity of the servicing function;
    - (c) potential SECURITY HOLDERS;
    - (d) relationships among potential SECURITY HOLDERS and the SPONSOR;
    - (e) liquidity of the ASSET-BACKED SECURITIES;
    - (f) prior performance of similar pools formed by the SPONSOR;
    - (g) financial condition of the SPONSOR;
    - (h) CREDIT ENHANCEMENTS;
    - (i) transactions between the ISSUER and the SPONSOR; and
    - (j) any other relevant factors
- B. Income and Net Worth Standards
1. Unless the ADMINISTRATOR determines that the risks associated with particular ASSET-BACKED SECURITIES would require lower or higher standards, SECURITY HOLDERS shall generally be required to have:

- (a) a minimum annual gross income of \$70,000 and a minimum NET WORTH of \$70,000; or
    - (b) a minimum NET WORTH of \$250,000.
  2. NET WORTH shall be determined exclusive of home, furnishings, and automobiles.
  3. In the case of sales to fiduciary accounts, these minimum standards shall be met by the beneficiary, the fiduciary account, or by the donor or grantor who directly or indirectly supplies the funds to purchase the ASSET-BACKED SECURITIES if the donor or grantor is the fiduciary.
  4. The SPONSOR shall set forth in the final PROSPECTUS;
    - (a) a description of the type of PERSON who might benefit from an investment in the ASSET-BACKED SECURITIES; and
    - (b) the minimum standards imposed on SECURITY HOLDERS.
- C. Determination that Sale to SECURITY HOLDER is Suitable and Appropriate
  1. The SPONSOR and each PERSON selling ASSET-BACKED SECURITIES on behalf of the SPONSOR or ISSUER shall make every reasonable effort to determine that the purchase of ASSET-BACKED SECURITIES is a suitable and appropriate investment for each SECURITY HOLDER
  2. In making this determination, the SPONSOR and/or each PERSON selling SHARES on behalf of the SPONSOR shall ascertain that the prospective SECURITY HOLDER:
    - (a) meets the minimum income and net worth standards established for the ISSUER;
    - (b) can reasonably benefit from the ASSET-BACKED SECURITIES based on the prospective SECURITY HOLDER'S overall investment objectives and portfolio structure;
    - (c) is able to bear the economic risk of the investment based on the prospective SECURITY HOLDER'S overall financial situation; and
    - (d) has apparent understanding of:
      - (i) the fundamental risks of the investment;
      - (ii) the lack of liquidity of the ASSET-BACKED SECURITIES; and
      - (iii) the background and qualifications of the SPONSOR;
  3. Each PERSON selling ASSET-BACKED SECURITIES on behalf of the SPONSOR or ISSUER shall make the suitability determination on the basis of information it has obtained from a prospective SECURITY HOLDER. Relevant information for this purpose will include at least the age, investment objectives, investment experience, income, NET WORTH, financial situation, and other investments of the prospective SECURITY HOLDER, as well as any other pertinent factors.
  4. Each PERSON selling ASSET-BACKED SECURITIES on behalf of the SPONSOR or ISSUER shall maintain records of the information used to determine that an investment in ASSET-BACKED SECURITIES is suitable and appropriate for a SECURITY HOLDER. These records shall be maintained for at least six years.

5. The ISSUER shall disclose in the final PROSPECTUS the responsibility of each PERSON selling ASSET-BACKED SECURITIES on behalf of the SPONSOR or ISSUER to make every reasonable effort to determine that the purchase of ASSET-BACKED SECURITIES is a suitable and appropriate investment for each SECURITY HOLDER, based on information provided by the SECURITY HOLDER regarding the SECURITY HOLDER'S financial situation and investment objectives.

D. Subscription Agreements

1. The ADMINISTRATOR may require that SECURITY HOLDERS complete and sign a written subscription agreement.
2. The SPONSOR may require that SECURITY HOLDERS make certain factual representations in the subscription agreement, including the following:
  - (a) the SECURITY HOLDER meets the minimum income and net worth standards established for the ISSUER.
  - (b) The SECURITY HOLDER is purchasing the ASSET-BACKED SECURITIES for his or her own account.
  - (c) The SECURITY HOLDER has received a copy of the PROSPECTUS.
  - (d) The SECURITY HOLDER acknowledges that the ASSET-BACKED SECURITIES will not be readily marketable.
3. The SECURITY HOLDERS must separately sign or initial each representation made in the subscription agreement. Except in the case of fiduciary accounts, the SECURITY HOLDERS may not grant any PERSON a power of attorney to make such representations on their behalf.
4. The SPONSOR and/or each PERSON selling ASSET-BACKED SECURITIES on behalf of the SPONSOR or ISSUER shall not require SECURITY HOLDERS to make representations in the subscription agreement which are subjective or unreasonable and which:
  - (a) might cause the SECURITY HOLDER to believe that he or she has surrendered rights to which he or she is entitled under federal or state law; or
  - (b) would have the effect of shifting the duties regarding suitability, imposed by law on broker-dealers, to the SECURITY HOLDERS.
5. Prohibited representations include, but are not limited to the following:
  - (a) The SECURITY HOLDER understands or comprehends the risk factors associated with an investment in the ASSET-BACKED SECURITIES.
  - (b) The investment is a suitable one for the SECURITY HOLDER.
  - (c) The SECURITY HOLDER has read the PROSPECTUS.
  - (d) In deciding to invest in the ASSET-BACKED SECURITIES, the SECURITY HOLDER has relied solely on the PROSPECTUS, and not on any other information or representations from other PERSONS or sources.
6. The SPONSOR may place the content of the prohibited representations in the subscription agreement in the form of advisory disclosures to

SECURITY HOLDERS. The SPONSOR may not place these disclosures in the SECURITY HOLDER representation section of the subscription agreement.

E. Confirmation

The SPONSOR or PERSONS selling the ASSET-BACKED SECURITIES shall send all SECURITY HOLDERS a confirmation of their purchase.

## VII. FEES, COMPENSATION AND EXPENSES

A. Disclosure of Consideration

1. For other than ASSET-BACKED SECURITIES with an INVESTMENT grade rating, the sponsor will be required to demonstrate that the total amount of consideration of all kinds which may be paid, directly or indirectly, to all parties is fair, competitive, commercially reasonable, and not less favorable to the ISSUER than fees or expenses between unrelated third parties. In general, the SPONSOR is expected to subordinate its interest in the CASH FLOW and liquidation value of ELIGIBLE ASSET'S and the underlying collateral, if any, to that of the SECURITY HOLDERS
2. The PROSPECTUS must fully disclose and itemize all consideration which may be received in connection with ISSUER'S activities directly or indirectly by the SPONSOR, the SERVICER, and the selling agents, what the consideration is for and how and when it will be paid. This shall be set forth in one location in tabular form.

B. ORGANIZATIONAL AND OFFERING EXPENSES

All items of compensation to underwriters or selling agents, including, but not limited to, selling commissions, expenses, rights of first refusal, consulting fees, finders' fees and all other items of compensation of any kind or description paid by the ISSUER, directly or indirectly, shall be taken into consideration in computing the amount of allowable ORGANIZATIONAL AND OFFERING EXPENSES. Generally, ORGANIZATIONAL AND OFFERING EXPENSES will not be permitted to exceed 15% of gross proceeds.

C. ORIGINATION FEES and ACQUISITION EXPENSES

For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, ORIGINATION FEES and ACQUISITION EXPENSES paid or to be paid by the ISSUER, SPONSOR, or their AFFILIATES must be fully justified based on actual services provided and expenses incurred in connection with acquiring the ELIGIBLE ASSETS.

D. Permitted Expenses

1. Other than ALLOWED EXPENSES, ORGANIZATIONAL AND OFFERING EXPENSES, and CONVERSION EXPENSES, the ISSUER may only be charged for the actual cost of goods and services used or incurred for or by the ISSUER and obtained from PERSONS other than the SPONSOR, SERVICER, or their AFFILIATES. No reimbursement shall be permitted for goods or services for which the SPONSOR or SERVICER are entitled to compensation by way of separate fees. Items excluded from permitted expenses include, but are not limited to, the following:
  - (a) rent or depreciation, utilities, capital equipment, other administrative items of the SPONSOR or SERVICER; and
  - (b) salaries, fringe benefits, travel expenses, and other administrative items incurred or allocated to any

- controlling person of the SPONSOR or SERVICER.
2. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, the Prospectus shall contain a table showing an itemized listing of the fees and expenses expected to be incurred by the ISSUER annually. The amounts should be expressed in dollars and as a percentage of the gross proceeds of the offering. A fee table similar to the following is recommended:

ANNUAL PERMITTED EXPENSES

	ESTIMATED DOLLAR AMOUNT	PERCENTAGE OF FIRST YEAR AVERAGE NET ASSETS
ORIGINATION FEES.....	\$ _____	_____ %
ACQUISITION EXPENSES.....	\$ _____	_____ %
SERVICING FEES.....	\$ _____	_____ %
TRUSTEE FEES.....	\$ _____	_____ %
PROFESSIONAL FEES.....	\$ _____	_____ %
OTHER PERMITTED EXPENSES	\$ _____	_____ %
TAXES.....	\$ _____	_____ %
TOTAL ANNUAL EXPENSES....	\$ _____	_____ %

E. **SERVICING FEES**

For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, SERVICING FEES must be demonstrated to be fair and reasonable based on the actual services performed.

**VIII. CONFLICTS OF INTEREST**

A. Sales of ELIGIBLE ASSETS to ISSUER

1. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, the ISSUER will not be permitted to acquire an interest in ELIGIBLE ASSETS in which the SPONSOR or SERVICER has an interest unless the following conditions are met:
  - (a) The transaction occurs at the closing of the offering and is fully disclosed in the PROSPECTUS or in the case of revolving and substituted ELIGIBLE ASSETS the terms and conditions of all transfers are fully disclosed in the PROSPECTUS; and
  - (b) The ELIGIBLE ASSETS are acquired upon terms fair to the ISSUER and at a price not to exceed fair market value, inclusive of ORIGINATION FEES and ACQUISITION EXPENSES.
2. Notwithstanding the requirements of Subsection 1. above, the SPONSOR or SERVICER may purchase or generate ELIGIBLE ASSETS in its own name or the name of a nominee and temporarily hold title thereto, for the purpose of facilitating the acquisition of the ELIGIBLE ASSETS by the ISSUER. If the offering does not have an



INVESTMENT GRADE rating, the following additional conditions must be met:

- (a) The ELIGIBLE ASSETS must be purchased by the ISSUER for a price no greater than the cost of the ELIGIBLE ASSETS to the SPONSOR or SERVICER, adjusted for intervening CASH LOW and expenses; and
- (b) There may be no other benefits arising out of such transaction to the SPONSOR or SERVICER apart from compensation otherwise permitted by these Guidelines and disclosed in the PROSPECTUS.

- B. Sales of ELIGIBLE ASSETS to SPONSOR or SERVICER  
For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, a SPONSOR or SERVICER shall not be permitted to acquire ELIGIBLE ASSETS from the ISSUER, except for:
  - 1. repurchases or substitutions permitted under Section II.G. of these Guidelines
  - 2. repurchases where there has been a breach of a representation or warranty pursuant to the TRUST AGREEMENT with respect to ELIGIBLE ASSETS, and
  - 3. circumstances where the proceeds are used to redeem 100% of the outstanding principal amount of ASSET-BACKED SECURITIES, together with interest accrued to the date of redemption, without any penalty to the ISSUER.
- C. Commingling
  - 1. Except as provided in Section VIII.C.2 below, the assets of the ISSUER shall not be commingled with the assets of any other PERSON.
  - 2. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, all CASH FLOWS generated by the ELIGIBLE ASSETS shall be deposited, daily, into a segregated COLLECTIONS ACCOUNT.
  - 3. For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, in no event shall the SERVICER hold CASH FLOW in its own account for more than 48 hours, unless such amounts are guaranteed by a letter of credit, a segregated reserve account, or other arrangement acceptable to the ADMINISTRATOR. Amounts in the COLLECTIONS ACCOUNT may be transferred to an OPERATING ACCOUNT for reinvestment and the payment of ALLOWED EXPENSES or directly to a TRUST ACCOUNT for distribution to SECURITY HOLDERS.
- D. Multiple Offerings  
For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, if the ADMINISTRATOR deems it appropriate, the ADMINISTRATOR may delay the registration of ASSET-BACKED SECURITIES of another SPECIAL PURPOSE ENTITY formed by the SPONSOR to purchase similar ELIGIBLE ASSETS until:
  - 1. the offering of the ASSET-BACKED SECURITIES is completed; and
  - 2. 75% of the proceeds of the offering have been invested, or committed to investment, in ELIGIBLE ASSETS.
- E. Other AFFILIATED Transactions  
For other than ASSET-BACKED SECURITIES with an INVESTMENT

GRADE rating, the TRUST AGREEMENT shall provide that all transactions between the ISSUER and the SPONSOR or the SERVICER or their AFFILIATES will be on terms no less favorable to the ISSUER than could be obtained from a NONAFFILIATED entity in an arms length transaction.

## **IX. DISCLOSURE AND MARKETING**

### **A. Sales Material**

Sales Material, including without limitation: books, pamphlets, movies, slides, article reprints, television and radio commercials, materials prepared for broker-dealer use only, sales presentation's (including prepared presentations to prospective SECURITY HOLDERS at group meetings) and all other advertising used in the offer or sale of ASSET-BACKED, SECURITIES shall conform to filing, disclosure and adequacy requirements under all applicable state regulations. Statements made in sales material communicated directly or indirectly to the public may not conflict with, or modify risk factors or other statements made in the PROSPECTUS.

### **B. PROSPECTUS and its Contents**

#### **1. Prohibited Representations**

- (a) In connection with the offering and sale of ASSET-BACKED SECURITIES, neither the SPONSOR(S) nor the underwriter(s) may, in writing or otherwise, directly or indirectly, represent or imply that an ADMINISTRATOR has approved the merits of the investment or any aspects thereof.
- (b) Any reference to compliance with this Statement of Policy or any provisions herein which connotes or implies compliance shall not be allowed.
- (c) The title of the ISSUER may not include the words "mutual fund" or "fund,"

#### **2. Forecasts**

A forecast of the ISSUER'S economic performance may be included in the PROSPECTUS and in the sales material for the offering if it complies with all of the following requirements:

- (i) The forecast is realistic in its predictions and shall clearly identify the assumptions made with respect to all material features of the presentation.
- (ii) The forecast is examined by an independent certified public accountant in accordance with the Guide for Prospective Financial Statements and the Statement on Standards for Accountant's Services on Prospective Financial Information as promulgated by the American Institute of Certified Public Accountants. The report of the independent certified public accountant is included in the PROSPECTUS.
- (iii) If any part of the forecast appears in the sales material, the entire forecast, including notes, must be presented.
- (iv) The forecast is for a period equal to the term of the ASSET-BACKED SECURITIES.
- (v) If supplemental projections are included in the PROSPECTUS or the sales material, they must be accompanied by the complete forecast.

#### **3. Prior Portfolio Performance**

For other than ASSET-BACKED SECURITIES with an INVESTMENT GRADE rating, for previous offerings, by the SPONSOR, the PROSPECTUS shall disclose relevant facts and performance information for each such offering made within ten years of the date the registration application is filed with the ADMINISTRATOR; provided however, information regarding offerings made within six months of the date the registration application is filed with the ADMINISTRATOR may allow the disclosure to be limited to offerings of ASSET-BACKED SECURITIES supported by ELIGIBLE ASSETS similar to those identified for the current offering unless it is determined that information about other offerings is also relevant. The disclosure should generally include the following:

- (a) the ACQUISITION CRITERIA defining the ELIGIBLE ASSETS,
- (b) information indicating whether all stated payments have been made as scheduled,
- (c) the structure and key features of the previous offering, if applicable,
- (d) the size of the portfolio,
- (e) statistical data on losses, delinquencies, recoveries, turnover, and diversification, and
- (f) types and amounts of CREDIT ENHANCEMENTS.

C. Amendments and Supplements

A marked copy of all amendments and supplements to an application shall be filed with the ADMINISTRATOR as soon as the amendment or supplement is available.

## ASSET-BACKED SECURITIES GUIDELINES CROSS REFERENCE SHEET

Name of Applicant \_\_\_\_\_

<u>Guideline Section</u>	<u>Section Number</u> <u>Trust Agreement</u>	<u>Page Number</u> <u>Prospectus</u>	<u>Endnote</u>
<b>I.B. Definitions</b>			
1. Acquisition Cost	_____	_____	_____
2. Acquisition Criteria	_____	_____	_____
3. Acquisition Expenses	_____	_____	_____
4. Administrator	_____	_____	_____
5. Affiliate	_____	_____	_____
6. Allowed Expenses	_____	_____	_____
7. Asset Backed Securities	_____	_____	_____
8. Cash Flow	_____	_____	_____
9. Collection Accounts	_____	_____	_____
10. Conversion Expenses	_____	_____	_____
11. Credit Enhancement	_____	_____	_____
12. Cross Reference Sheet	_____	_____	_____
13. Eligible Assets	_____	_____	_____
(a) Homogenous	_____	_____	_____
(b) Reasonable Valuation	_____	_____	_____
(c) Easily Liquidated	_____	_____	_____
(d) Predictable Cash Flow	_____	_____	_____
14. Investment Grade	_____	_____	_____
15. Issuer	_____	_____	_____
16. Liquidation Expenses	_____	_____	_____
17. Net Worth	_____	_____	_____
18. Obligor	_____	_____	_____
19. Operating Account	_____	_____	_____
20. Origination Fees	_____	_____	_____
21. Originator	_____	_____	_____
22. Organizational & Offering Expenses	_____	_____	_____
23. Person	_____	_____	_____
24. Paying Agent	_____	_____	_____

<u>Guideline Section</u>	<u>Section Number</u> <u>Trust Agreement</u>	<u>Page Number</u> <u>Prospectus</u>	<u>Endnote</u>
25. Prospectus			
26. Rating Agency			
27. Security Holders			
28. Servicer			
29. Servicing Agreement			
30. Servicing Fees			
31. Special Purpose Entity			
32. Sponsor			
33. Stated Rate of Return			
34. Trust Account			
35. Trust Agreement			
36. Trustee			
37. Trustee Fees			
<b>II. Requirements of Sponsor</b>			
A. Experience			
B. Financial Condition			
1. Solvency			
2. Financial Statements			
C. 1. Credit Enhancements			
(a) Exception-Investment Grade			
D. Portfolio Characteristics			
1. Sponsor Demonstrates Cash Flow Unless Investment Grade			
2. Liquidation Cash Flow Unless Investment Grade			
3. Eligible Asset Disclosure			
(a) Outstanding Balance			
(b) Outstanding Balance as a % of offering			
(c) Current Cash Flow as			

<u>Guideline Section</u>	<u>Section Number</u> <u>Trust Agreement</u>	<u>Page Number</u> <u>Prospectus</u>	<u>Endnote</u>
a % of offering			
(d) Default Description			
(e) Amount in Default			
(f) Amount in Default as a % of offering			
(g) Amount in Default as a % of Credit Enhancement			
E. Stated Rate of Return			
F. Asset Selection			
2. Random if from Sponsor unless reasonable			
G. Asset Repurchases & Substitutions			
1. Eligible Assets substituted as collateral			
2. Eligible Assets 15% or less of pool			
3. Fair Price			
4. Equal or Greater cash flow, liquidation, and term CPA verified			
5. Rating maintained			
6. Report to Trustee			
7. Repurchase obligation disclosed			
H. Reinvestment of Excess Cash Flow			
I. Distributions to Sponsor & Residual Owners			
1.(a) Circumstances Disclosed			
(b) No impairment of subsequent payments			

<u>Guideline Section</u>	<u>Section Number</u> <u>Trust Agreement</u>	<u>Page Number</u> <u>Prospectus</u>	<u>Endnote</u>
2. Credit Quality not impaired unless investment grade	_____	_____	_____
<b>III. Requirements of Issuer</b>			
A. Must be a Special Purpose Entity	_____	_____	_____
1. (a) No employees	_____	_____	_____
(b) No obligations other than specified expenses	_____	_____	_____
2. Single Offering unless Investment Grade	_____	_____	_____
3. Supplemental Trust Agreement and Trustee	_____	_____	_____
B. Interest in Eligible Assets	_____	_____	_____
C. Opinion of Counsel	_____	_____	_____
D. Minimum Offering	_____	_____	_____
E. Proceeds Escrow	_____	_____	_____
1. Offering & Investment Period-One year	_____	_____	_____
2. Proceeds invested in 2 months	_____	_____	_____
F. Investments Other Than in Eligible Assets	_____	_____	_____
G. Monitoring by Rating Agency	_____	_____	_____
I. Issuer Reports	_____	_____	_____
1. Performance reports	_____	_____	_____
2. Forecasts v. Actual	_____	_____	_____
3. Annual Audit	_____	_____	_____
<b>IV. Requirements of Servicer</b>			
A. Experience	_____	_____	_____
B. Financial Condition	_____	_____	_____
1. Solvent	_____	_____	_____
2. Ability to perform on	_____	_____	_____

<u>Guideline Section</u>	<u>Section Number</u> <u>Trust Agreement</u>	<u>Page Number</u> <u>Prospectus</u>	<u>Endnote</u>
Guarantees or advances			
3. Financial statements			
C. Independence			
D. Servicer Reports			
1. (a) Monthly Performance Reports			
(b) Monthly Credit Enhancement Status			
(c) Monthly Default Notices			
2. (a) Quarterly Originator Information			
(b) Percentage Acquired from Originator			
(c) Diversification of Eligible Assets from Originator			
E. Termination & Replacement			
<b>V. Requirements of Trustee</b>			
A. General Requirements			
B. Experience			
C. Independence			
1. Unaffiliated with Servicer, Sponsor or Issuer			
2. Not more the 5% of Total Revenue from Trustee Fee's with Sponsor and Servicer			
3. Not more than 5% of loan portfolio from Issuer, Sponsor or Servicer			



<u>Guideline Section</u>	<u>Section Number</u> <u>Trust Agreement</u>	<u>Page Number</u> <u>Prospectus</u>	<u>Endnote</u>
D. Withdrawal or Termination			
E. Duties			
1. Custodianship of Documentation evidencing title or perfected security interest			
2. Verify delivery of Reports pursuant to Trust Agreement and the Securities Exchange Act of 1934			
3. Examine all documents for violations of terms and conditions of Trust Agreement			
4. Notification and implementation of remedial actions upon default			
5. Trustee Authority to Replace Servicer			
F. Trustee Report			
<b>VI. Suitability of Security</b>			
B. Income & Net Worth Standards			
C. Determination that Sale is Suitable & Appropriate			
D. Subscription Agreements			
E. Confirmation			
<b>VII. Fees, Compensation and Expenses</b>			
A. Disclosure of Consideration, Subordination of			

<u>Guideline Section</u>	<u>Section Number</u> <u>Trust Agreement</u>	<u>Page Number</u> <u>Prospectus</u>	<u>Endnote</u>
Sponsor's Interest in Cash Flow and Eligible Assets	_____	_____	_____
B. Organizational & Offering Expenses	_____	_____	_____
C. Origination Fees & Acquisition Expenses	_____	_____	_____
D. Permitted Expenses- Allowed Expenses, no duplicate fees	_____	_____	_____
1. No rent, depreciation, salaries, administrative items of Sponsor or Servicer	_____	_____	_____
2. Table	_____	_____	_____
E. Servicing Fees	_____	_____	_____
<b>VIII. Conflicts of Interest</b>			
A. 1. Sales of Sponsor Eligible Assets to Issuer Unless Investment Grade or: (a) at closing of offering and disclosed; and (b) price is fair market value	_____	_____	_____
2. Temporary purchases to facilitate transaction unless Investment Grade or: (a) price is cost; and (b) no other benefit	_____	_____	_____
B. Sales of Eligible Assets to Sponsor or Servicer	_____	_____	_____
C. Commingling	_____	_____	_____
D. Multiple Offerings	_____	_____	_____
E. Other Affiliated Transactions	_____	_____	_____

**Guideline Section**

**Section Number**  
**Trust Agreement**

**Page Number**  
**Prospectus**

**Endnote**

**IX. Disclosure & Marketing**

B. Prospectus

- 1. Prohibited Representation forecasts

- 2. Prior Performance

<b><u>Guideline Section</u></b>	<b><u>Section Number</u></b> <b><u>Trust Agreement</u></b>	<b><u>Page Number</u></b> <b><u>Prospectus</u></b>	<b><u>Endnote</u></b>

**Additional Supplemental Cross References:**


Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature \_\_\_\_\_