LITCHFIELD FINANCIAL CORP /MA

FORM 10-Q
(Quarterly Report)

Filed 08/13/98 for the Period Ending 06/30/98

Address	430 MAIN STREET WILLIAMSTOWN, MA 01267
Telephone	4134581000
CIK	0000882515
SIC Code	6162 - Mortgage Bankers and Loan Correspondents
Fiscal Year	12/31

LITCHFIELD FINANCIAL CORP /MA

FORM 10-Q
(Quarterly Report)

Filed 8/13/1998 For Period Ending 6/30/1998

Address	430 MAIN STREET
	WILLIAMSTOWN, Massachusetts 01267
Telephone	413-458-1000
CIK	0000882515
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended JUNE 30, 1998

Commission File Number: 0-19822

LITCHFIELD FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

MASSACHUSETTS	04-3023928
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
430 MAIN STREET, WILLIAMSTOWN, MA	01267
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (413) 458-1000

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of August 12, 1998, there were 6,669,751 shares of common stock of Litchfield Financial Corporation outstanding.

LITCHFIELD FINANCIAL CORPORATION
FORM 10-Q

QUARTER ENDED JUNE 30, 1998

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

LITCHFIELD FINANCIAL CORPORATION
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	June 30, 1998 (unaudited)	December 31, 1997
ASSETS		
Cash and cash equivalents	$ 14,568	$ 19,295
Restricted cash	27,472	23,496
Loans held for sale, net of allowance for loan losses of $942 in 1998 and $1,388 in 1997	13,546	16,366
Other loans, net of allowance for loan losses of $2,459 in 1998 and $2,044 in 1997	137,147	86,307
Retained interests in loan sales, net of allowance for loan loses of $3,062 in 1998 and $2,445 in 1997	31,007	30,299
Other	12,941	11,027
Total assets	$233,681	$186,790
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Lines of credit	$ 22,601	$ 177
Term note payable	3,717	5,210
Accounts payable and accrued liabilities	9,671	6,479
Dealer/developer reserves	10,444	10,655
Deferred income taxes	8,178	6,851
	54,611	29,372
9.3% Notes	20,000	20,000
8.45% Notes due 2002	51,750	51,750
8.875% Notes due 2003	15,066	15,317
10% Notes due 2004	18,240	18,280
	105,056	105,347
Stockholders' equity		
Preferred stock, $.01 par value; authorized 1,000,000 shares, none issued and outstanding	---	---
Common stock, $.01 par value; authorized 12,000,000 shares, 6,669,751 shares issued and outstanding in 1998 and 5,656,609 shares issued and outstanding in 1997	66	56
Additional paid in capital	54,575	36,681
Accumulated other comprehensive income	1,251	1,071
Retained earnings	18,122	14,263
Total stockholders' equity	74,014	52,071
Total liabilities and stockholders' equity	$233,681	$186,790

See accompanying notes to unaudited consolidated financial statements.

LITCHFIELD FINANCIAL CORPORATION
Consolidated Statements of Income
(In thousands, except share and per share amounts)
Unaudited

	Three Months Ended June 30, 1997	1998
Revenues:		
Interest and fees on loans	$6,055	$4,783
Gain on sale loans	3,452	2,563
Servicing and other fee income	466	345
	9,973	7,691
Expenses:		
Interest expense	3,695	2,648
Salaries and employee benefits	1,147	833
Other operating expenses	916	853
Provision for loan losses	460	300
	6,218	4,634
Income before income taxes	3,755	3,057
Provision for income taxes	1,446	1,177
Net income	$2,309	$1,880
Earnings per common share:		
Basic	$ .40	$ .34
Diluted	$ .38	$ .32
Weighted average number of shares:		
Basic	5,754,018	5,560,167
Diluted	6,117,832	5,857,176

See accompanying notes to unaudited consolidated financial statements.

LITCHFIELD FINANCIAL CORPORATION

Consolidated Statements of Income
(In thousands, except share and per share amounts)
Unaudited

	Six Months Ended June 30, 1998	1997
Revenues:		
Interest and fees on loans	$11,288	$9,329
Gain on sale of loans	5,679	4,067
Servicing and other fee income	959	702
	17,926	14,098
Expenses:		
Interest expense	6,692	5,042
Salaries and employee benefits	2,280	1,646
Other operating expenses	1,869	1,756
Provision for loan losses	810	735
	11,651	9,179
Income before income taxes	6,275	4,919
Provision for income taxes	2,416	1,894
Net income	$3,859	$3,025
Earnings per common share:		
Basic	$ .68	$ .55
Diluted	$ .64	$ .52
Weighted average number of shares:		
Basic	5,706,887	5,503,736
Diluted	6,069,164	5,824,947

See accompanying notes to unaudited consolidated financial statements.

LITCHFIELD FINANCIAL CORPORATION
Consolidated Statements of Comprehensive Income
(In thousands)
Unaudited

	Three Months Ended June 30, 1998	1997
Net income	$2,309	$1,880
Other comprehensive income, net of tax:		
Net unrealized gain on retained interests in loan sales	204	288
Comprehensive income	$2,513	$2,168

	Six Months Ended June 30, 1998	1997
Net income	$3,859	$3,025
Other comprehensive income, net of tax:		
Net unrealized gain on retained interests in loan sales	180	523
Comprehensive income	$4,039	$3,548

See accompanying notes to unaudited consolidated financial statements.

LITCHFIELD FINANCIAL CORPORATION
Consolidated Statement of Stockholders' Equity
(In thousands, except share amounts)
Unaudited

	Common Stock	Additional Paid In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, December 31, 1997.	$56	$36,681	$1,071	$14,263	$52,071
Issuance of 1,013,142 shares of common stock...	10	17,855	---	---	17,865
Accumulated other comprehensive income.....	--	---	180	---	180
Tax benefit from stock options exercised..	--	39	---	---	39
Net income.....	--	---	---	3,859	3,859
Balance, June 30, 1998.....	$66	$54,575	$1,251	$18,122	$74,014

See accompanying notes to unaudited consolidated financial statements.

LITCHFIELD FINANCIAL CORPORATION

Consolidated Statements of Cash Flows
(In thousands)
Unaudited

	Six Months Ended June 30, 1998	1997
Cash flows from operating activities:		
Net income	3,859	$3,025
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on sale of loans	(5,679)	(4,067)
Amortization and depreciation	484	332
Amortization of retained interests in loan sales	2,905	2,061
Provision for loan losses	810	735
Deferred income taxes	1,327	955
Net changes in operating assets and liabilities:		
Restricted cash	(3,976)	(2,441)
Loans held for sale	3,879	(8,300)
Retained interests in loan sales	(872)	470
Dealer/developer reserves	(211)	(2)
Net change in other assets and liabilities	1,723	753
Net cash provided by (used in) operating activities	4,249	(6,479)
Cash flows from investing activities:		
Net originations, purchases and principal payments on other loans	(73,114)	(27,379)
Other loans sold	25,159	15,325
Collections on retained interests in loan sales	1,866	2,534
Capital expenditures and other assets	(1,157)	(447)
Purchase of investmet	(235)	---
Net cash used in investing activities	(47,481)	(9,967)
Cash flows from financing activities:		
Net borrowings (payments) on lines of credit	22,424	(2,012)
Proceeds from issuance of 9.3% Notes	---	20,000
Retirement of long-term Notes	(291)	(613)
Payments on term note	(1,493)	(1,032)
Net proceeds from issuance of common stock	17,865	1,607
Net cash provided by financing activities	38,505	17,950
Net (decrease) increase in cash and cash equivalents	(4,727)	1,504
Cash and cash equivalents, beginning of period	19,295	5,557
Cash and cash equivalents, end of period	$14,568	$ 7,061
Supplemental Schedule on Noncash Financing and Investing Activities:		
Exchange of loans for retained interests in loan sales	$ 529	$ 364
Transfers from loans to real estate acquired through foreclosure	$ 1,005	$ 516
Supplemental Cash Flow Information:		
Interest paid	6,053	4,339
Income taxes paid	239	937

See accompanying notes to unaudited consolidated financial statements.

FORM 10-Q

LITCHFIELD FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

A. Basis of Presentation

The accompanying unaudited consolidated interim financial statements as of June 30, 1998 and for the three and six month periods ended June 30, 1998 and 1997, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 1998, are not necessarily indicative of the results expected for the year ending December 31, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in Litchfield Financial Corporation's annual report on Form 10-K for the year ended December 31, 1997.

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income." The Company adopted the requirements of this Statement in the first quarter. This Statement established standards for reporting comprehensive income and its components and requires this disclosure be added as a new item in the financial statements.

B. Gain on Sale of Loans and Retained Interests in Loan Sales

Gains on sales of loans are based on the difference between the allocated cost basis of the assets sold and the proceeds received, which includes the fair value of any assets or liabilities that are newly created as a result of the transaction. Newly created interests, which consist primarily of interest only strips and recourse obligations, are initially recorded at fair value. The previous carrying amount is allocated between the assets sold and any retained interests based on their relative fair values at the date of transfer. Retained interests in transferred assets consist primarily of subordinate portions of the principal balance of transferred assets and interest only strips.

The Company estimates fair value using discounted cash flow analysis (using discount rates commensurate with the risks involved), because quoted market prices are not readily available. The Company's analysis incorporates assumptions that market participants would be expected to use in their estimates of future cash flows, including assumptions about return on investment, defaults and prepayment rates. The Company considers retained interests in loan sales, such as subordinated pass-through certificates and interest only strips, as available for sale.

There is generally no servicing asset or liability because the Company estimates that the benefits of servicing are offset by the related costs associated with its servicing responsibilities.

Since its inception, the Company has sold $417,081,000 of loans at face value ($348,198,000 through December 31, 1997). The principal amount remaining on the loans sold was $219,809,000 at June 30, 1998 and $179,790,000 at December 31, 1997. In connection with certain loan sales, the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued) Company guarantees, through replacement or repayment, loans that default up to a specified percentage of loans sold. Dealer/developer guaranteed loans are secured by repurchase or replacement guarantees in addition to, in most instances, dealer/developer reserves.

The Company's exposure to loss on loans sold in the event of nonperformance by the consumer, default by the dealer/developer on its guarantee, and the determination that the collateral is of no value was $10,570,000 at June 30, 1998 ($9,238,000 at December 31, 1997). Such amounts have not been discounted. The Company repurchased $26,000 and $119,000 of loans under the recourse provisions of loan sales during the three months ended June 30, 1998 and 1997. Loans purchased during the six months ended June 30, 1998 and 1997 were $144,000 and $454,000, respectively, and $740,000 during the year ended December 31, 1997. In addition, when the Company sells loans through securitization programs, the Company commits either to replace or repurchase any loans that do not conform to the requirements thereof in the operative loan sale documents. As of June 30, 1998, $25,830,000 of the Company's cash was restricted as credit enhancements in connection with certain securitization programs. To date, the Company has participated $8,568,000 of A&D and Other Loans without recourse to the Company ($6,936,000 through December 31, 1997).

The Company's Serviced Portfolio is geographically diversified with collateral and consumers located in 46 and 50 states, respectively. The Serviced Portfolio consists of the principal amount of loans serviced by or on behalf of the Company, except loans participated without recourse to the Company. At June 30, 1998, 16.6% of the Serviced Portfolio by collateral location was located in Texas (19.1% at December 31, 1997), and 18.9% and 16.3% of the Serviced Portfolio by borrower location was located in Florida and Texas (12.9% and 19.1% at December 31, 1997), respectively. No other state accounted for more than 11.0% of the total by either collateral or borrower location.

C. Allowance for loan losses and recourse obligations

The total allowance for loan losses consists of the following:

	June 30, 1998	December 31, 1997
Allowance for losses on loans held for sale	$942,000	$1,388,000
Allowance for losses on other loans	2,459,000	2,044,000
Recourse obligation on retained interests in loan sales	3,062,000	2,445,000
	$6,463,000	$5,877,000

D. Debt

In January 1997, the Company amended a line of credit, secured by consumer receivables and other secured loans, to increase the line from $5,000,000 to $8,000,000. This line of credit matures in January 1999. There were no outstanding borrowings at June 30, 1998 or December 31, 1997.

In March 1997, the Company entered into an additional $25,000,000 secured line of credit. The outstanding borrowings under this line of credit at June 30, 1998 were $5,738,000 and there were no outstanding borrowings at December 31, 1997. The facility is secured by loans to developers of vacation ownership interest resorts ("VOI resorts"), popularly known as timeshare resorts, for the acquisition and development of VOI resorts ("Facility A") and the related financing of consumer purchases of VOIs ("Facility B"). Although the maximum amount that can be borrowed on each facility is $15,000,000, the aggregate outstanding borrowings cannot exceed $25,000,000. This facility expires in March 2000.

In May 1997, the Company renewed and amended an additional secured line of credit to increase the line from $30,000,000 to $50,000,000 and extend the maturity to April 2000. The outstanding borrowings under this line of credit at June 30, 1998 were $6,427,000. There were no outstanding borrowings at December 31, 1997. This line of credit is secured by consumer receivables and other secured loans.

In December 1997, the Company amended an additional line of credit to increase the line from $20,000,000 to $30,000,000. Outstanding borrowings under this line of credit at June 30, 1998, were $8,850,000. There were no outstanding borrowings at December 31, 1997. This facility is secured by certain retained interests in loan sales, cash collateral accounts and certain other loans and matures in September 1999.

In March 1998, the Company renewed an additional $3,000,000 line of credit, which is secured by consumer receivables and other secured loans. This line of credit matures in March 1999. There were no outstanding borrowings under this line of credit at June 30, 1998 and December 31, 1997.

In March 1998, the Company amended the $1,500,000 construction mortgage, secured by certain assets of the Company, extending the maturity date to March 2009. Outstanding borrowings under this construction mortgage were $1,500,000 and $8,000 at June 30, 1998 and December 31, 1997, respectively.

Interest rates on the above lines of credit range from the Eurodollar or LIBOR rates plus 2% to the prime rate plus 1.25%. The Company is not

required to maintain compensating balances or forward sales commitments under the terms of these lines of credit.

As of June 30, 1998 and December 31, 1997, the Company had no unsecured lines of credit.

The Company has a revolving line of credit and sale facility as part of an asset backed commercial paper facility with a multi-seller commercial paper issuer ("Conduit A"). In June 1998, the Company amended the facility to increase the facility to $150,000,000, subject to certain terms and conditions. The facility expires in June 2001.

In connection with the facility, the Company formed a wholly-owned subsidiary, Litchfield Mortgage Securities Corporation 1994 ("LMSC"), to purchase loans from the Company. LMSC either pledges the loans on a revolving line of credit with Conduit A or sells the loans to Conduit A. Conduit A issues commercial paper or other indebtedness to fund the purchase or pledge of loans from LMSC. Conduit A is not affiliated with the Company or its affiliates. As of June 30, 1998 and December 31, 1997, the outstanding balance of the sold or pledged loans securing this facility was $124,447,000 and $108,625,000, respectively. Outstanding borrowings under the line of credit at June 30, 1998 and December 31, 1997 were $86,000 and $169,000, respectively. Interest is payable on the line of credit at an interest rate based on certain commercial paper rates.

In March 1997, the Company closed an additional revolving line of credit and sale facility of $25,000,000 with another multi-seller of commercial paper conduit ("Conduit B"). The facility, which expires in March 2000, is subject to certain terms and conditions, credit enhancement requirements and loan eligibility criteria. The outstanding aggregate balance of the loans pledged and sold under the facility at any time cannot exceed $25,000,000.

In connection with the facility, the Company formed a wholly-owned subsidiary, Litchfield Capital Corporation 1996 ("LCC"), to purchase loans from the Company. LCC either pledges the loans on a revolving line of credit with Conduit B or sells the loans to Conduit B. Conduit B issues commercial paper or other indebtedness to fund the purchase or pledge of loans from LCC. Conduit B is not affiliated with the Company or its affiliates. As of June 30, 1998 and December 31, 1997, the outstanding aggregate balance of the loans sold under the facility was $12,267,000 and $12,517,000, respectively. There were no outstanding borrowings under the line of credit as of June 30, 1998 or December 31, 1997. Interest is payable on the line of credit at an interest rate based on certain commercial paper rates.

The term note is payable monthly based on collections from the underlying collateral. The note is currently redeemable only with the approval of the noteholder. The note is collateralized by certain of the Company's retained interests in loan sales and cash. The balance outstanding on the note was $3,717,000 and $5,210,000 at June 30, 1998 and December 31, 1997, respectively.

In April 1997, the Company issued unsecured notes with an initial principal balance of $20,000,000. Interest is payable at 9.3% semiannually in arrears. The notes require principal reductions of $7,500,000, $6,000,000, $6,000,000 and $500,000 in March 2001, 2002, 2003 and 2004, respectively.

In November 1997, the Company completed a public offering of $51,750,000 of 8.45% Notes due 2002 ("1997 Notes"), which are unsecured obligations of the Company. The proceeds were used to repay the outstanding balance on certain of the Company's lines of credit and to retire the 10% Notes due 2002. The 1997 Notes allow for a maximum annual redemption at the election of the noteholders of $2,588,000 and contain certain restrictions regarding the payment of cash dividends and require the maintenance of certain financial ratios.

Previously, the Company completed public debt offerings of $17,570,000 in May 1993 ("1993 Notes") and $18,400,000 in March 1995 ("1995 Notes"). The 1993 Notes and the 1995 Notes bear interest at 8 7/8% and 10%, respectively, and are due 2003 and 2004, respectively. The 1993 Notes and the 1995 Notes are unsecured obligations of the Company and each such issuance allows for a maximum annual redemption by noteholders of 5% of the original principal amount thereof. In June 1997, the noteholders redeemed, and the Company paid $613,000 of the 1993 Notes. In April of 1998, the noteholders redeemed, and the Company paid $40,000 of the 1995 Notes. In June of 1998, the noteholders redeemed, and the Company paid $251,000 of the 1993 Notes.

E. Derivative financial instruments held for purposes other than trading

The Company's objective in managing interest rate exposure is to match its proportion of fixed versus variable rate assets, liabilities and loan sale facilities. In June 1997, the Company entered into two interest rate swap agreements. The swap agreements involve the payment of interest to the counterparty at the prime rate on a notional amount of $110,000,000 and the receipt of interest at the commercial paper rate plus a spread and the LIBOR rate plus a spread on notional amounts of $80,000,000 and $30,000,000, respectively. The swap agreements expire in June, 2000. There is no exchange of the notional amounts upon which the interest payments are based.

The differential to be paid or received as interest rates change is accrued and recognized as an adjustment to interest income or expense (the accrual accounting method.) The related amount receivable from or payable to the counterparty is included in other assets or other liabilities. The fair values of the swap agreements are not recognized in the financial statements. The Company intends to keep the contracts in effect until they mature in June 2000.

In June, 1994, the Company entered into an interest rate cap agreement with a bank in order to manage its exposure to certain increases in interest rates. The interest rate cap entitles the Company to receive an amount, based on an amortizing notional amount, which at June 30, 1998 was $4,057,000, when commercial paper rates exceed 8%. If payments were to be received as a result of the cap agreement, they would be

accrued as a reduction of interest expense. This agreement expires in July 2003.

The Company is exposed to credit loss in the event of non-performance by the swap counterparty or cap provider.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

Except for the historical information contained or incorporated by reference in this Form 10-Q, the matters discussed or incorporated by reference herein are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the risk factors set forth under "Risk Factors" as well as the following: general economic and business conditions; industry trends; changes in business strategy or development plans; availability and quality of management; and availability, terms and deployment of capital. Special attention should be paid to such forward-looking statements including, but not limited to, statements relating to (i) the Company's ability to execute its growth strategies and to realize its growth objectives and (ii) the Company's ability to obtain sufficient resources to finance its working capital needs and provide for its known obligations. Refer to form 10-K for the year ended 1997 for a complete list of factors as discussed under "Risk Factors".

Overview

Litchfield Financial Corporation (the "Company") is a diversified finance company that provides financing to creditworthy borrowers for assets not typically financed by banks. The Company provides such financing by purchasing consumer loans and by making loans to businesses secured by consumer receivables or other assets.

The Company purchases consumer loans (the "Purchased Loans") consisting primarily of loans to purchasers of rural and vacation properties ("Land Loans") and vacation ownership interests popularly known as timeshare interests ("VOI Loans"). The Company also provides financing to rural land dealers, timeshare resort developers and other finance companies secured by receivables ("Hypothecation Loans") and to dealers and developers for the acquisition and development of rural land and timeshare resorts ("A&D Loans"). In addition, the Company purchases other loans, such as consumer home equity loans and consumer construction loans, and provides financing to other businesses secured by receivables or other assets ("Other Loans").

Land Loans are typically secured by one to twenty acre rural parcels. Land Loans are secured by property located in 35 states, predominantly in the southern United States. VOI Loans typically finance the purchase of ownership interests in fully furnished vacation properties. VOI Loans are secured by property located in 18 states, predominantly in California, Florida and Pennsylvania. The Company requires most dealers or developers from whom it buys loans to guarantee repayment or replacement of any loan in default. Ordinarily, the Company retains a percentage of the purchase price as a reserve until the loan is repaid.

The Company extends Hypothecation Loans to land dealers, resort developers and other finance companies secured by receivables. Hypothecation Loans typically have advance rates of 75% to 90% of the current balance of the pledged receivables and variable interest rates based on the prime rate plus 2% to 4%.
The Company also makes A&D Loans to land dealers and resort developers for the acquisition and development of rural land and timeshare resorts in order to finance additional receivables generated by the A&D Loans. At the time the Company makes A&D Loans, it typically receives an exclusive right to purchase or finance the related consumer receivables generated by the sale of the subdivided land or timeshare interests. A&D Loans typically have loan to value ratios of 60% to 80% and variable interest rates based on the prime rate plus 2% to 4%.

The principal sources of the Company's revenues are (i) interest and fees on loans, (ii) gains on sales of loans and (iii) servicing and other fee income. Gains on sales of loans are based on the difference between the allocated cost basis of the assets sold and the proceeds received, which includes the fair value of any assets or liabilities that are newly created as a result of the transaction. Because a significant portion of the Company's revenues is comprised of gains realized upon sales of loans, the timing of such sales has a significant effect on the Company's results of operations.

Results of Operations

The following table sets forth the percentage relationship to revenues, unless otherwise indicated, of certain items included in the Company's statements of income.

	Three Months Ended June 30,		Six Months Ended June, 30	
	1998	1997	1998	1997
Revenue				
Interest and fees on loans	60.7%	62.2%	63.0%	66.2%
Gain on sale of loans....	34.6	33.3	31.7	28.8

Servicing and other fee	4.7	4.5	5.3	5.0
income	100.0	100.0	100.0	100.0
Expenses				
Interest expense.....	37.0	34.4	37.4	35.8
Salaries and employee benefits.....	11.5	10.9	12.7	11.7
Other operating expenses.	9.2	11.1	10.4	12.4
Provision for loan losses	4.6	3.9	4.5	5.2
	62.3	60.3	65.0	65.1
Income before income taxes...	37.7	39.7	35.0	34.9
Provision for income taxes...	14.5	15.3	13.5	13.4
Net income.....	23.2	24.4	21.5	21.5

Revenues increased 29.7% and 27.2% to $9,973,000 and $17,926,000 for the three and six months ended June 30, 1998, from $7,691,000 and $14,098,000 for the same periods in 1997. Net income for the three and six months ended June 30, 1998 increased 22.8% and 27.6% to $2,309,000 and $3,859,000 compared to $1,880,000 and $3,025,000 for the same periods in 1997. Loan originations grew 100.2% and 95.7% to $95,585,000 and $163,078,000 for the three and six months ended June 30, 1998 from $47,249,000 and $83,311,000 for the same periods in 1997. The Serviced Portfolio increased 36.4% to $384,663,000 at June 30, 1998 from $281,965,000 at June 30, 1997.

Interest and fees on loans increased 26.6% and 21.0% to $6,055,000 and $11,288,000 for the three and six months ended June 30, 1998 from $4,783,000 and $9,329,000 for the same periods in 1997, primarily as the result of the higher average balance of other loans during the 1998 period. The average rate earned on the Serviced Portfolio decreased to 12.2% at June 30, 1998 from 12.4% at June 30, 1997, primarily due to the effect of the growth in Hypothecation Loans as a percentage of the portfolio. Hypothecation Loan yields are usually less than Land Loan or VOI Loan yields, but Hypothecation Loan servicing costs and loan losses are generally less as well.

Gain on the sale of loans increased 34.7% and 39.6% to $3,452,000 and $5,679,000 for the three and six months ended June 30, 1998 from $2,563,000 and $4,067,000 in the same periods in 1997. The volume of loans sold increased 83.5% and 74.4% to $50,380,000 and $68,882,000 for the three and six months ended June 30, 1998 from $27,458,000 and $39,501,000 during the corresponding periods in 1997 primarily due to the growth in originations. The percentage increase in the gain on sale of loans was less than the percentage increase in the volume of loans sold primarily due to the increase in Hypothecation Loans sold. Hypothecation Loan sales typically yield less than Land Loans or VOI Loans.

Servicing and other fee income increased 35.1% and 36.6% to $466,000 and $959,000 for the three and six months ended June 30, 1998, from $345,000 and $702,000 for the same periods in 1997 mostly due to the increase in the other fee income including certain processing fees and a prepayment penalty from a Hypothecation Loan. Although loans serviced for others increased 58.4% to $219,809,000 as of June 30, 1998 from $138,771,000 at June 30, 1997, servicing income remained relatively constant due to an increase in Hypothecation Loans serviced for others and a decrease in the average servicing fee per loan.

Interest expense increased 39.5% and 32.7% to $3,695,000 and $6,692,000 during the three and six months ended June 30, 1998 from $2,648,000 and $5,042,000 for the same periods in 1997. The increase in interest expense primarily reflects an increase in average borrowings which was only partially offset by lower rates. During the three and six months ended June 30, 1998, borrowings averaged $158,531,000 and $139,503,000 at an average rate of 8.7% and 8.8%, respectively, as compared to $107,934,000 and $103,551,000 at an average rate of 9.0% and 9.1% during the same periods in 1997. Interest expense includes the amortization of deferred debt issuance costs.

Salaries and employee benefits increased 37.7% and 38.5% to $1,147,000 and $2,280,000 for the three and six months ended June 30, 1998 from $833,000 and $1,646,000 for the same periods in 1997 because of an increase in the number of employees in 1998 and, to a lesser extent, an increase in salaries. Personnel costs as a percentage of revenues increased to 11.5% and 12.7% for the three and six months ended June 30, 1998 compared to 10.8% and 11.7% for the same periods in 1997. As a percentage of the Serviced Portfolio, personnel costs remained constant at 1.2% for both the three and six months ended June 30, 1998 and for the same periods in 1997.

Other operating expenses increased 7.4% and 6.4% to $916,000 and $1,869,000 for the three and six months ended June 30, 1998 from $853,000 and $1,756,000 for the same periods in 1997. As a percentage of revenues, other operating expenses decreased to 9.2% and 10.4% for the three and six months ended June 30, 1998 compared to 11.1% and 12.4% for the corresponding periods in 1997. As a percentage of the Serviced Portfolio, other operating expenses decreased to 1.0% for both the three and six months ended June 30, 1998 from 1.2% and 1.3% for the same periods in 1997.

During the three and six months ended June 30, 1998, the provision for loan losses increased 53.3% and 10.2% to $460,000 and $810,000 from $300,000 and $735,000 for the same periods in 1997 primarily due to the growth of the Serviced Portfolio.

Liquidity and Capital Resources

The Company's business requires continued access to short and long-term sources of debt financing and equity capital. The Company's principal cash requirements arise from loan originations, repayment of debt on maturity, payments of operating and interest expenses and loan repurchases. The Company's primary sources of liquidity are loan sales, short-term borrowings under secured lines of credit, long-term debt and equity offerings and cash flows from operations.

Since its inception, the Company has sold $417,081,000 of loans at face value ($348,198,000 through December 31, 1997). The principal amount remaining on the loans sold was $219,809,000 at June 30, 1998 and $179,790,000 at December 31, 1997. In connection with certain loan sales, the Company commits to repurchase from investors any loans that become 90 days or more past due. This obligation is subject to various terms and conditions, including, in some instances, a limitation on the amount of loans that may be required to be repurchased. There were approximately $10,570,000 of loans at June 30, 1998 which the Company could be required to repurchase in the future should such loans become 90 days or more past due. The Company repurchased $26,000 and $144,000 as compared to $119,000 and $454,000 of such loans under the recourse provisions of loan sales during the three and six months ended June 30, 1998 and 1997, respectively. As of June 30, 1998, $25,830,000 of the Company's cash was restricted as credit enhancement for certain securitization programs. To date, the Company has participated $8,568,000 of A&D and Other Loans without recourse to the Company ($6,936,000 through December 31, 1997).

The Company funds its loan purchases in part with borrowings under various lines of credit. Lines are paid down when the Company receives the proceeds from the sale of the loans or when cash is otherwise available. These lines of credit totaled $116,000,000 at June 30, 1998 and December 31, 1997. Outstanding borrowings on the lines of credit were $21,015,000 at June 30, 1998. Interest rates on these lines of credit range from the Eurodollar or LIBOR rate plus 2% to the prime rate plus 1.25%. The Company is not required to maintain compensating balances or forward sales commitments under the terms of these lines of credit. At June 30, 1998 and December 31, 1997, lines of credit also included outstanding borrowings of $1,500,000 and $8,000, respectively, on the $1,500,000 construction mortgage.

The Company also finances its loan purchases with two revolving line of credit and sale facilities as part of asset backed commercial paper facilities with multi-seller commercial paper issuers. Such facilities totaled $175,000,000 at June 30, 1998 and $150,000,000 at December 31, 1997. As of June 30, 1998 and December 31, 1997, the outstanding balances of loans sold or pledged under these facilities were $136,714,000 and $121,142,000, respectively. Outstanding borrowings under these lines of credit were $86,000 at June 30, 1998 and $169,000 at December 31, 1997. Interest is payable on these lines of credit based on certain commercial paper rates.

In June 1998, the Company issued 1,000,000 shares of common stock at $19 per share. The net proceeds of the offering were $17,695,000 and were used to pay down certain lines of credit. In connection with the underwriters' option to purchase additional shares to cover over allotments, the Company issued an additional 166,500 shares in July 1998. Net proceeds of these shares totaled $2,990,000 and were also used to pay down certain lines of credit.

The Company also finances its liquidity needs with long-term debt. Long-term debt totaled $105,056,000 at June 30, 1998 and $105,347,000 at December 31, 1997.

The Company also has a term note payable monthly based on the collection of the underlying collateral. The note is redeemable only with the approval of the noteholder. The note is collateralized by certain of the Company's retained interests in loan sales and cash. The balance outstanding on the note was $3,717,000 and $5,210,000 at June 30, 1998 and December 31, 1997, respectively.

In June 1997, the Company entered into two interest rate swap agreements. The swap agreements involve the payment of interest to the counterparty at the prime rate on a notional amount of $110,000,000 and the receipt of interest at the commercial paper rate plus a spread and the LIBOR rate plus a spread on notional amounts of $80,000,000 and $30,000,000, respectively. The swap agreements expire in June 2000. There is no exchange of the notional amounts upon which interest payments are based.

In June, 1994, the Company entered into an interest rate cap agreement with a bank in order to manage its exposure to certain increases in interest rates. The interest rate cap entitles the Company to receive an amount, based on an amortizing notional amount, which at June 30, 1998 was $4,057,000, when commercial paper rates exceed 8%. If payments were to be received as a result of the cap agreement, they would be accrued as a reduction of interest expense. This agreement expires in July 2003.

Historically, the Company has not required major capital expenditures to support its operations.

Credit Quality and Allowances for Loan Losses

The Company maintains allowances for loan losses and recourse obligations on retained interests in loan sales at levels which, in the opinion of management, provide adequately for current and estimated future losses on such assets. Past-due loans (loans 30 days or more past due which are not covered by dealer/developer reserves and guarantees) as a percentage of the Serviced Portfolio as of June 30, 1998, decreased to 1.10% from 1.20% at December 31, 1997. Management evaluates the adequacy of the allowances on a quarterly basis by examining current delinquencies, the characteristics of the accounts, the value of the underlying collateral, and general economic conditions and trends. Management also evaluates the extent to which dealer/developer reserves and guarantees can be expected to absorb loan losses. When the Company does not receive guarantees on loan portfolios purchased, it adjusts its purchase price to reflect anticipated losses and its required yield. This purchase adjustment is recorded as an increase in the allowance for loan losses and is used only for the respective portfolio. A provision for loan losses is recorded in an amount deemed sufficient by management to maintain the allowances at adequate levels. Total allowances for loan losses and recourse obligations on retained interests in loan sales increased to $6,463,000 at June 30, 1998 compared to $5,877,000 at December 31, 1997. The allowance ratio (the allowances for loan losses divided by the amount of the Serviced Portfolio) at June

30, 1998 decreased to 1.68% from 1.93% at December 31, 1997 primarily as a result of the increase in Hypothecation Loans as a percentage of the Serviced Portfolio.

As part of the Company's financing of Purchased Loans, arrangements are entered into with dealers and resort developers, whereby reserves are established to protect the Company from potential losses associated with such loans. As part of the Company's agreement with the dealers and resort developers, a portion of the amount payable to each dealer and resort developer for a Purchased Loan is retained by the Company and is available to the Company to absorb loan losses for those loans. The Company negotiates the amount of the reserves with the dealers and developers based upon various criteria, two of which are the financial strength of the dealer or developer and credit risk associated with the loans being purchased. Dealer/developer reserves amounted to $10,444,000 and $10,655,000 at June 30, 1998 and December 31, 1997, respectively. The Company generally returns any excess reserves to the dealer/developer on a quarterly basis as the related loans are repaid by borrowers.

Impact of Year 2000

As the year 2000 approaches, an issue impacting all companies has emerged regarding how existing application software programs and operating systems can accommodate this date value. Substantially all of the Company's operating systems are already year 2000 compliant. The Company does not expect to incur any significant additional costs to make its remaining applications year 2000 compliant.

However, there can be no assurance the Company's operations will not be affected by Year 2000 problems incurred by entities with which the Company conducts business such as servicers, vendors or other financial institutions.

Inflation

Inflation has not had a significant effect on the Company's operating results to date.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

SUMMARY CONSOLIDATED FINANCIAL INFORMATION
(Dollars in thousands, except per share data)

	Year Ended December 31,					Six Months Ended June 30,	
Statement of Income Data (1):	1993	1994	1995	1996	1997	1997	1998
Revenues:							
Interest and fees on loans	$4,330	$5,669	$11,392	$14,789	$19,374	$9,329	$11,288
Gain on sale of loans	4,550	4,847	5,161	7,331	8,564	4,067	5,679
Servicing and other fee income	501	459	908	1,576	1,753	702	959
Total revenues	9,381	10,975	17,461	23,696	29,691	14,098	17,926
Expenses:							
Interest expense	2,717	3,158	6,138	7,197	10,675	5,042	6,692
Salaries and employee benefits	1,350	1,776	2,798	2,824	3,399	1,646	2,280

Other operating expenses.....	1,017	1,164	2,120	3,147	3,480	1,756	1,869
Provision for loan losses.....	620	559	890	1,954	1,400	735	810
Total expenses..	5,704	6,657	11,946	15,122	18,954	9,179	11,651
Income before income taxes and extraordinary item.	3,677	4,318	5,515	8,574	10,737	4,919	6,275
Provision for income taxes.....	1,426	1,619	2,066	3,301	4,134	1,894	2,416
Income before extraordinary item...	2,251	2,699	3,449	5,273	6,603	3,025	3,859
Extraordinary item (2).....	--	(126)	--	--	(220)	--	--
Net income.....	$2,251	$2,573	$3,449	$5,273	$6,383	$3,025	$3,859
Basic per common share amounts:							
Income before extraordinary item..	$ .55	$ .66	$ .80	$ .97	$ 1.19	$ .52	$ .68
Extraordinary item...	--	(.03)	--	--	(.04)	--	--
Net income per share.....	$ .55	$ .63	$ .80	$ .97	$ 1.15	$ .52	$ .68
Basic weighted average number of shares outstanding.....	4,065,688	4,116,684	4,315,469	5,441,636	5,572,465	5,840,526	5,706,887
Diluted per common share amounts:							
Income before extraordinary item...	$ .53	$ .63	$.76	$.93	$ 1.12	$ .52	$ .64
Extraordinary item...	--	(.03)	--	--	(.04)	--	--
Net income per share.....	$ .53	$ .60	$.76	$.93	$ 1.08	$ .52	$ .64
Diluted weighted average number of shares outstanding.....	4,216,151	4,282,884	4,524,607	5,682,152	5,909,432	5,861,180	6,069,164
Cash dividends declared per common share.....	$ .02	$ .03	$ .04	$ .05	$ .06	$ --	$ --
Other Statement of Income Data:							
Income before extraordinary item as a percentage of revenues.....	24.0%	24.6%	19.8%	22.3%	22.3%	21.5%	21.5%
Ratio of EBITDA to interest expense (3).....	2.81	3.31	2.44	2.90	2.17	2.88	2.13
Ratio of earnings to fixed charges(4)....	2.35	2.37	1.90	2.19	2.01	1.98	1.94
Return on average assets (5).....	5.0%	4.6%	3.7%	4.0%	3.8%	3.7%	3.6%
Return on average equity (5).....	17.0%	17.2%	16.6%	13.3%	14.1%	13.4%	13.8%

(1) Certain amounts in the 1993 through 1996 financial information have been restated to conform to the 1997 and 1998 presentation. (2) Reflects loss on early extinguishment of a portion of the 1992 Notes (as defined herein), net of applicable tax benefit of $76,000, for 1994 and of the remainder of the 1992 Notes, net of applicable tax benefit of $138,000, for 1997. (3) The ratio of EBITDA to interest expense is required to be calculated for the twelve month period immediately preceding each calculation date, pursuant to the terms of the indentures to which the Company is subject. EBITDA is defined as earnings before deduction of taxes, depreciation, amortization, and interest expense (but after deduction for any extraordinary item). (4) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income before

income taxes and extraordinary items and fixed charges. Fixed charges consist of interest charges and the amortization of debt expense. (5) The return on average assets and average equity for the six month periods are calculated on an annualized basis. Calculations are based on income before extraordinary item.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION - (Continued)
(Dollars in thousands, except per share data)

	December 31,					June 30,
Balance Sheet Data(6):	1993	1994	1995	1996	1997	1998
Total assets.....	$54,444	$63,487	$112,459	$152,689	$186,790	$233,681
Loans held for sale(7)	5,931	11,094	14,380	12,260	16,366	13,546
Other loans (7).....	10,306	15,790	33,613	79,996	86,307	137,147
Retained interests in loan sales (7).....	11,764	11,996	22,594	28,912	30,299	31,007
Secured debt.....	--	5,823	9,836	43,727	5,387	26,318
Unsecured debt.....	32,302	29,896	47,401	46,995	105,347	105,056
Stockholders' equity..	14,722	16,610	37,396	42,448	52,071	74,014

	Year Ended, December 31,				Six Months Ended	June 30,
Other Financial Data:	1993	1994	1995	1996	1997	1998
Loans purchased and originated (8).....	$42,410	$59,798	$121,046	$133,750	$ 184,660	$163,078
Loans sold (8).....	28,099	40,116	65,115	54,936	98,747	68,882
Loans participated (8)	--	--	--	--	6,936	1,631
Serviced Portfolio (9)	84,360	105,013	176,650	242,445	304,102	384,663
Loans serviced for others.....	59,720	72,731	111,117	129,619	179,790	219,809
Dealer/developer reserves.....	4,926	6,575	9,644	10,628	10,655	10,444
Allowance for loan losses (10).....	1,064	1,264	3,715	4,528	5,877	6,463
Allowance ratio (11)..	1.26%	1.20%	2.10%	1.87%	1.93%	1.68%
Delinquency ratio (12)	.61%	.93%	1.73%	1.34%	1.20%	1.10%
Net charge-off ratio (8)(13).....	.69%	.38%	.67%	.94%	.74%	.56%
Non-performing asset ratio (14).....	1.48%	1.02%	1.35%	1.57%	1.03%	.78%

(6) In 1997 the Company adopted Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Consequently, certain amounts included in the 1993 through 1996 financial statements have been reclassified to conform with the 1997 and 1998 presentation: "Subordinated pass through certificates held to maturity," "Excess servicing asset" and "Allowance for loans sold" have been reclassified as "Retained interests in loan sales." In addition, "Loans held for investment" have been reclassified as "Other loans."

(7) Amount indicated is net of allowance for losses and recourse obligation on retained interests in loan sales.

(8) During the relevant period.

(9) The Serviced Portfolio consists of the principal amount of loans serviced by or on behalf of the Company, except loans participated without recourse to the Company.

(10)The allowance for loan losses includes allowance for losses under the recourse provisions of loans sold. See Note C to financial statements.

(11)The allowance ratio is the allowances for loan losses divided by the amount of the Serviced Portfolio.

(12)The delinquency ratio is the amount of delinquent loans divided by the amount of the Serviced Portfolio. Delinquent loans are those which are 30 days or more past due which are not covered by dealer/developer reserves or guarantees and not included in other real estate owned.

(13)The net charge-off ratio is determined by dividing the amount of net charge-offs for the period by the average Serviced Portfolio for the period. The June 30, 1998 amount is calculated on an annualized basis.

(14)The non-performing asset ratio is determined by dividing the sum of the amount of those loans which are 90 days or more past due and other real estate owned by the amount of the Serviced Portfolio.

BUSINESS

Overview

Litchfield Financial Corporation (the "Company") is a diversified finance company that provides financing to creditworthy borrowers for assets not typically financed by banks. The Company provides such financing by purchasing consumer loans and by making loans to businesses secured by consumer receivables or other assets.

The Company purchases consumer loans (the "Purchased Loans") consisting primarily of loans to purchasers of rural and vacation properties ("Land Loans") and vacation ownership interests popularly known as timeshare interests ("VOI Loans"). The Company also provides financing to rural land dealers, timeshare resort developers and other finance companies secured by receivables ("Hypothecation Loans") and to dealers and developers for the acquisition and development of rural land and timeshare resorts ("A&D Loans"). In addition, the Company purchases other loans, such as consumer home equity loans and consumer construction loans, and provides financing to other businesses secured by receivables or other assets ("Other Loans").

The principal sources of the Company's revenues are (i) interest and fees on loans, (ii) gains on sales of loans and (iii) servicing and other fee income. Gains on sales of loans are based on the difference between the allocated cost basis of the assets sold and the proceeds received, which includes the fair value of any assets or liabilities that are newly created as a result of the transaction. Because a significant portion of the Company's revenues is comprised of gains realized upon sales of loans, the timing of such sales has a significant effect on the Company's results of operations.

Characteristics of the Serviced Portfolio, Loan Purchases and Originations

The following table shows the growth in the diversity of the Serviced Portfolio from primarily Purchased Loans to a mix of Purchased Loans, Hypothecation Loans, A&D Loans and Other Loans:

	December 31,					June 30,
	1993	1994	1995	1996	1997	1998
Purchased Loans	89.0%	85.3%	81.6%	67.1%	56.6%	46.8%
Hypothecation Loans	5.0	9.0	12.5	20.7	26.9	29.8
A&D Loans	4.3	3.3	3.1	8.7	13.7	12.6
Other Loans	1.7	2.4	2.8	3.5	2.8	10.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The following table shows the growth in the diversity of the Company's originations from primarily Purchased Loans to a mix of Purchased Loans, Hypothecation Loans, A&D Loans and Other Loans:

	Year Ended December 31,					Six Months Ended June 30,	
	1993	1994	1995	1996	1997	1997	1998
Purchased Loans	77.8%	67.6%	71.4%	49.9%	30.3%	39.2%	19.8%
Hypothecation Loans	11.8	22.2	20.9	29.6	37.1	35.8	40.7
A&D Loans	7.1	6.0	3.1	14.4	24.0	17.6	13.2
Other Loans	3.3	4.2	4.6	6.1	8.6	7.4	26.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Purchased Loans

The Company provides indirect financing to consumers through a large number of experienced land dealers and resort developers from which it regularly purchases land loans and VOI loans. The dealers and resort developers make loans to consumers generally using the Company's standard forms and subject to the Company's underwriting criteria. The Company then purchases such loans from the land dealers and resort developers on an individually approved basis in accordance with its credit guidelines.

Each land dealer and resort developer from whom the Company purchases loans is interviewed by the Company and approved by its credit committee. Management evaluates each land dealer's and resort developer's experience, financial statements and credit references and inspects a substantial portion of the land dealer's and resort developer's inventory of land and VOIs prior to approval of loan purchases.

In order to enhance the creditworthiness of loans purchased from land dealers and resort developers, the Company typically requires land dealers and resort developers to guarantee payment of the loans and typically retains a portion of the amount payable by the Company to each

land dealer and resort developer on purchase of the loan. The retained portion, or reserve, is released to the land dealer or resort developer as the related loan is repaid.

Prior to purchasing land loans or VOI loans, the Company evaluates the credit and payment history of each borrower in accordance with it's underwriting guidelines, performs borrower interviews on a sample of loans, reviews the documentation supporting the loans for completeness and obtains an appropriate opinion from local legal counsel. The Company purchases only those loans which meet its credit standards.

The Company also purchases portfolios of seasoned loans primarily from land dealers and resort developers. The land dealers or resort developers typically guarantee the loans sold and the Company typically withholds a reserve as described above. Management believes that the portfolio acquisition program is attractive to land dealers and resort developers because it provides them with liquidity to purchase additional inventory. The Company also purchases portfolios of seasoned loans from financial institutions and others. Sellers generally do not guarantee such loans, but the Company sets aside a portion of the purchase discount as an allowance for future loan losses.

In evaluating such seasoned portfolios, the Company conducts its normal review of the borrower's documentation, payment history and underlying collateral. However, the Company may not always be able to reject individual loans.

The Company's portfolio of Purchased Loans is secured by property located in 38 states.

	Principal Amount of Loans December 31,					June 30,
	1993	1994	1995	1996	1997	1998
Southwest	18%	19%	16%	26%	30%	31%
South	33	37	31	31	31	30
West	2	3	20	20	17	19
Mid-Atlantic	17	16	16	10	10	9
Northeast	30	25	17	13	12	11
Total	100%.	100%	100%	100%	100%	100%

a. Land Loans

Dealers from whom the Company purchases Land Loans are typically closely-held firms with annual revenues of less than $3.0 million. Dealers generally purchase large rural tracts (generally 100 or more acres) from farmers or other owners and subdivide the property into one to twenty acre parcels for resale to consumers. Generally the subdivided property is not developed significantly beyond the provision of graded access roads. In recreational areas, sales are made primarily to urban consumers who wish to use the property for a vacation or retirement home or for recreational purposes such as fishing, hunting or camping. In other rural areas, sales are more commonly made to persons who will locate a manufactured home on the parcel. The aggregate principal amount of Land Loans purchased from individual dealers during the six months ended June 30, 1998 varied significantly from a low of approximately $6,300 to a high of approximately $4.7 million. As of June 30, 1998 and December 31, 1997, the five largest dealers accounted for approximately 20.7% and 18.4%, respectively, of the principal amount of the Land Loans in the Serviced Portfolio. No single dealer accounted for more than 5.2% and 5.0% at June 30, 1998 and at December 31, 1997.

As of June 30, 1998 and December 31, 1997, 40.7% and 47.0%, respectively, of the Serviced Portfolio consisted of Land Loans. The average principal balance of such Land Loans was approximately $12,800 and $13,000, respectively, at June 30, 1998 and December 31, 1997. The following table sets forth as of June 30, 1998 the distribution of Land Loans in the Company's Serviced Portfolio:

Principal Balance	Principal Amount	Percentage of Principal Amount	Number of Loans	Percentage of Number of Loans
Less than $10,000	$29,704,000	19.0%	5,766	47.3%
10,000-$19,999	60,745,000	38.8	4,256	35.0
20,000 and greater	66,058,000	42.2	2,157	17.7
Total	$156,507,000	100.0%	12,179	100.0%

As of June 30, 1998 and December 31, 1997, the weighted average interest rate of the Land Loans included in the Company's Serviced Portfolio was 12.0% and 12.1%, respectively. The weighted average remaining maturity was 11.9 and 12.1 years, respectively, at June 30, 1998 and December 31, 1997. The following table sets forth as of June 30, 1998 the distribution of interest rates payable on the Land Loans:

Interest Rate	Principal Amount	Percentage of Principal Amount
Less than 12.0%	$56,444,000	36.0%
12.0%-13.9%	74,128,000	47.4
14.0% and greater	25,935,000	16.6
Total	$156,507,000	100.0%

		==========		=====

As of June 30, 1998 and December 31, 1997, the Company's Land Loan borrowers resided in 50 states, the District of Columbia and four and two territories or foreign countries.

b. VOI Loans

The Company purchases VOI Loans from various resort developers. The Company generally targets small to medium size resorts with completed amenities and established property owners associations. These resorts participate in programs that permit purchasers of VOIs to exchange their timeshare intervals for timeshare intervals in other resorts around the world. During the six months ended June 30, 1998, the Company acquired approximately $1,312,000 of VOI Loans. As of June 30, 1998 and December 31, 1997, the five largest developers accounted for approximately 36.8% and 36.6%, respectively, of the principal amount of the VOI Loans in the Serviced Portfolio. No single developer accounted for more than 9.0% at June 30, 1998 or at December 31, 1997.

As of June 30, 1998 and December 31, 1997, 6.1% and 9.6%, respectively, of the Serviced Portfolio consisted of VOI Loans. The average principal balance of such VOI Loans was approximately $3,500 and $3,600, respectively. The following table sets forth as of June 30, 1998 the distribution of VOI Loans:

Principal Balance	Principal Amount	Percentage of Principal Amount	Number of Loans	Percentage of Number of Loans
Less than $4,000.....	$8,729,000	37.2%	4,186	62.7%
$4,000-$5,999.....	7,724,000	32.9	1,562	23.4
$6,000 and greater....	7,009,000	29.9	926	13.9
Total.....	$23,462,000	100.0%	6,674	100.0%

As of June 30, 1998 and December 31, 1997, the weighted average interest rate of the VOI Loans included in the Company's Serviced Portfolio was 14.6% and the weighted average remaining maturity was 3.7 years. The following table sets forth as of June 30, 1998 the distribution of interest rates payable on the VOI Loans:

Interest Rate	Principal Amount	Percentage of Principal Amount
Less than 14.0%.....	$ 9,941,000	42.4%
14.0%-15.9%.....	5,886,000	25.1
16.0% and greater.....	7,635,000	32.5
Total.....	$23,462,000	100.0%

As of June 30, 1998 and December 31, 1997, the Company's VOI borrowers resided in 50 states, the District of Columbia and four territories or foreign countries.

(2) Hypothecation Loans

The Company extends Hypothecation Loans to land dealers and resort developers and other businesses secured by receivables. The Company has recently expanded its marketing of Hypothecation Loans to include loans to other finance companies secured by other types of collateral. These loans may be larger than the Company's average Hypothecation Loans and may provide the Company with an option to take an equity position in the borrower. During the six months ended June 30, 1998, the Company extended or acquired approximately $66.4 million of Hypothecation Loans, of which $9.6 million, or 14.5%, were secured by Land Loans, $33.2 million, or 50.0%, were secured by VOI Loans and $23.6 million, or 35.5%, were secured by other types of collateral such as tax lien certificates, accounts receivable and mortgages.

The Company typically extends Hypothecation Loans based on advance rates of 75% to 90% of the eligible receivables which serve as collateral. The Company's Hypothecation Loans are typically made at variable rates based on the prime rate of interest plus 2% to 4%. As of June 30, 1998 and December 31, 1997, the Company had $114.6 million and $81.9 million of Hypothecation Loans outstanding, none of which were 30 days or more past due. During the three months ended March 31, 1998, the Company acquired a $17.0 million participation interest in an Hypothecation Loan from another financial institution. As planned, in May of 1998, the Company purchased the underlying receivables, which the Company has reclassified as Other Loans. The proceeds of the receivables purchased were applied to pay off the Company's participation interest. At June 30, 1998, Hypothecation Loans ranged in size from $6,000 to $19.0 million with an average principal balance of $1,381,000. At December 31, 1997, Hypothecation Loans ranged in size from $7,800 to $8.7 million with an average balance of $1,204,000. The five largest Hypothecation Loans represented 11.7% and 10.7% of the Serviced Portfolio at June 30, 1998 and December 31, 1997, respectively.

(3) A&D Loans

The Company also makes A&D Loans to dealers and developers for the acquisition and development of rural and timeshare resorts in order to finance additional receivables generated by the A&D Loans. During the six months ended June 30, 1998, the Company made $21.4 million of A&D Loans to land dealers and resort developers, of which $9.1 million, or 42.6%, were secured by land, $12.3 million, or 56.3%, were secured by resorts under development.

The Company generally makes A&D Loans to land dealers and resort developers based on loan to value ratios of 60% to 80% at variable rates based on the prime rate plus 2% to 4%. As of June 30, 1998 and December 31, 1997, the Company had $48.6 million and $41.7 million, respectively, of A&D Loans outstanding, none of which were 30 days or more past due. At June 30, 1998 and December 31, 1997, A&D Loans were secured by timeshare resort developments and rural land subdivisions in 21 states and one foreign territory and 18 states and one foreign territory, respectively. A&D Loans ranged in size from $1,700 to $8.4 million with an average principal balance of $559,000 at June 30, 1998. A&D Loans ranged in size from $7,800 to $7.3 million with an average principal balance of $622,000 at December 31, 1997. The five largest A&D Loans represented 5.2% and 6.1%, of the Serviced Portfolio at June 30, 1998 and December 31, 1997, respectively.

(4) Other Loans

At June 30, 1998, Other Loans consisted primarily of consumer home equity loans, consumer construction loans, builder construction loans and other secured commercial loans. Historically, the Company has made or acquired certain other secured and unsecured loans to identify additional lending opportunities or lines of business for possible future expansion as it did with VOI Loans and Hypothecation Loans. In May of 1998, the Company purchased 232 builder construction loans totalling $32.7 million, a portion of which had previously been collateral for the Hypothecation Loan in which the Company owned a participation interest. At June 30, 1998, the Company had 221 of the builder construction loans totalling $32.7 million. The Company had $41.4 million and $8.5 million of Other Loans, 0.75% and 1.97% of which were 90 days or more past due at June 30, 1998 and December 31, 1997, respectively. At June 30, 1998, Other Loans ranged in size from less than $500 to $821,500 with an average principal balance of $55,900. At December 31, 1997, Other Loans ranged in size from less than $500 to $151,000 with an average principal balance of $13,800. The five largest Other Loans represent 0.2% of the Serviced Portfolio at June 30, 1998 and December 31, 1997.

Loan Underwriting

The Company has established loan underwriting criteria and procedures designed to reduce credit losses on its Serviced Portfolio. The loan underwriting process includes reviewing each borrower's credit history. In addition, the Company's underwriting staff routinely conducts telephone interviews with a sample of borrowers. The primary focus of the Company's underwriting is to assess the likelihood that the borrower will repay the loan as agreed by examining the borrower's credit history through credit reporting bureaus.

The Company's loan policy is to purchase Land and VOI Loans from $3,000 to $50,000. On a case by case basis, the Company will also consider purchasing such loans in excess of $50,000. As of June 30, 1998, the Company had 160 Land Loans exceeding $50,000 representing 1.3% of the number of such loans in the Serviced Portfolio, for a total of $11.5 million. There were no VOI Loans exceeding $50,000 as of June 30, 1998. The Company will originate Hypothecation Loans up to $15 million and A&D Loans up to $10 million. From time to time, the Company may have an opportunity to originate larger Hypothecation Loans or A&D Loans in which case the Company would seek to participate such loans with other financial institutions. Construction Loans greater than $200,000 and any other loans greater than $100,000 must be approved by the Credit Committee which is comprised of the Chief Executive Officer, Executive Vice President, Chief Financial Officer and two Senior Vice Presidents.

Collections and Delinquencies

Management believes that the relatively low delinquency rate for the Serviced Portfolio is attributable primarily to the application of its underwriting criteria, as well as to dealer guarantees and reserves withheld from dealers and developers. No assurance can be given that these delinquency rates can be maintained in the future.

Collection efforts are managed and delinquency information is analyzed at the Company's headquarters. Unless circumstances otherwise dictate, collection efforts are generally made by mail and telephone. Collection efforts begin when an account is four days past due, at which time the Company sends out a late notice. When an account is sixteen days past due the Company attempts to contact the borrower to determine the reason for the delinquency and to attempt to cause the account to become current. If the status of the account continues to deteriorate, an analysis of that delinquency is undertaken by the collection supervisor to determine the appropriate action. When the loan is 90 days past due in accordance with its original terms and it is determined that the amounts cannot be collected from the dealer or developer guarantees or reserves, the loan is generally placed on a nonaccrual status and the collection supervisor determines the action to be taken. The determination of how to work out a delinquent loan is based upon many factors, including the borrower's payment history and the reason for the current inability to make timely payments. The Company has not restructured a material number of problem loans. When a guaranteed loan becomes 60 days (90 days in some cases) past due, in addition to the Company's collection procedures, the Company generally obtains the assistance of the dealer or developer in collecting the loan.

The Company extends a limited number of its loans for reasons the Company considers acceptable such as temporary loss of employment or serious illness. In order to qualify for a one to three month extension, the customer must make three timely payments without any intervention from the Company. For extensions of four to six months, the customer must make four to six timely payments, respectively, without any intervention from the Company. The Company will not extend a loan more than two times for an aggregate six months over the life of the loan. The Company has extended approximately 1.1% of its loans through June 30, 1998. The Company does not generally modify any other loan

terms such as interest rates or payment amounts.

Regulations and practices regarding the rights of the mortgagor in default vary greatly from state to state. To the extent permitted by applicable law, the Company collects late charges and return-check fees and records these items as additional revenue. Only if a delinquency cannot otherwise be cured will the Company decide that foreclosure is the appropriate course of action. If the Company determines that purchasing a property securing a mortgage loan will minimize the loss associated with such defaulted loan, the Company may accept a deed in lieu of foreclosure, take legal action to collect on the underlying note or bid at the foreclosure sale for such property.

Serviced Portfolio

The following table shows the Company's delinquencies and delinquency rates, net of dealer/developer reserves and guarantees for the Serviced Portfolio:

	Year Ended December 31,					Six Months Ended June 30,
	1993	1994	1995	1996	1997	1998
Serviced Portfolio	$84,360,000	$105,013,000	$176,650,000	$242,445,000	$304,102,000	$384,663,000
Delinquent loans(1)	511,000	981,000	3,062,000	3,255,000	3,642,000	4,251,000
Delinquency as a Percentage of Serviced Portfolio	.61%	.93%	1.73%	1.34%	1.20%	.10%

(1)Delinquent loans are those which are 30 days or more past due which are not covered by dealer/developer reserves or guarantees and not included in other real estate owned.

Land Loans

The following table shows the Company's delinquencies and delinquency rates, net of dealer/developer reserves and guarantees for Land Loans in the Serviced Portfolio:

	Year Ended December 31,					Six Months Ended June 30,
	1993	1994	1995	1996	1997	1998
Land Loans in Serviced Portfolio	$77,258,000	$90,502,000	$97,266,000	$119,370,000	$142,828,000	$156,507,000
Delinquent Land Loans(1)	511,000	981,000	1,059,000	1,920,000	2,453,000	2,893,000
Delinquency as a Percentage of Land Loans in Serviced Portfolio	.66%	1.08%	1.09%	1.61%	1.72%	1.85%

(1)Delinquent loans are those which are 30 days or more past due which are not covered by dealer/developer reserves or guarantees and not included in other real estate owned.

VOI Loans

The following table shows the Company's delinquencies and delinquency rates, net of dealer/developer reserves and guarantees for VOI Loans in the Serviced Portfolio:

	Year Ended December 31,					Six Months Ended June 30,
	1993	1994	1995	1996	1997	1998
VOI Loans in Serviced Portfolio	$1,434,000	$2,851,000	$46,700,000	$43,284,000	$29,232,000	$23,462,000

Delinquent VOI Loans(1).....	--	--	1,958,000	1,316,000	739,000	552,000
Delinquency as a percentage of VOI Loans in Serviced Portfolio....	--	--	4.19%	3.04%	2.53%	2.35%

(1)Delinquent loans are those which are 30 days or more past due which are not covered by dealer/developer reserves or guarantees and not included in other real estate owned.

Hypothecation, A&D and Other Loans

The Company did not have any delinquent Hypothecation Loans or A&D Loans for the years ended December 31, 1993 through December 31, 1997 or for the six months ended June 30, 1998. The Company did not have significant amounts of delinquent Other Loans for the years ended December 31, 1993 through December 31, 1996. At December 31, 1997, there were $8.5 million of Other Loans of which $450,000 or 5.3% were 30 days or more past due and not covered by dealer/developer reserves or guarantees and not included in other real estate owned. At June 30, 1998, there were $41.4 million of Other Loans of which $806,000 or 2.0% were 30 days or more past due and not covered by dealer/developer reserves or guarantees and not included in other real estate owned.

Allowance for Loan Losses, Net Charge-offs and Dealer Reserves

The following is an analysis of the total allowances for all loan losses:

	Year Ended December 31,					Six Months Ended June 30,
	1993	1994	1995	1996	1997	1998
Allowance, beginning of year.....$	498,000	$1,064,000	$1,264,000	$3,715,000	$4,528,000	$5,877,000
Provision for loan losses.....	620,000	559,000	890,000	1,954,000	1,400,000	810,000
Net charge-offs of uncollectible accounts.....	(493,000)	(359,000)	(946,000)	(1,965,000)	(2,010,000)	(968,000)
Allocation of purchase adjustment(1)....	439,000	--	2,507,000	824,000	1,959,000	744,000
Allowance, end of year.....$	1,064,000	$1,264,000	$3,715,000	$4,528,000	$5,877,000	$6,463,000

(1)Represents allocation of purchase adjustment related to purchase of certain nonguaranteed loans.

The following is an analysis of net charge-offs by major loan and collateral types experienced by the Company:

	Year Ended December 31,					Six Months Ended June 30,
	1993	1994	1995	1996	1997	1998
Land Loans.....	$493,000	$359,000	$546,000	$669,000	$986,000	$525,000
VOI Loans.....	--	--	45,000	1,284,000	939,000	266,000
Hypothecation Loans....	--	--	--	--	--	--
A&D Loans.....	--	--	352,000	(8,000)	(2,000)	--
Other Loans.....	--	--	3,000	20,000	87,000	178,000
Total net charge-offs..	$493,000	$359,000	$946,000	$1,965,000	$2,010,000	$969,000
Net charge-offs as a percentage of the average Serviced Portfolio.....	.69%	.38%	.67%	.94%	.74%	.56%

As part of the Company's financing of Land Loans and VOI Loans, the Company enters into arrangements with most land dealers and resort developers whereby the Company establishes reserves to protect the Company from potential losses associated with such loans. The Company retains a portion of the amount payable to a dealer when purchasing a Land Loan or a VOI Loan and uses the amount retained to absorb loan losses. The Company negotiates the amount of the reserves with the land dealers and resort developers based upon various criteria, two of which are the financial strength of the land dealer or resort developer and the credit risk associated with the loans being purchased. Dealer

reserves for Land Loans were $6,420,000, $7,555,000 and $8,321,000 at December 31, 1995, 1996 and 1997, respectively, and $8,488,000 at June 30, 1998. Developer reserves for VOI Loans amounted to $3,224,000, $3,072,000 and $2,299,000 at December 31, 1995, 1996 and 1997, respectively, and $1,931,000 at June 30, 1998. Most dealers and developers provide personal and, when relevant, corporate guarantees to further protect the Company from loss.

Loan Servicing and Sales

The Company retains the right to service all the loans it purchases or originates. Servicing includes collecting payments from borrowers, remitting payments to investors who have purchased the loans, accounting for principal and interest, contacting delinquent borrowers and supervising foreclosure and bankruptcies in the event of unremedied defaults. Substantially all servicing results from the origination and purchase of loans by the Company, and the Company has not historically purchased loan servicing rights except in connection with the purchase of loans. Servicing rates generally approximate .5% to 2% of the principal balance of a loan.

Historically, the Company subcontracted the servicing of its loans to an unaffiliated third party. In July 1998, the Company resumed certain customer service and collection functions. the unaffiliated third party will continue to provide certain data processing and payment processing functions. The Company retains responsibility for servicing all loans as a master servicer.

In 1990, the Company began privately placing issues of pass-through certificates evidencing an undivided beneficial ownership interest in pools of mortgage loans which have been transferred to trusts. The principal and part of the interest payments on the loans transferred to the trust are collected by the Company, as the servicer of the loan pool, remitted to the trust for the benefit of the investors, and then distributed by the trust to the investors in the pass-through certificates.

As of June 30,1998, the Company had sold or securitized a total of approximately $417.1 million in loans. In certain of the Company's issues of pass-through certificates, credit enhancement was achieved by dividing the issue into a senior portion which was sold to the investors and a subordinated portion which was retained by the Company. In certain other of the Company's private placements, credit enhancement was achieved through cash collateral. If borrowers default in the payment of principal or interest on the loans underlying these issues of pass-through certificates, losses would be absorbed first by the subordinated portion or cash collateral account retained by the Company and might, therefore, have to be charged against the allowance for loan losses to the extent dealer guarantees and reserves are not available.

The Company also has a $150.0 million revolving line of credit and sale facility for its land loans as part of an asset backed commercial paper facility with a multi-seller commercial paper conduit. The facility expires in June 2001. As of June 30, 1998, the outstanding balance of the sold or pledged loans securing this facility was $124.4 million. The Company has an additional revolving line of credit and sale facility of $25.0 million with another multi-seller commercial paper conduit. The facility expires in March 2000. As of June 30, 1998, the outstanding aggregate balance of the sold loans under the facility was $12.3 million.

Marketing and Advertising

The Company markets its program to rural land dealers and resort developers through brokers, referrals, dealer and developer solicitation, and targeted direct mail. The Company employs three marketing executives based in Lakewood, Colorado, six marketing executives based in Williamstown, Massachusetts and 2 marketing executives based in Hoover, AL. In the last 5 years the Company has closed loans with over 300 different dealers and developers.

Management believes that the Company benefits from name recognition as a result of its referral, advertising and other marketing efforts. Referrals have been the strongest source of new business for the Company and are generated in the states in which the Company operates by dealers, brokers, attorneys and financial institutions. Management and marketing representatives also conduct seminars for dealers and brokers and attend trade shows to improve awareness and understanding of the Company's programs.

Regulation

The Company is licensed as a lender, mortgage banker or mortgage broker in 21 of the states in which it operates, and in those states its operations are subject to supervision by state authorities (typically state banking or consumer credit authorities). Expansion into other states may be dependent upon a finding of financial responsibility, character and fitness of the Company and various other matters. The Company is generally subject to state regulations, examination and reporting requirements, and licenses are revocable for cause. The Company is subject to state usury laws in all of the states in which it operates.

The consumer loans purchased or financed by the Company are subject to the Truth-in-Lending Act. The Truth-in-Lending Act contains disclosure requirements designed to provide consumers with uniform, understandable information with respect to the terms and conditions of loans and credit transactions in order to give them the ability to compare credit terms. Failure to comply with the requirements of the Truth-in-Lending Act may give rise to a limited right of rescission on the part of the borrower. The Company believes that its purchase or financing activities are in substantial compliance in all material respects with the Truth-in-Lending Act.

Origination of the loans also requires compliance with the Equal Credit Opportunity Act of 1974, as amended ("ECOA"), which prohibits creditors from discriminating against applicants on the basis of race, color, sex, age or marital status. Regulation B promulgated under ECOA restricts creditors from obtaining certain types of information from loan applicants. It also requires certain disclosures by the lender regarding

consumer rights and requires lenders to advise applicants of the reasons for any credit denial. In instances where the applicant is denied credit or the interest rate charged increases as a result of information obtained from a consumer credit agency, another statute, the Fair Credit Reporting Act of 1970, as amended, requires the lenders to supply the applicant with a name and address of the reporting agency.

Competition

The finance business is highly competitive, with competition occurring primarily on the basis of customer service and the term and interest rate of the loans. Traditional competitors in the finance business include commercial banks, credit unions, thrift institutions, industrial banks and other finance companies, many of which have considerably greater financial, technical and marketing resources than the Company. There can be no assurance that the Company will not face increased competition from existing or new financial institutions or finance companies. In addition, the Company may enter new lines of business that may be highly competitive and may have competitors with greater financial resources than the Company.

The Company believes that it competes on the basis of providing competitive rates and prompt, efficient and complete service, and by emphasizing customer service on a timely basis to attract borrowers whose needs are not met by traditional financial institutions.

Employees

As of June 30, 1998, the Company had 95 full-time equivalent employees. None of the Company's employees is covered by a collective bargaining agreement. The Company considers its relations with its employees to be good.

Facilities

The Company owns a leasehold interest in approximately 26,000 square feet of office space in Williamstown, Massachusetts, which is used as the Company's headquarters. The initial ten year lease term expires in May 2007 and is renewable at the Company's option for two additional ten year periods. The initial land lease provides for an annual rental of $20,000. The Company also occupies an aggregate of approximately 5,100 square feet of office space in Lakewood, Colorado, pursuant to a lease expiring in January 2001, with an option to renew until 2004, providing for an annual rental of approximately $56,000, including utilities and exterior maintenance expenses. A subsidiary of the Company occupies an aggregate of approximately 6,100 square feet of office space in Hoover, Alabama, pursuant to a lease expiring in December 1999, providing for an annual rental of approximately $60,000.

Item 6. Exhibits

The following exhibits are filed herewith:

10.172	Indenture of Trust dated as of June 1, 1998, between Litchfield Hypothecation Corp. 1998-A and The Chase Manhattan Bank.
10.173	Servicing agreement dated as of June 1, 1998 among the Company, Litchfield Hypothecation Corp. 1998-A and The Chase Manhattan Bank.
10.174	Indenture of Trust dated as of June 1, 1998, between Litchfield Hypothecation Corp. 1998-B and The Chase Manhattan Bank.
10.175	Servicing agreement dated as of June 1, 1998 among the Company, Litchfield Hypothecation Corp. 1998-B and the Chase Manhattan Bank.
10.176	Amendment No. 5 to Receivable Purchase Agreement dated September 29, 1995, dated as of May 27, 1998 among the Company, Litchfield Mortgage Securities Corporation 1994, Holland Limited Securities, Inc. and Internationale Nederlanden (U.S.) Capital Markets, Inc.
10.177	Amendment No. 5 to Receivable Loan and Security Agreement dated September 29, 1995, dated as of May 27, 1998 among the Company, Litchfield Mortgage Securities Corporation 1994, Holland Limited Securities, Inc. and Internationale Nederlanden (U.S.) Capital Markets, Inc.
11.1	Statement re: computation of earnings per share
27.1	Financial Data Schedule

SIGNATURES

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

LITCHFIELD FINANCIAL CORPORATION

DATE: August 12, 1998

/s/ Richard A. Stratton

RICHARD A. STRATTON
Chief Executive Officer,
President and Director

DATE: August 12, 1998

/s/ Ronald E. Rabidou

RONALD E. RABIDOU
Chief Financial Officer

Exhibit 10.172

INDENTURE OF TRUST (herein, as amended or supplemented from time to time as permitted hereby, the "Indenture"), dated as of June 1, 1998, by and between LITCHFIELD HYPOTHECATION CORP. 1998-A, a corporation organized under the laws of the State of Delaware (the "Issuer"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as trustee (together with its permitted successors in the trusts hereunder, the "Trustee").

W I T N E S S E T H:

WHEREAS, the Issuer proposes to issue from time to time its Hypothecation Loan Collateralized Notes in an aggregate outstanding principal amount not to exceed $30,000,000 (collectively, the "Notes") pursuant to this Indenture and to deliver the net proceeds of the sale thereof to the Originator (as such term and such other capitalized terms used herein and not otherwise defined are defined in Article I hereof) in consideration of the purchase of the Loans by the Issuer from the Originator;

WHEREAS, Litchfield Financial Corporation, a Massachusetts corporation, in its capacity as servicer (the "Master Servicer") pursuant to a Servicing Agreement, dated as of June 1, 1998 (herein, as amended or supplemented from time to time as permitted thereby, the "Servicing Agreement"), by and among the Issuer, the Master Servicer, and the Trustee, will service the Loans;

WHEREAS, as security for the Notes, the Issuer proposes to pledge and assign all of the Issuer's right, title and interest in and to the Loans and the Loan Collateral (other than the Unassigned Rights) to the Trustee pursuant to this Indenture;

WHEREAS, the Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance, payment, administration and securing of the Notes for the benefit of the Holders thereof;

WHEREAS, the Issuer and the Trustee agree that the Trustee be appointed under this Indenture and be charged with and accept the trusts and duties set forth in this Indenture in connection with the issuance, payment, administration and securing of the Notes under this Indenture for the benefit of the Holders of the Notes;

WHEREAS, the Trustee has duly authorized the execution and delivery of this Indenture and is duly authorized to accept the trusts and to perform its obligations under this Indenture;

WHEREAS, all things necessary to make this Indenture a valid agreement of the Issuer and the Trustee in accordance with its terms have been done; and

WHEREAS, all things necessary to make the Notes, when executed and delivered by the Issuer and authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the Issuer according to the import thereof, have been done and performed.

GRANTING CLAUSE

NOW, THEREFORE, in order to secure the payment of the principal of, interest on, and all other amounts payable with respect to, the Notes to be issued pursuant to this Indenture, and in order to secure the performance and observance of all the covenants and conditions contained herein and in such Notes, and in order to declare the terms and conditions upon which the Notes are executed, authenticated, issued, delivered, secured and accepted by all Persons who shall from time to time be or become Holders thereof, and for and in consideration of the mutual covenants contained herein, of acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Notes by the Holders thereof, the Issuer has executed and delivered this Indenture and by these presents:

The Issuer does hereby pledge, bargain, sell, warrant, alienate, remise, convey, assign, transfer, create and grant a lien upon and a security interest in and a right of set-off against (collectively, "Grant") unto the Trustee, its successor or successors and its or their assigns forever, in trust and as collateral security for the benefit of the Holders of the Notes, the Issuer's entire right, title, interest and estate, whether now or hereafter acquired, in, to and under (i) the Loans; (ii) the Loan Collateral; (iii) all monies and other property of any kind that relate to any of the Loans and that are now or at any time or times hereafter in the possession or under the control of the Issuer, the Master Servicer, any Sub-Servicer or the Trustee or any bailee of the Trustee, including without limitation, the Lock Box Account and all monies therein; (iv) the Servicing Agreement, each Subservicing Agreement, each Agency Agreement, the Purchase and Sale Agreement, the Deposit Account Assignment and the Payment Direction Agreement; (v) all books and records of the Issuer to the extent pertaining to any of (i) through (iv) above, including all computer programs, disks, tapes and related electronic data processing media, credit files, account cards, payment records, correspondence and ledgers in which any of the foregoing are reflected or maintained; (vi) all moneys and securities from time to time held by the Trustee in any Account created under the terms of this Indenture and all interest, profits, proceeds, or other income derived from such moneys and securities; (vii) the present and continuing exclusive right, power and authority, subject to the provisions of the Servicing Agreement, to give and receive notices and other communications, to make waivers or other agreements subject to the provisions of the Servicing Agreement, to make claims for and demand performance on, under or pursuant to any of the Loan Collateral, to bring actions and proceedings thereunder or for the enforcement thereof or the Loans, and to exercise all remedies, powers, privileges and options and to do any and all things which the Issuer is or may become entitled to do under the Loans or the Loan Collateral;
(viii) any and all property of every name and nature, now or hereafter transferred, mortgaged, pledged or assigned as security or additional security for payment or performance of any obligation of the Hypothecation Borrowers to the Issuer under the Loans or any of the Loan

Collateral or otherwise (other than the Unassigned Rights), and the liabilities, obligations and indebtedness evidenced thereby or reflected therein; and (ix) all income, revenues, issues, products, revisions, substitutions, replacements, profit and proceeds of and from all of the foregoing, including proceeds of and unearned premiums with respect to insurance policies insuring any of the Loan Collateral (collectively, the "Trust Estate").

TO HAVE AND TO HOLD IN TRUST all and singular the Trust Estate whether now or hereafter acquired, unto the Trustee and its successor or successors and its or their assigns forever for the benefit of the Holders of the Notes, but:

IN TRUST NEVERTHELESS, upon the terms, trusts and conditions hereinafter set forth for the equal and proportionate benefit, security and protection of all present and future Holders of the Notes without preference, privilege, priority or distinction as to the lien or otherwise of any of the Notes over any of the other Notes, except as otherwise may be provided in this Indenture.

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, (I) shall pay, or cause to be paid, the principal of and interest payable with respect to, the Notes due or to become due thereon, at the times and in the manner mentioned in the Notes, or shall provide, as permitted hereby, for the payment thereof, (ii) shall keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and (iii) shall pay or cause to be paid to the Trustee all sums of money due or to become due to it and any other fiduciary appointed hereunder in accordance with the terms and provisions hereof, then, upon the final payment thereof, this Indenture, all rights of the Holders of the Notes under this Indenture and the rights hereby granted for the benefit thereof shall cease, determine and be void; otherwise this Indenture shall be and remain in full force and effect.

The Trustee, for itself and its successors and assigns, hereby declares that it shall hold all the estate, right, title and interest in any property received by it under this Indenture, including, without limitation, the Trust Estate, in trust for the benefit of all present and future Holders of the Notes, subject to the terms of this Indenture. The Trustee acknowledges the Grant of the Trust Estate hereunder, accepts the trusts hereunder in accordance with the provisions hereof and agrees to perform fully the duties herein required of it to the end that the interests of the Holders of the Notes may be adequately and effectively protected in accordance with the provisions of this Indenture.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared that all Notes issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interests and other amounts hereby assigned and pledged, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Holders of the Notes, as follows:

ARTICLE 1

DEFINITIONS AND ASSUMPTIONS

SECTION 1.1 Definitions. For all purposes of this Indenture, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in Appendix A hereto which is incorporated by reference herein. All other capitalized terms used herein shall have the meanings specified herein.

SECTION 1.2 Construction. In this Indenture, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of this Indenture.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this Indenture, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

ARTICLE 2

THE NOTES

SECTION 2.1 Authorization of Notes; Notes to Constitute Full Recourse Obligations.

(a) The Notes issuable hereunder shall be issued as registered Notes, without coupons, in one or more series as from time to time shall be authorized by the Issuer. The Notes of all series shall be known and entitled generally as the "Litchfield Hypothecation Corp. 1998-A

Hypothecation Loan Collateralized Notes." The Notes of each series shall have such further particular designation as the Issuer may adopt for each series, and each Note issued hereunder shall bear upon the face thereof the designation so adopted for the series to which it belongs;

(b) The Trustee is hereby authorized and directed to authenticate and deliver a series of Notes of the Issuer which shall be designated as "Litchfield Hypothecation Corp. 1998-A Hypothecation Loan Collateralized Notes, Series A" (the "Series A Notes"). The Trustee is hereby authorized to authenticate and deliver to the Purchaser on the Closing Date Series A Notes in the initial principal amount of $10,027,636.73.

(c) The Trustee is hereby authorized to authenticate and deliver a series of Notes of the Issuer which shall be designated from time to time as "Litchfield Hypothecation Corp. 1998-A Hypothecation Loan Collateralized Notes, Series B Variable Funding Notes (the "Variable Funding Notes") at any time and from time to time on or after the Closing Date, the Trustee is hereby authorized upon the direction of the Issuer to authenticate and deliver Variable Funding Notes in any principal amount in excess of $25,000; provided, however, that no authorization and delivery of Variable Funding Notes shall be authorized if, after giving effect to the principal amount of Variable Funding Notes to be issued, the aggregate principal amount of all Notes outstanding would exceed the Note Limit. The Variable Funding Notes shall be revolving variable amount funding Notes issued by the Issuer for the purpose of funding Future Advances made by the Originator to the Hypothecation Borrowers and assigned to the Issuer. Any Noteholder of Variable Funding Notes that purchases additional Variable Funding Notes (or at such Holder's direction, the Trustee) may, and is hereby authorized to, record on the grid attached to such Noteholder's Note the date and amount of any additional principal to be evidenced thereby; provided, however, that the failure to make any such recordation on such grid or any error on such grid shall not affect any Noteholder's rights with respect to the principal amount of such Note, or interest thereon. At any time and from time to time after the Closing Date, any Holder of Variable Funding Notes shall have the right, upon written notice to the Trustee and the Issuer and delivery of the Variable Funding Note to be converted to the Trustee, to convert not less than $750,000 in aggregate outstanding principal amount of Variable Funding Notes into Series C Notes of a like aggregate principal amount. Any Variable Funding Note so converted shall be cancelled by the Trustee.

(d) The Trustee is hereby authorized to authenticate and deliver a series of Notes of the Issuer which shall be designated from time to time as "Litchfield Hypothecation Corp. 1998-A Hypothecation Loan Collateralized Notes, Series C" (the "Series C Notes"). At any time and from time to time on or after the Closing Date, the Trustee is hereby authorized upon receipt from a Holder of Variable Funding Notes of written notice requesting conversion of such Variable Funding Notes pursuant to Section 2.1(c) hereof (which conversion shall be effective as of a Payment Date specified in the request for conversion) and the Variable Funding Notes to be converted, to authenticate and deliver Series C Notes to such Holder in a like aggregate principal amount as the aggregate outstanding amount of the Variable Funding Notes converted.

(e) The Notes shall constitute full recourse obligations of the Issuer. The Notes when issued shall not constitute direct or indirect indebtedness or obligations of the Master Servicer or the Originator. Neither the Master Servicer nor the Originator shall be liable to the Holders of the Notes for the payment of the principal thereof and interest thereon for any liability under this Indenture. The foregoing shall not diminish the Originator's obligations under the Guarantee. Neither the Notes nor the Loans are insured by any governmental agency.

SECTION 2.2 Forms of Notes and Certificate of Authentication. The Notes and the Trustee's certificate of authentication shall be in substantially the forms set forth in Exhibit A attached hereto, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistent herewith, be determined by the Authorized Officers of the Issuer executing such Notes, as evidenced by their execution of such Notes. The definitive Notes shall be typed, photocopied, printed, lithographed or engraved or produced by any combination of these methods (with or without steel engraved borders), all as determined by the Authorized Officers of the Issuer executing such Notes, as evidenced by their execution of such Notes.

SECTION 2.3 Authorized Principal Amount. The aggregate principal amount of the Notes that may be authenticated, delivered and Outstanding under this Indenture is $30,000,000. All Notes shall be identical in all respects except for the maturity thereof, the interest rate thereon, the denominations thereof and such differences to reflect the revolving nature of the Variable Funding Notes. All Notes issued under this Indenture shall in all respects be equally and ratably entitled to the benefits hereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

SECTION 2.4 Date of Notes; Denominations. (i) Notes which are authenticated and delivered by the Trustee to or upon the order of the Issuer on the Closing Date shall be dated as of the Closing Date. Other series of Notes which are authenticated after the Closing Date shall be dated as of the respective Closing date therefor. All other Notes which are authenticated for any other purpose hereunder shall be dated the date of their authentication. The Series A Notes shall be issued in minimum denominations of $100,000, the Variable Funding Notes shall be issued in minimum denominations of $25,000 and the Series C Notes shall be issued in minimum denominations of $750,000.

(ii) Notes issued upon transfer, exchange, conversion or replacement of other Notes shall be issued in authorized denominations reflecting the original aggregate principal amount of the Notes so transferred, exchanged, converted or replaced, but shall represent only the then current outstanding principal amount of the Notes so transferred, converted, exchanged or replaced. In the event that any Note is divided into more than one Note in accordance with the provisions hereof, the principal amount of such Note shall be proportionately divided among the Notes delivered in exchange therefor.

SECTION 2.5 Execution, Authentication, Delivery and Dating.
(i) Each Note shall be executed on behalf of the Issuer with the manual or facsimile signature of an Authorized Officer of the Issuer.

(ii) Notes bearing the manual or facsimile signature of individuals who were at any time Authorized Officers of the Issuer shall bind the Issuer,

notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

(iii) At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Notes executed by the Issuer to the Trustee for authentication. Upon a written order from the Issuer (which order shall be in the form of Exhibit B hereto) the Trustee shall authenticate and deliver such Notes as in this Indenture provided and not otherwise. No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form set forth in Exhibit A hereto executed by the Trustee by the manual signature of an Authorized Officer of the Trustee, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

SECTION 2.6 Transfer and Registry; Exchange; Negotiability.

(a) (i) Each Note shall be transferable only upon the books of the Issuer (the "Note Register"), which shall be kept for that purpose at the office of the Person acting as registrar of the Issuer (the "Note Registrar"). The Trustee is hereby designated as the Note Registrar. Subject to the provisions of paragraph (b) of this Section 2.6, the transfers of any Note may be effected on the books of the Issuer by the Holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Note Registrar duly executed by the Holder or its duly authorized attorney. Upon the transfer of any such Note, the Issuer shall issue in the name of the transferee a new Note or Notes of the same aggregate principal amount, the same series, interest rate and maturity as the surrendered Note.

(ii) At the option of the Holder, Notes may be exchanged for other Notes of any authorized denominations, and of a like aggregate principal amount, series, interest rate and maturity, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Notes which the Noteholder making the exchange is entitled to receive.

(iii) All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

(iv) Every Note presented or surrendered for registration of transfer or exchange shall (if so required by the Issuer or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Trustee, duly executed, by the Holder thereof or his attorney duly authorized in writing.

(b) Each Note shall bear the following legend:

"THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF

1933 ("1933 ACT"), OR THE SECURITIES LAWS OR "BLUE SKY" LAWS OF ANY STATE AND HAVE BEEN SOLD IN RELIANCE UPON AN EXEMPTION PROVIDED IN THE 1933 ACT AND APPLICABLE STATE SECURITIES AND BLUE SKY LAW. THE NOTES MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS SUBSEQUENTLY REGISTERED UNDER THE 1933 ACT AND APPLICABLE STATE SECURITIES AND BLUE SKY LAW OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE."

(c) No Note or any beneficial interest therein may be sold or transferred (including, without limitation, by pledge or hypothecation) unless such transfer is exempt from the registration requirements of the 1933 Act and any applicable state securities and blue sky laws or is made in accordance with said Act and state laws. As a condition precedent to any such transfer, a certificate or certificates in the form of Exhibit C hereto, as appropriate, shall be delivered to the Trustee.

(d) None of the Issuer, the Note Registrar or the Trustee is obligated to register the Notes under the 1933 Act or any other securities law.

SECTION 2.7 Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging or transferring Notes is exercised, the Issuer shall execute and the Trustee shall authenticate and deliver Notes in accordance with the provisions of this Indenture. For every such exchange or registration of transfer of Notes, whether temporary or definitive, the Issuer and the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. Neither the Issuer nor the Trustee shall be required to register the transfer of or exchange Notes for a period beginning on the Record Date next preceding a Payment Date and ending on such Payment Date.

SECTION 2.8 Mutilated, Destroyed, Stolen or Lost Notes.

(a) In case any Note shall become mutilated or be destroyed, stolen or lost, the Issuer shall execute, and thereupon the Trustee shall authenticate and deliver, a new Note of like aggregate principal amount, series, interest rate and maturity as the Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note, upon surrender and cancellation of such mutilated Note or in lieu of and substitution for the Note destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Issuer and the Trustee that such Note has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Issuer and Trustee with such security or indemnity as may be

required by them to save each of them harmless (an unsecured agreement of indemnity of a Purchaser being deemed sufficient for this purpose) and upon payment of any tax or governmental charge the Issuer and Trustee may incur. All Notes so surrendered to the Trustee shall be canceled by it. Any such new Notes issued pursuant to this Section 2.8 in substitution for Notes alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Issuer, whether or not the Notes so alleged to be destroyed, stolen or lost shall be found at any time, or be enforceable by anyone, and shall be equally secured by, and entitled to equal and proportionate benefits with all other Notes issued under the Indenture.

(b) Notwithstanding the foregoing provisions of this Section 2.8, in the event any such Note shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Notes, the Issuer may authorize the payment of the same (upon surrender thereof as provided in Section 2.9) instead of issuing a substitute Note, provided security or indemnification is furnished as above provided in this Section 2.8.

(c) The provisions of this Section 2.8 are exclusive and shall preclude (to the extent lawful) all of the rights and remedies with respect to the payment of mutilated, lost, stolen or destroyed Notes, including those granted by any law or statute now existing or hereafter enacted

SECTION 2.9 Medium of Payment; Payment of Principal and Interest. a) The Notes shall be payable in lawful currency of the United States of America and shall be payable by check mailed by first class mail to the Person entitled thereto at such Person's address as it appears on the Note Register on the applicable Record Date except that payments to Holders of in excess of one million dollars ($1,000,000) of original principal amount of the Notes shall be made in immediately available funds to an account at a banking institution in the United States; provided that such Holder has provided to the Trustee no later than two Business Days prior to the relevant Payment Date its wire transfer instructions (the wire transfer instructions of the Purchaser set forth in the Note Purchase Agreement are deemed sufficient for all payments on the Notes held by the Purchaser).

(b) Each Note shall bear interest on the outstanding principal amount thereof from and including (i) June 26, 1998 in the case of the Series A Notes, and (ii) in the case of the Variable Funding Notes, the Series C Notes and any subsequent series of Notes, from and including the Closing date therefor, and, in each case, the most recent date to which interest has been paid until paid. Interest shall accrue on the principal amount of the Series A Notes and the Variable Funding Notes at the end of each day at a rate per annum equal to 2.10% plus the LIBOR Rate, as determined by the Master Servicer and set forth in the Master Servicer's Certificate. Interest shall accrue on the Series C Notes and any subsequent series of Notes at a rate to be determined by the Master Servicer on or before the Closing for such series of Notes. The term "LIBOR Rate" shall mean the rate published in The Wall Street Journal under "Money Rates" (or if such publication shall cease to publish such rate, then the rate published in such other nationally recognized publication as the Trustee may from time to time specify) as the average of the interbank offered rates for U.S. Dollar deposits in the London interbank market for a term of one month, based on quotations at 5 major banks. The LIBOR Rate for each day of a Payment Period shall be the rate so published on the first Business Day of such Payment Period. Interest shall accrue at the Default Rate with respect to the principal amount of any portion of the Notes that is not paid on the Payment Date for such principal (whether due at stated maturity, on demand, upon acceleration or otherwise) until paid in full. Interest shall be calculated daily and shall be computed on the basis of a 360-day year of twelve months of 30 days each.

(c) (i) On each Payment Date, payments of principal of the Notes will be due in an amount equal to the Principal Payment Amount in respect of the aggregate Loans as of such Payment Date.

(ii) (A) If any of the representations or warranties contained in
Section 3 of the Purchase and Sale Agreement shall prove to be, in any material and adverse respect, false, incorrect or misleading as to any Loan, the Issuer, at its expense, shall promptly take such action as is necessary and use its best efforts to cause such false, incorrect or misleading representation or warranty to be, in all material respects, true, correct and not misleading, within 30 days following the giving of written notice to the Issuer by the Trustee of such false, incorrect or misleading representation or warranty (provided, however, that the Trustee shall have no obligation to investigate or determine whether any such representation is false, incorrect or misleading) or following the discovery thereof by the Issuer.

(B)If within the applicable time period set forth in paragraph (A)

above the Issuer fails
to cure, in all material respects, any such representation or warranty with respect to a Loan which is, in any material respect, false, incorrect or misleading, then, the Issuer shall as soon as possible but in no event later than 60 days following notice or discovery of the false, incorrect or misleading representation or warranty, take all actions necessary or advisable under this Indenture and the Purchase and Sale Agreement to (i) cause the Trustee to redeem (pursuant to the exercise of the Repurchase Option set forth in Section 4(b) of the "Purchase and Sale Agreement"), on a pro rata basis among the outstanding Notes, an aggregate principal amount of the Notes equal to the outstanding principal amount of the Loan with respect to which the false, incorrect or misleading representation or warranty was made, and to pay accrued interest on such redeemed Notes to the date of redemption or (ii), with the consent of the Holders of at least 66 2/3% of the aggregate outstanding principal amount of the Notes, substitute a new Loan for such Loan.

(iii) The Issuer shall have the right to prepay all, but not less than all, of any series of outstanding Notes at any time after the date on which the aggregate outstanding principal amount of such series of Notes equals or is less than 10% of the initial aggregate principal amount of such series of Notes.

(iv) In the event that, pursuant to the terms of the Purchase and Sale Agreement, the Originator has notified the Issuer that (A) the Originator

intends to exercise Unassigned Rights in respect of a Loan and (B) such exercise of Unassigned Rights requires the release of such Loan from the Lien of the Trust Estate hereunder, the Issuer shall have the right to prepay an aggregate outstanding principal amount of the Notes equal to the principal amount of the Loan released hereunder. Upon such prepayment, together with accrued interest on such prepaid Notes to the date of prepayment, the Trustee shall release the related Loan in accordance with Section 8.3 hereof.

(v) All unpaid principal of the Notes shall mature and be immediately due and payable at Stated Maturity.

(vi) Payments of principal (as a result of prepayments or otherwise) to be made will be allocated pro rata among the Notes in the proportion which the outstanding principal amount of each Note bears to the aggregate outstanding principal amount of the Notes of all series as of the first day of the month in which the Payment Date occurs.

(vii) All reductions in the principal amount of a Note effected by payments of installments of principal made on any Payment Date shall be binding upon all future Holders of the Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

(viii) Whenever the entire remaining unpaid principal amount of the Notes will become due and payable on the next Payment Date, the Trustee shall notify the Person in whose name such Note is registered as of the close of business on the Record Date prior to such Payment Date that such final installment is expected to be paid on such Payment Date. Such notice shall be given by the Trustee in the name and at the expense of the Issuer by first-class mail, postage prepaid, mailed no later than the Business Day following the day on which the Trustee receives the Master Servicer's Certificate with respect to such Payment Date. Such notice shall set forth the following information: the fact of such expectation of payment in full, restating the requirement set forth in this Indenture that such payment shall be payable only upon presentation of such Note (or in the case of mutilated, destroyed, lost or stolen Notes, a certificate to that effect and an indemnity (or unsecured agreement of indemnity) as provided in Section 2.8 hereof) on or after the Payment Date therefor at the corporate trust office of the Trustee for payment, the place where such Notes are to be surrendered for payment and that no interest shall accrue on the principal of such Notes for any period after such Payment Date.

(ix) The final installment of principal of any Note made on any Payment Date shall be payable, subject to Section 2.8(b) hereof, only upon presentation of such Note (or in the case of mutilated, destroyed, lost or stolen Notes, a certificate to that effect and an indemnity (or unsecured agreement of indemnity) as provided in Section 2.8 hereof) on or after the Payment Date therefor at the corporate trust office of the Trustee for payment; provided, however, that this requirement of presentation shall not apply to the Purchaser if it furnishes to the Trustee its unsecured agreement of indemnity in the same manner as is permitted by Section 2.8 hereof.

SECTION 2.10 Persons Deemed Owners. The Issuer, the Trustee and the Note Registrar may deem and treat the Person in whose name any Note shall be registered upon the Note Register as the absolute owner of such Note, whether such Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Note and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effective to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the Issuer, the Trustee nor the Note Registrar shall be affected by any notice to the contrary.

SECTION 2.11 Cancellation. All Notes surrendered upon payment of the final installment of principal pursuant to Section 2.9(c) hereof or otherwise surrendered for registration of transfer, conversion or exchange shall be delivered to the Trustee and shall be promptly canceled by it. The Issuer may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly canceled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section, except as expressly permitted by this Indenture.

SECTION 2.12 Access to List of Noteholders' Names and Addresses. The Note Registrar will furnish or cause to be furnished to the Trustee, the Issuer or any Noteholder promptly after receipt by the Note Registrar of a request therefor from the Trustee, the Issuer or such Noteholder in writing, a list, in such form as the Trustee, the Issuer or such Noteholder may reasonably require, of the primary contacts, names and addresses of the Noteholders as of the most recent Record Date. Every Noteholder by receiving and holding Notes, agrees with the Issuer, the Registrar and the Trustee that neither the Issuer, the Note Registrar nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Noteholders hereunder, regardless of the source from which such information was derived.

SECTION 2.13 Acts of Noteholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by an agent duly appointed in writing, and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and where required to the Issuer. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Issuer if made in the manner provided in this Section 2.13.

(b) The fact and date of the execution by any Noteholder of any such instrument or writing may be proven in any reasonable manner which the Trustee deems sufficient.

(c) The ownership of Notes shall be proven by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Noteholder shall bind every Holder of Notes issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, or omitted to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Notes.

(e) The Trustee may require such additional proof of any matter referred to in this Section 2.13 as it shall deem necessary.

ARTICLE 3

ISSUANCE OF NOTES

SECTION 3.1 Conditions to Authentication and Delivery of Notes. Following execution and delivery of this Indenture by the Issuer and the Trustee, Notes shall from time to time be executed by the Issuer and delivered to the Trustee for authentication and delivery together with the written order required pursuant to Section 2.5 hereof, and, thereupon, the same shall be authenticated; provided, however, that on or before the authentication and delivery of Notes on the initial Closing Date, and, as a condition to such authentication and delivery, the Trustee, or the Collateral Agent on behalf of the Trustee, shall have received the following:

(i) A List of Loans, certified by an Authorized Officer of the Master Servicer;

(ii) The originals of each Loan Document relating to each Loan;

(iii) If any of the Transaction Documents include an instrument executed by a Hypothecation Borrower or a Consumer, the original instrument endorsed in blank by the Hypothecation Borrower or Consumer, or, if endorsed to the Originator or the Issuer, endorsed in blank by an Authorized Officer of the Originator or the Issuer;

(iv) The originals of all Consumer Financing Document;

(v) If any of the Loan Collateral consists of real estate encumbered by a Mortgage, an original or copy time-stamped by the appropriate recording office of the recorded Mortgage and an original or copy time-stamped by the appropriate recording office of all amendments to such Mortgage;

(vi) A copy of an officially certified document, dated not more than 30 days prior to the Closing Date (and, if available, confirmed on the Business Day prior to the Closing Date by telegram, telephone or other similar means), evidencing the due organization and good standing of the Issuer;

(vii) A certificate of an Authorized Officer of the Issuer dated as of the Closing Date, certifying that (a) the Issuer is not in Default under this Indenture; (b) the issuance of the Notes applied for will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is a party or by which it or its property is bound or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it or its property may be bound or may be subject; (c) the Issuer is the owner of each Loan Granted to the Trustee; the Issuer has not assigned any interest or participation in any such Loan; and the Issuer has full right to Grant each such Loan to the Trustee; (d) the Issuer has Granted to the Trustee all of its right, title, and interest in each Loan Granted to the Trustee; (e) other than liens created under or pursuant to the Indenture, the Trust Estate is free and clear of any pledge, charge or encumbrance thereon or with respect thereto created by or through the Issuer, and all action on the part of the Issuer to that end has been duly and validly taken; (f) after giving effect to the issuance of the Notes, the aggregate outstanding principal amount of the Notes will not exceed the Note Limit; and (g) all conditions precedent provided in this Indenture relating to the issuance, authentication and delivery of the Notes applied for have been complied with;

(viii) An Opinion of Counsel (or Opinions of Counsel) to the Issuer, addressed to the Trustee and the Purchaser and dated as of the date of authentication of the Notes applied for, in the form attached hereto as Exhibit D;

(ix) A fully executed copy of each of the following agreements:

(A) this Indenture;

(B) the Servicing Agreement;

(C) the Agency Agreements;

(D) the Purchase and Sale Agreement; (E) the Deposit Account Assignment; and

(F) the Payment Direction Agreement.

(x) A certificate of an Authorized Officer of the Issuer, dated as of the date of authentication of the Notes applied for, that the Issuer has filed or caused to be filed UCC-1 financing statements in the appropriate recording offices executed by the Issuer, as debtor, and naming the Trustee, as secured party, and the Loans and Loan Collateral as collateral;

(xi) Copies of resolutions of the Board of Directors of the Master Servicer approving the execution, delivery and performance of the Servicing Agreement and the transactions contemplated thereby, certified by the Clerk or an Assistant Clerk of the Master Servicer;

(xii) A copy of an officially certified document, dated not more than 30 days prior to the date of authentication of the Notes applied for (and, if available, confirmed on the Business Day prior to such date by telegram, telephone or other similar means), evidencing the due organization and good standing of the Master Servicer in the state of its organization; and

(xiii) Other. Such other documents as may be reasonably requested by the Trustee or the Purchaser. Notwithstanding the foregoing, for each Loan constituting a Participation Interest, in lieu of the foregoing documents, the Trustee, or the Collateral Agent on behalf of the Trustee, shall have received a copy of the Loan Documents and the original participation certificate endorsed in blank by an Authorized Officer of the Originator.

SECTION 3.2 Additional Document Deliveries; Post Closing Matters

(a) Within 90 days of the Closing Date, the Issuer shall deliver to the Trustee (or the Collateral Agent) with respect to each Mortgage received by a Hypothecation Borrower from a Consumer and collaterally assigned to the Originator, the original or copy time-stamped by the appropriate recording office of such collateral assignment and an original collateral reassignment of such Mortgage (which may be contained in a blanket reassignment) from the Originator to the Issuer and from the Issuer to the Trustee (which may be contained in one instrument), executed in blank and in form suitable for recording by the Trustee (or the Collateral Agent) at any time an Event of Default exists.

(b) On or before any Closing after the Closing Date, as a condition to the authentication and delivery of Notes on the date of such Closing, the Trustee, or the Collateral Agent on behalf of the Trustee, shall have received
(i) the documents specified in Sections 3.1(i) through 3.1(v) above, and (ii) a certificate of an Authorized Officer of the Issuer dated the date of such Closing, certifying as to the matters set forth in Section 3.1 (vii) above.

(c) Within 90 days of the Closing Date, the Issuer shall cause all lock-box or collection accounts in respect of the Loans or the Loan Collateral which on the Closing Date are owned or in the name of the "Master Servicer" to be transferred to an account or accounts in the name of the Trustee. The Trustee shall not have any obligations with respect to any such account, including, without limitation, any obligation to direct investments in such account or to respond to any inquiry with respect to any such account.

ARTICLE 4

COVENANTS OF THE ISSUER

SECTION 4.1 Payment of Principal and Interest. The Issuer will duly and punctually pay the principal of and interest on the Notes in accordance with the terms of the Notes and this Indenture.

SECTION 4.2 Maintenance of Existence.

(a) Except as permitted by Section 4.2(b), the Issuer will keep in full effect its existence, rights and franchises as a corporation under the laws of the State of its organization and the Issuer or any permitted successor hereunder will obtain and preserve its qualification to do business as a foreign corporation in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes, the Servicing Agreement or any of the Loan Documents. The Issuer at all times shall hold itself out as having an existence separate from that of the Master Servicer, and shall keep books and records separate from those of the Master Servicer.

(b) Any Person into which the Issuer hereunder may be merged or with which it may be consolidated on an involuntary basis, or any Person resulting from any such merger or consolidation to which the Issuer hereunder shall be a party, shall be the successor Issuer under this Indenture without the execution or filing of any paper, instrument or further act to be done on the part of the parties hereto, anything herein, or in any agreement relating to such merger or consolidation, by which any such successor Issuer may seek not to retain certain powers, rights and privileges theretofore obtaining for any period of time following such merger or consolidation, to the contrary notwithstanding.

SECTION 4.3 Protection of Trust Estate.

(a) The Issuer will from time to time execute and deliver or cause to be delivered all amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(i) Grant more effectively all or any portion of the Trust Estate;

(ii) maintain or preserve the lien (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of, or protect the validity of any Grant made or to be made by this Indenture;

(iv) preserve and defend title to the Trust Estate and the rights of the Trustee, and of the Noteholders secured thereby, in such Trust Estate against the claims of all Persons and parties; and

(v) pay any and all taxes levied or assessed upon all or any part of the Trust Estate.

(b) The Issuer hereby designates the Trustee its agent and attorney-in-fact to execute, upon the Issuer's failure to do so in a timely manner, any financing statement, continuation statement or other instrument required pursuant to this Section 4.3. Such power of attorney is coupled with an interest and irrevocable, and the Issuer hereby ratifies and confirms all that the Trustee may do by virtue thereof. Such designation shall not be deemed to create a duty in the Trustee to monitor the compliance by the Issuer with the foregoing covenants, and the duty of the Trustee to execute any instrument required pursuant to this Section 4.3 shall arise only if the Trustee has knowledge of the type described in Section 9.1 (e) hereof of any Default by the Issuer in complying with the provisions of this Section 4.3.

SECTION 4.4 Enforcement of Servicing Agreement.

(a) The Noteholders agree that (i) the Issuer and the Trustee are hereby authorized to engage the Master Servicer to service the Loans pursuant to the Servicing Agreement, and (ii) the Trustee shall be entitled to rely on the services of the Master Servicer for purposes of servicing the Loans. Notwithstanding the foregoing, if the Trustee is notified by the Issuer or any of the Noteholders that action is necessary (x) for the enforcement of the Loans and the Loan Collateral, including without limitation, the prompt payment of all principal and interest and all other amounts due thereunder, consistent with the provisions of the Servicing Agreement, or (y) to defend, enforce, preserve and protect the rights and privileges of the Issuer and of the Noteholders under or with respect to the Loans and the related Loan Collateral, or (z) to preserve the Liens of the Loans and the Loan Collateral, the Trustee shall notify the Master Servicer and request that the Master Servicer take such action.

The Issuer will punctually perform and observe all of its obligations and agreements contained in the Servicing Agreement. The Issuer shall cause the Master Servicer to diligently enforce all terms and covenants and to satisfy all conditions of the Servicing Agreement, including, without limitation, the prompt payment of all principal and interest and all other amounts due thereunder. The Issuer at all times shall cause to be defended, enforced, preserved and protected the rights and interests of the Issuer, the Trustee and the Noteholders under or with respect to the Servicing Agreement.

(b) If the Issuer shall have knowledge of the occurrence of an Event of Default under the Servicing Agreement, the Issuer shall promptly notify the Trustee thereof, and shall specify in such notice the action, if any, the Issuer is taking in respect of such Event of Default. If such Event of Default arises from the failure of the Master Servicer to perform any of its duties or obligations under the Servicing Agreement with respect to the Loans securing the Notes, the Issuer may remedy such failure. So long as any such Event of Default under the Servicing Agreement shall be continuing, the Trustee may, and upon the direction of (i) the Purchaser while the Purchaser is a Holder of Notes, or (ii) the Holders of Notes representing not less than 51% of the then aggregate outstanding principal amount of the Notes (other than Notes owned by the Originator or any Affiliate of the Originator), the Trustee shall terminate all of the rights and powers of the Master Servicer under the Servicing Agreement pursuant to Section 6.1 of the Servicing Agreement. Unless directed or permitted by the Trustee or the Holders of Notes representing not less than 51% of the then aggregate outstanding principal amount of the Notes (other than Notes owned by the Originator or any Affiliate of the Originator), the Issuer may not waive any such Event of Default under the Servicing Agreement or terminate the rights and powers of the Master Servicer under the Servicing Agreement.

(c) Upon any termination of the Master Servicer's rights and powers pursuant to Section 5.1 of the Servicing Agreement, all rights, powers, duties, obligations and responsibilities of the Master Servicer with respect to the related Loans shall vest in and be assumed by a Successor Master Servicer appointed by the Issuer with the consent of (i) the Purchaser, while the Purchaser is a Holder of Notes, and (ii) the then Holders of Notes representing not less than 51% of the then aggregate outstanding principal amount of the Notes (provided, that the Holder of any Notes owned by the Originator or any Affiliate of the Originator shall not be entitled to participate in any consent of the proposed Successor Master Servicer as an affiliate of the Originator), and such Successor Master Servicer shall be the successor in all respects to the Master Servicer in its capacity as servicer with respect to such Loans under the Servicing Agreement. No resignation or termination of the Master Servicer under the Servicing Agreement shall be effective until a Successor Master Servicer has been appointed and assumed the duties of the Master Servicer. Upon such appointment, such Successor Master Servicer shall enter into a servicing agreement with the Issuer and the Trustee, such agreement to be substantially similar to the Servicing Agreement. If, within 15 days after the termination or resignation of the Master Servicer, the Issuer shall not have obtained such a new servicer acceptable to the Noteholders as provided above, the Trustee may appoint, or may petition a court of competent jurisdiction to appoint, a successor servicer to service the Loans. In connection with any such appointment, the Trustee may make such arrangements for the compensation of such successor as it and such successor shall agree, and the Issuer shall enter into an agreement with such successor for the servicing of such Loans, such agreement to be in form and substance satisfactory to the Trustee and (i) the Purchaser while the Purchaser is a Holder of Notes and (ii) the then Holders of Notes representing not less than 51% of the then aggregate outstanding principal amount of the Notes. Any such compensation of the successor servicer shall not be in excess of that payable to the Master Servicer under the Servicing Agreement, unless the Master Servicer or some other Person agrees to pay such additional compensation. The Master Servicer agrees that in the event of the termination of the Master Servicer as a result of an Event of Default by the Master Servicer under the Servicing Agreement, the Master Servicer shall pay the Servicing Fee of the successor servicer in the event such successor servicer is paid compensation in excess of that payable to the Master Servicer under the Servicing Agreement to the extent of the difference between a market servicing rate and the rate theretofore payable to the Master Servicer under the Servicing Agreement

(d) If any of the Noteholders or the Issuer notifies the Trustee that action is necessary in order to defend, enforce, preserve or protect the rights and interests of the Issuer and the Noteholders under or with respect to the Servicing Agreement, the Trustee shall notify the Issuer or the Master Servicer, as the case may be, and direct the notified party to diligently enforce all terms and covenants and satisfy all conditions of the Servicing Agreement. The Trustee may, without the consent of any Noteholder, enter into or consent to any amendment or supplement to the Servicing Agreement for the purpose of increasing the obligations or duties of any party other than the Trustee or the Noteholders. Except as provided above in this paragraph, the Trustee shall not consent or agree to or permit any amendment, modification or waiver of the Servicing Agreement without the prior consent thereto of the Holders of 66-2/3% of the aggregate outstanding principal amount of the Notes (without regard to any Notes owned by the Master Servicer or any of its Affiliates). The Trustee may, in its discretion, decline to enter into or consent to any such supplement or amendment if its own rights, duties or immunities shall be adversely affected.

SECTION 4.5 Books of Account. The Issuer covenants that the books of record and account of the Issuer and, pursuant to the provisions of the Servicing Agreement, the Master Servicer shall at all times be subject to the inspection and use of the Trustee and any Holder of Notes and of their respective agents and attorneys.

SECTION 4.6 Performance of Obligations. The Issuer will punctually perform and observe all of its obligations and agreements under the terms of this Indenture and the Notes. The Issuer will not take any action, and will use its best efforts not to permit any action to be taken by others, which would release any Person's covenants or obligations under any instrument included in the Trust Estate, or which would result in the hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument, except as expressly provided in this Indenture.

SECTION 4.7 Negative Covenants. Except as expressly permitted by this Indenture or contemplated by the Servicing Agreement, the Issuer will not:

(a) sell, transfer, exchange or otherwise dispose of any of the Trust Estate;

(b) claim any credit on, make any deduction from the principal or interest payable in respect of the Notes (other than amounts required to be withheld from such payments under the Code or any other applicable state or federal law) or assert any claim against any present or former Noteholder by reason of the payment of any taxes levied or assessed upon any of the Trust Estate;

(c) engage in any business or activity or create, incur, assume or in any manner become liable on any debt other than in connection with, or relating to, the issuance of the Notes pursuant to this Indenture;

(d) amend the certificate of incorporation of the Issuer without the prior written consent of the Purchaser;

(e) dissolve or liquidate in whole or in part;

(f) consolidate with or merge into any other Person or convey, transfer or lease substantially all of its assets as an entirety to any Person unless the Person formed by such consolidation or into which the Issuer has been merged or the Person which acquires substantially all of the assets of the Issuer as an entirety is an organization organized under the laws of a state in the United States, can lawfully perform the obligations of the Issuer hereunder and executes and delivers to the Trustee an agreement, in form and substance reasonably satisfactory to the Trustee, which contains an assumption by such successor entity of the due and punctual performance and observance of each representation, warranty, covenant and obligation to be made, performed or observed by the Issuer under this Indenture;

(g) (i) permit the validity or effectiveness of this Indenture to be impaired or permit the lien of this Indenture with respect to the Trust Estate to be subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations under this Indenture, the Loans or the Loan Collateral, (ii) permit any lien, pledge, charge, adverse claim, security interest, mortgage or other encumbrance (other than liens created under or pursuant to this Indenture) to be created on or extend to or otherwise arise upon or burden the Trust Estate or any part thereof or any interest therein or the proceeds thereof, or (iii) permit the lien of this Indenture not to constitute a perfected security interest in the Trust Estate;

(h) permit any material amendment to the Loan Documents or waive any payment default thereunder;

(i) permit any amendment or modification to the Servicing Agreement; or

(j) permit any amendment or modification to any Consumer Financing Document.

SECTION 4.8 Protection of Security: Power to Issue Notes and Grant Trust Estate; Indenture to Constitute Contract. The Issuer represents, warrants and covenants that:

(a) The Issuer is, and at all times during the term of this Indenture will be, a corporation duly organized and validly existing in good standing under the laws of the State of Delaware; and the Issuer is, and at all times during the term of this Indenture will be, duly qualified to do business as a foreign corporation and in good standing under the laws of each jurisdiction where the character of its property, the nature of its business or the performance of its obligations under this Indenture makes such qualification necessary except where the failure to be so qualified will not have a material adverse effect on the business of the Issuer or its ability to perform its obligations under this Indenture or any other documents or transactions contemplated hereunder or the validity or enforceability of the Loans;

(b) The Issuer holds, and at all times during the term of this Indenture will hold, all material licenses, certificates, franchises and permits from all governmental authorities necessary for the conduct of its business and has received no notice of proceedings relating to the revocation of any such license, certificate, franchise or permit, which singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect its ability to perform its obligations under this Indenture or any other documents or transactions contemplated hereunder or the validity or enforceability of the Loans;

(c) The Issuer has, and at all times during the term of this Indenture will have, all requisite power and authority to own its properties, to conduct

its business, to execute and deliver this Indenture and all documents and transactions contemplated hereunder, to perform all of its obligations under this Indenture and any other documents or transactions contemplated hereunder, to issue the Notes and to Grant the Trust Estate in the manner and to the extent provided herein. The Issuer has all requisite power and authority to acquire, own, sell and convey to the Trustee the Trust Estate;

(d) This Indenture, the Notes and all other documents and instruments required or contemplated hereby to be executed and delivered by the Issuer have been duly authorized, executed and delivered by the Issuer and, assuming the due execution and delivery by the other party or parties hereto and thereto, if any, constitute legal, valid and binding agreements enforceable against the Issuer in accordance with their respective terms subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy, insolvency or reorganization of the Issuer and to general principles of equity;

(e) The execution, delivery and performance by the Issuer of this Indenture, the Notes and any other documents and transactions in connection herewith to which the Issuer is a party do not and will not (i) violate any of the provisions of the organizational documents or by-laws of the Issuer; (ii) violate any provision of any law, governmental rule or regulation currently in effect applicable to the Issuer or its properties or by which the Issuer or its properties may be bound or affected, (iii) violate any judgment, decree, writ, injunction, award, determination or order currently in effect applicable to the Issuer or its properties or by which the Issuer or its properties are bound or affected, (iv) conflict with, or result in a breach of, or constitute a default under, any of the provisions of any indenture, mortgage, deed of trust, contract or other instrument to which the Issuer is a party or by which it is bound or
(v) except for the Grant hereunder, result in the creation or imposition of any lien upon any of its properties pursuant to the terms of any such indenture, mortgage, deed of trust, contract or other instrument;

(f) Except for the filing of financing statements and the recording of assignments contemplated hereby, no consent, approval, order or authorization of, and no filing with or notice to, any court or other governmental authority in respect of the Issuer is required in connection with the authorization, execution, delivery or performance by the Issuer of this Indenture, the Notes or any of the other documents or transactions contemplated hereunder;

(g) The Issuer is not in default under any agreement, contract, instrument or indenture to which the Issuer is a party or by which it or its properties is or are bound, or with respect to any order of any court, administrative agency, arbitrator or governmental body which would have a material adverse effect on the transactions contemplated hereunder; and no event has occurred which with notice or lapse of time or both would constitute such a default with respect to any such agreement, contract, instrument or indenture, or with respect to any such order of any court, administrative agency, arbitrator or governmental body;

(h) There is no pending or, to the best of the Issuer's knowledge, threatened action, suit, proceeding or investigation before any court, administrative agency, arbitrator or governmental body against or affecting the Issuer which, if decided adversely, would materially and adversely affect (i) the condition (financial or otherwise), business or operations of the Issuer, (ii) the ability of the Issuer to perform its obligations under, or the validity or enforceability of, this Indenture or any other documents or transactions contemplated under this Indenture, (iii) any Loan Collateral, (iv) the Master Servicer's ability to service the Loans;

(i) No document, certificate or report furnished or required to be furnished by the Issuer pursuant to this Indenture contains or will contain when furnished any untrue statement of a material fact or fails or will fail to state a material fact necessary in order to make the statements contained therein not misleading;

(j) Other than liens created under or pursuant to this Indenture, the Trust Estate is and will be free and clear of any pledge, charge or encumbrance thereon or with respect thereto created by or through the Issuer, and all action on the part of the Issuer to that end has been duly and validly taken;

(k) The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the Grant of the Trust Estate and all the rights of Noteholders under this Indenture against all claims and demands of all Persons whomsoever claiming by, through or under the Issuer (except claims and demands of the Trustee under or pursuant to this Indenture);

(l) The Issuer shall at all times hold itself out to the public, including creditors of the Originator, and carry out its business and conduct its affairs under the Issuer's own name and as a separate and distinct entity from the Originator or any of its Affiliates;

(m) The Issuer shall at all times be responsible for the payment of all its obligations and indebtedness, shall at all times maintain a business office, records, books of account and funds separate from the Originator and shall observe all customary formalities of independent existence;

(n) The Issuer shall make its books and records and the Note Register available to the Noteholders and the Trustee, at their own expense, for purposes of inspection and copying and shall, at the Issuer's expense, furnish, or cause to be furnished, to the Trustee or any Noteholder, promptly after receipt by the Issuer of a request therefor from the Trustee or such Noteholder in writing, a list of the primary contacts, names and addresses of the Noteholders as of the Record Date immediately preceding such request;

(o) As long as any Note is outstanding, the Issuer shall not issue, incur, assume or guarantee any indebtedness or other obligation except for such indebtedness as may be incurred by the Issuer pursuant to this Indenture and related documents or instruments;

(p) Each of the representations and warranties of the Originator set forth in the Purchase and Sale Agreement are true and correct as of the date when made, and the Issuer hereby makes such representations and warranties to the Trustee for the benefit of the Noteholders; and

(q) The Issuer shall provide to each Noteholder (i) within 60 days of the end of each fiscal quarter the unaudited financial statements of the Issuer as of the end of such fiscal quarter, and (ii) within 135 days of the end of each fiscal year of the Issuer, the unaudited financial statements of the Issuer as of the end of such fiscal year.

SECTION 4.9 Maintenance of Offices or Agency. The Issuer will maintain an office or agency, which may be changed in the discretion of the Issuer, within the United States of America at which Notes may be presented or surrendered for payment, Notes may be surrendered for registration of transfer or exchange and notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer hereby initially appoints the Trustee at its corporate trust office such office or agency. The Issuer will give prompt written notice to the Trustee of the location, and of any change in the location, of any such office or agency. If at any time the Issuer shall fail to maintain any such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the corporate trust office, and the Issuer hereby appoints the Trustee at its corporate trust office its agent to receive all such presentations, surrenders, notices and demands.

SECTION 4.10 Further Assurances. The Issuer will execute and deliver, or cause to be executed and delivered, all such additional instruments and do, or cause to be done, all such additional actions as (i) may be necessary or proper, consistent with the Granting Clause hereof, to carry out the purposes of this Indenture and to make subject to the lien hereof any property intended so to be subject, (ii) may be necessary or proper to transfer to any successor trustee the estate, powers, instruments and funds held in trust hereunder and to confirm the lien of this Indenture with respect to any series of the Notes, or (iii) the Trustee may reasonably request for any of the foregoing purposes. The Issuer hereby authorizes the Trustee to execute and file all such financing statements, continuation statements and other documents as the Trustee may deem necessary or advisable to make or keep effective the lien of this Indenture or any supplemental indenture and the priority thereof. The Trustee shall have no duty to monitor compliance by the Issuer with the foregoing covenants or to determine whether the execution or filing of any financing statements or any other document is necessary or advisable in connection with the foregoing.

ARTICLE 5

ACCOUNTS, DISBURSEMENTS AND RELEASES

SECTION 5.1 Collection of Money. Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance from any fiscal agent or other intermediary, pursuant to the terms hereof, all money and other property payable to or receivable by the Trustee pursuant to this Indenture, including all payments due on the Loans, in accordance with the respective terms and conditions of such Loans and the Loan Collateral. Except as otherwise expressly provided herein, the Trustee shall hold all such money and property received by it as part of the Trust Estate and shall apply it as provided in this Indenture.

SECTION 5.2 Payment Account.

(a) On or prior to the Closing Date, the Trustee shall establish and thereafter maintain a separate trust account under the sole control of the Trustee entitled "The Chase Manhattan Bank, as trustee, in trust for the benefit of the holders of the Litchfield Hypothecation Corp. 1998-A Hypothecation Loan Collateralized Notes--Payment Account." The Trustee shall make withdrawals from the Payment Account only as provided in this Indenture. Monies on deposit in the Payment Account shall be invested in accordance with Section 5.4 hereof.

(b) Not later than the Business Day immediately following receipt thereof, the Trustee shall deposit or cause to be deposited into the Payment Account all monies received by the Trustee in respect of the Loans (including all payments, insurance proceeds, condemnation proceeds, recoveries and Servicer Advances, if any) in immediately available funds;

(c) On each Payment Date, the Trustee, in accordance with the Master Servicer's Certificate, shall withdraw and distribute or cause to be distributed all monies received in the related Collection Period on deposit in the Payment Account (including any Investment Income with respect to such monies on deposit in the Payment Account) in the following order of priority:

(i) To the Trustee, all accrued and unpaid fees and reimbursable expenses due and payable to the Trustee pursuant to Section 9.7 hereof;

(ii) If the Master Servicer is not the Originator or an Affiliate of the Originator, to the Master Servicer by wire transfer of immediately available funds, an amount equal to the Servicing Fee due and payable on such Payment Date plus all Servicer Advances made by the Master Servicer on previous Payment Dates to the extent the Master Servicer has not been reimbursed for such Servicer Advances;

(iii) To the Holders of Notes on the Record Date relating to such Payment Date, interest accrued on the Notes in the related Payment Period;

(iv) Pro rata to the Holders of Notes on the Record Date relating to such Payment Date, the Principal Payment Amount due and payable, if any, with respect to the Notes;

(v) If the Master Servicer is the Originator or an Affiliate of the Originator, to the Master Servicer by wire transfer of immediately available funds, an amount equal to the Servicing Fee due and payable on such Payment Date plus all Servicer Advances made by the Master Servicer on previous Payment Dates to the extent the Master Servicer has not been reimbursed for such Servicer Advances; and

(vi) Provided no Payment Default has occurred and is continuing, to the Issuer, all remaining amounts on deposit in the Payment Account, plus all Investment Income, if any, then held in the Payment Account to the extent not needed to make the distributions required by clauses (i) through (v) of this
Section 5.2(c);

SECTION 5.3 Servicer Advances. If on the date which is two Business Days prior to a Payment Date, amounts on deposit in the Payment Account are insufficient to make the distributions required to be made on such Payment Date pursuant to paragraphs (iii) and (iv) of Section 5.2 hereof, the Master Servicer shall be required to make a deposit in the amount of such shortfall into the Payment Account (each, a "Servicer Advance") on such date; provided, however, that the Master Servicer shall not be obligated to make any Servicer Advance if the Master Servicer determines that the Master Servicer will not be able to ultimately recover the full amount of such Servicer Advance; and, provided, further that at no time shall outstanding unreimbursed Future Advances in respect of any particular Loan exceed $100,000. The Master Servicer shall be entitled to reimbursement for any Servicer Advance as provided in Section 5.2 hereof.

SECTION 5.4 Investment of Funds. Amounts on deposit in the Payment Account shall, if and to the extent then permitted by law, be invested by the Trustee in Eligible Investments, at the written direction of an Authorized Officer of the Issuer. Such investments shall mature on or before the Business Day preceding the Payment Date following the date of such investment. Net income or gain received and collected from such investments shall be credited and losses charged to the Payment Account.

SECTION 5.5 Repayment to the Issuer from the Accounts. After payment in full of the principal of, interest on, and all other amounts due and payable with respect to the Notes (in accordance with Section 7.1 hereof) and the payment of all fees, reimbursable charges and expenses of or other amounts owed to the Issuer, the Trustee, and the Note Registrar and all other amounts required to be paid hereunder, all amounts remaining in the Payment Account shall be paid to the Issuer on its written order.

SECTION 5.6 Reports to the Noteholders. On each Payment Date, the Trustee will furnish to the Issuer and will include with each distribution to the Noteholders the Master Servicer's Certificate delivered pursuant to Section 3.1(a) of the Servicing Agreement.

ARTICLE 6

[RESERVED]

ARTICLE 7

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.1 Events of Default. Each of the events described in clauses (a) through (l) below shall constitute an "Event of Default" with respect to the Notes (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) The Issuer shall fail to make any payment of principal on the Notes within two Business Days of the day the same becomes due and payable; or

(b) The Issuer shall fail to make any payment of interest on the Notes within two Business Days of the day the same becomes due and payable; or

(c) The Issuer shall fail to observe or perform in any material respects any of the covenants of the Issuer under Sections 4.2, 4.3, 4.4, 4.5, 4.6 or 4.9 hereof, which failure has continued for a period of 30 days; or

(d) The Issuer shall fail to observe or perform its covenants under Section 4.7 hereof; or

(e) Any representation or warranty of the Issuer set forth in
Section 4.8 of this Indenture shall prove to be false in any material respect as of the date when made; or

(f) The Issuer makes an assignment for the benefit of creditors or is generally not paying its debts as such debts become due; or

(g) The Issuer petitions or applies to any tribunal for, or consents to, the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official of the Issuer, or of any substantial part of the assets of the Issuer, or commences a voluntary case under the Bankruptcy Law of the United States or any proceedings relating to the Issuer, under the Bankruptcy Law of any other jurisdiction; or

(h) Any such petition or application is filed, or any such proceedings are commenced, against the Issuer and the Issuer by any act indicates its

approval thereof, consent thereto or acquiescence therein, or any order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(i) Any order, judgment or decree is entered in any proceedings against the Issuer decreeing the dissolution of the Issuer and such order, judgment or decree remains unstayed and in effect for more than 60 days; or

(j) A final judgment in an amount in excess of $50,000 is rendered against the Issuer, and within 60 days after entry thereof, such judgment is not discharged or execution thereof stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment is not discharged;

(k) Any assignment by the Issuer to a delegate of its duties or rights hereunder, except as specifically permitted hereunder, or any attempt to make such an assignment; or

(l) Any occurrence or existence of any Event of Default (as defined in the Servicing Agreement) under the Servicing Agreement.

SECTION 7.2 Acceleration of Maturity. (a) Upon the occurrence and continuance of an Event of Default, (i) if such event is an Event of Default specified in clause (h), (i), (j) or (k) of Section 7.1, all of the Notes at the time outstanding shall automatically become immediately due and payable at par together with interest accrued thereon, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Issuer, and (ii) if such event is any other Event of Default, the Trustee may, and, upon the written request of over 25% in aggregate outstanding principal amount of the Notes (by notice in writing to the Issuer and the Trustee), shall declare all of the Notes to be, and all of the Notes shall thereupon be and become, immediately due and payable together with interest accrued thereon, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Issuer.

(b) At any time after a declaration pursuant to Section 7.2(a), but before any judgment or decree for the payment of monies due shall have been obtained or entered, unless the same has been discharged, and before the Notes have matured by their terms, or as otherwise provided herein, if all overdue payments of principal and interest upon such Notes, together with the reasonable and proper charges, expenses and liabilities of the Trustee and the Holders of such Notes and their respective agents and attorneys and all other sums then payable by the Issuer under this Indenture (except the principal of and interest accrued since the next preceding Payment Date on such Notes or due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Issuer or provisions satisfactory to the Holders of 51% of the aggregate outstanding principal amount of the Notes shall be made for such payment, and all Events of Default under such Notes and under this Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) have been cured to the satisfaction of the Holders of 51% of the aggregate outstanding principal amount of the Notes or provision deemed by the Holders of 51% of the aggregate outstanding principal amount of the Notes to be adequate has been made therefor, then and in every such case the Holders of 51% of the aggregate outstanding principal amount of the Notes by written notice to the Issuer and to the Trustee, shall have the right, but not be obligated to, rescind such declaration and annul such Event of Default in its entirety. For purposes of the foregoing sentence, the Holders of 51% of the aggregate outstanding principal amount of the Notes shall be determined without regard to any Notes owned by the Originator or any of its Affiliates. No such rescission and annulment shall extend to or affect any subsequent Event of Default or impair or exhaust any right or power consequent thereon.

SECTION 7.3 Enforcement of Remedies. (a) If an Event of Default shall have occurred and be continuing and the Notes have been declared due and payable and such declaration and its consequences have not been rescinded and annulled, the Trustee may, and upon the written request of the Holders of over 25% in aggregate outstanding principal amount of the Notes shall, proceed to protect and enforce its rights and the rights of the Noteholders under the Notes and this Indenture and take one or more of the following actions without limitation:

(i) proceed to protect and enforce its rights and the rights of the Noteholders by appropriate Proceedings whether by the specific enforcement of any covenant or agreement in this Indenture or in the aid of the exercise of any power granted herein, or to enforce any other property remedy;

(ii) institute Proceedings for the collection of all amounts then payable on the Notes, whether by declaration or otherwise, enforce any judgment obtained, and collect any monies adjudged due;

(iii) in accordance with Section 7.13, sell the Trust Estate or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law;

(iv) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Trust Estate; and

(v) exercise any remedies of a secured party under the Uniform Commercial Code and take any other appropriate action or protect and enforce the rights and remedies of the Trustee or the Noteholders hereunder.

(b) In the enforcement of any right or remedy under the Notes or this Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any Event of Default becoming, and any time remaining, due from the Issuer, for principal and interest, or otherwise, under any of the provisions of the Notes or this Indenture, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Notes, together with any and all costs and expenses of collection and of all Proceedings under the Notes or the Indenture, without prejudice to any other right or remedy of the Trustee or the Noteholders and to recover and enforce judgments or decrees

against the Issuer, but solely as provided in this Indenture and in the Notes for any amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from moneys available therefor to the extent provided in this Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file such proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Noteholders allowed in any judicial proceeding, relative to the Issuer or its creditors or property.

(c) The Trustee may, and if requested in writing by the Holders of over 51% in aggregate outstanding principal amount of the Notes and furnished with reasonable security and indemnity (an unsecured agreement of indemnity of the Purchaser being deemed sufficient for such purpose), shall, institute and maintain such suits and proceedings or take such other acts as it may be advised shall be necessary or expedient to prevent any impairment of the security under this Indenture or under any Loan Collateral by any acts which may be unlawful or in violation of this Indenture or of such Loan Collateral, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Noteholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of this Indenture.

SECTION 7.4 Application of Money Collected Upon Acceleration. If the Notes have been declared due and payable pursuant to Section 7.2 hereof, any moneys collected by the Trustee pursuant to this Article 7 or otherwise held by the Trustee as part of the Trust Estate shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal of and interest on the Notes upon presentation and surrender thereof:

FIRST: To the payment of amounts due the Trustee pursuant to Section 9.7 hereof including amounts payable to the Trustee acting as Master Servicer;

SECOND: To the payment of all the amounts then due and unpaid upon the Notes for:

(a) all interest payable on the Notes through the Acceleration Date;

(b) interest from the first day following the Acceleration Date to the date of payment in full of the aggregate principal amount of the Notes; and

(c) interest on any overdue installments of interest on the Notes from the due date of any such installments to the date of payment but only to the extent that payment of such interest shall be legally enforceable;

such funds to be allocated in proportion to the total amount of interest otherwise payable on the Notes;

THIRD: To the payment of all amounts then due and unpaid upon the Notes for principal ratably, without preference or priority of any kind;

FOURTH: To the payment of all other amounts to the persons entitled thereto in accordance with this Indenture.

SECTION 7.5 Unconditional Rights of Noteholders To Receive Principal and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Note shall have an absolute and unconditional right to receive payment of the principal of and interest on such Note (subject to Section 2.9 hereof) on or after the respective Payment Dates expressed in such Note, and such right shall not be impaired without the consent of such Holder.

SECTION 7.6 Restoration of Rights and Remedies. If the Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Noteholder, then and in every such case the Issuer, the Trustee and the Noteholders shall, subject to any determination in such proceedings, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

SECTION 7.7 Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise; the assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 7.8 Delay or Omission Not Waiver. No delay or omission of the Trustee or any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every such right and remedy given by this Article 7 or by law to the Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Noteholders, as the case may be.

SECTION 7.9 Control by Noteholders Subject to the provisions of Section 7.2, Section 7.3 and Section 7.7, the Holders of at least 51% of the aggregate outstanding principal amount of the Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to the Notes or exercising any trust or power conferred on the Trustee with respect to the Notes; provided that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture;

(b) the Trustee shall have been provided with indemnity reasonably satisfactory to it;

(c) subject to (d) below, any direction to the Trustee to undertake a sale of the Trust Estate or any part thereof shall be by the Holders of Notes representing not less than 66-2/3% of the aggregate outstanding principal amount of the Notes; and

(d) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction; provided, however, that, subject to Section 9.1 hereof, the Trustee need not take any action which it determines might involve it in liability or may be unjustly prejudicial to the Noteholders not consenting.

SECTION 7.10 Waiver of Past Events of Default. Prior to the time a judgment or decree for payment of the money due has been obtained by the Trustee, as provided in this Article VII, the Trustee may waive any past Event of Default with respect to the Notes and its consequences except an Event of Default (a) in the payment of principal of or interest on any of the Notes or
(b) in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Holder of each Note affected. Upon any such waiver, such Event of Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Indenture. In the case of any such waiver, the Issuer, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

SECTION 7.11 Undertaking for Costs. The Issuer and the Trustee agree, and each Noteholder by such Noteholder's acceptance of a Note shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture undertaken by the Trustee at the direction of the Noteholders, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 7.11 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Noteholder, or group of Noteholders, holding in the aggregate at least 51% of the aggregate outstanding principal amount of the Notes, or to any suit instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note, which principal or interest is due and payable.

SECTION 7.12 Issuer Waiver of Stay or Extension Laws; Waiver of Jury Trial
(i) The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

(ii) The Issuer and the Trustee each hereby waives the right to trial by jury in any Proceeding of any kind arising out of or in respect of this Indenture or any Note.

SECTION 7.13 Sale of Trust Estate.

(a) The power to effect any sale of any portion of the Trust Estate pursuant to Section 7.3 hereof shall not be exhausted by any one or more sales as to any portion of the Trust Estate remaining unsold, but shall continue unimpaired until either the entire Trust Estate shall have been sold or all amounts payable on the Notes and under this Indenture shall have been paid pursuant to Section 7.4. The Trustee may from time to time postpone any sale by public announcement made at the time and place of such sale. The Trustee hereby expressly waives its right to any amount fixed by law as compensation for any sale; provided, however, that such waiver does not apply to any amounts to which the Trustee is otherwise entitled under Section 9.7 hereof.

(b) The Trustee may bid for and acquire any portion of the Trust Estate in connection with a public sale or, to the extent permitted by law, a private sale thereof, and in lieu of paying cash to the Issuer therefor, may make settlement for the purchase price by applying to the gross sale price in payment therefor the sum of (i) the amount of unpaid principal of and accrued interest on the Notes, and (2) the expenses of the sale and of any proceedings in connection therewith which are reimbursable to it pursuant to Section 9.7 hereof and other amounts due hereunder and secured by the Trust Estate. The Notes need not be produced to complete any such sale.

(c) The Trustee shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Trust Estate in connection with a sale hereof. In addition, the Trustee is hereby irrevocably appointed an agent and attorney-in-fact of the Issuer to transfer and convey the Issuer's interest in any portion of the Trust Estate in connection with a sale thereof, and to take all action necessary to effect such sale. No purchaser or transferee at such a sale shall have any obligation to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

SECTION 7.14 Action on Notes. The Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy

of any execution under such judgment upon any portion of the Trust Estate or upon any of the assets of the Issuer.

ARTICLE 8

SATISFACTION AND DISCHARGE

SECTION 8.1 Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect except as to (a) rights of registration of transfer and exchange, (d) rights of substitution of new Notes for mutilated, destroyed, lost or stolen Notes, (e) rights of Noteholders to receive payments of principal thereof and interest thereon, (f) the rights, obligations and immunities of the Trustee hereunder, and (g) the rights of Noteholders as beneficiaries hereof with respect to the property so deposited with the Trustee and payable to them, and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) all Notes theretofore authenticated and delivered (other than Notes which have been mutilated, destroyed, stolen and which have been replaced, or paid as provided in Section 2.8 hereof) have been delivered to the Trustee for cancellation; and

(b) the Issuer has delivered to the Trustee an Officer's Certificate stating that there has been compliance with all conditions precedent herein provided for the satisfaction and discharge of this Indenture.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Issuer to the Trustee under Section 9.7 hereof and of the Trustee to the Issuer and the Noteholders, as the case may be, under Section 8.2 hereof and the provisions of Article II hereof with respect to lost, stolen, destroyed or mutilated Notes, registration of transfer and exchange of Notes, and rights to receive payments of principal of or interest on the Notes shall survive.

SECTION 8.2 Application of Trust Money. All moneys deposited with the Trustee pursuant to Article V hereof shall be held in trust by the Trustee, in its trust capacity and not in its commercial capacity, and applied by the Trustee in accordance with the provisions of the Notes and this Indenture, to the payment to the Holders of the Notes, and, if required hereunder, to the Issuer.

SECTION 8.3 Release of Trust Estate.

(a) Subject to the payment of its fees and expenses pursuant to Section 9.7 hereof and only when and to the extent required by the provisions of this Indenture, the Trustee (or any Collateral Agent on its behalf) shall execute instruments to release property from the lien of this Indenture, or convey the Trustee's interest in the same, in a manner and under circumstances which are not inconsistent with the provisions of this Indenture. No party relying upon an instrument executed by the Trustee as provided in this Article VIII shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(b) The Trustee shall, at such time as there are no Notes outstanding and all sums due the Trustee pursuant to Section 9.7 hereof have been paid, release the Trust Estate from the lien of this Indenture.

(c) Upon receipt of an Officer's Certificate of the Master Servicer substantially in the form of Exhibit E stating either (i) that all payments of principal and interest have been made upon any Loan held by the Trustee, or the Collateral Agent on behalf of the Trustee, hereunder and deposited into the Payment Account or (ii) that the Trustee has received an amount sufficient to prepay a principal amount of the Notes equal to the outstanding principal amount of a Loan in accordance with Section 2.9(c)(ii)(B)(iv) hereof, the Trustee, or the Collateral Agent on behalf of the Trustee, shall promptly release, reassign without representation or recourse and deliver the Loan Documents with respect to such Loan to the Issuer.

ARTICLE 9

THE TRUSTEE

SECTION 9.1 Certain Duties and Responsibilities

(a) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties and no others; the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, including investment instructions received pursuant to Section 5.4 hereof, as to the truth of the statements and the correctness of the opinions expressed therein; but in the case of any such certificates or opinions which by any provision of this Indenture are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform as to form to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture, including, without limitation, Section 9.7, shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(iii) this subsection shall not be construed to limit the effect of subsection (a) of this Section 9.1;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by an Authorized Officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be personally liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction received by the Trustee in accordance with the terms of this Indenture from the Holders of at least 51% (or such other percentage as may be required by the terms hereof) of the then aggregate outstanding principal amount of the Notes relating to the time, method and place of conducting any Proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct of, affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

(e) For all purposes under this Indenture, the Trustee shall not be deemed to have notice of any Default or Event of Default (other than an Event of Default described in Sections 7.1(a) or (b) hereof) or a Default or Event of Default under any document included in the Trust Estate, unless an Authorized Officer of the Trustee has actual knowledge thereof or unless the Trustee has received written notice thereof at the Trust Office and such notice references the Notes generally, the Issuer, the Trust Estate or this Indenture. For purposes of determining the Trustee's responsibility and liability hereunder, whenever reference is made in this Indenture to a Default or an Event of Default, such reference shall be construed to refer only to the Default or the Event of Default of which the Trustee is deemed to have notice pursuant to this Section 9.1(e).

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it, the Trustee having the right to require an indemnity pursuant to subparagraph (g) below.

(g) The Trustee shall not be under any obligation to institute any suit, or to take any remedial Proceeding under this Indenture, or to enter any appearance in or in any way defend any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created, the performance of any of its duties hereunder or in the enforcement of any rights and powers hereunder until it shall be indemnified to its reasonable satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements and against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct, in connection with any action so taken.

(h) Notwithstanding any extinguishment of all right, title and interest of the Issuer in and to the Trust Estate following an Event of Default and a consequent declaration of acceleration of the maturity of the Notes, whether such extinguishment occurs through a sale of the Trust Estate to another person, the acquisition of the Trust Estate by the Trustee or otherwise, the rights, powers and duties of the Trustee with respect to the Trust Estate (or the proceeds thereof) and the Noteholders and the rights of the Noteholders shall continue to be governed by the terms of this Indenture.

(i) The Trustee shall keep and maintain proper books of record and accounts relating to the Notes in which full, true and correct entries will be made of all dealings or transactions of the Trustee in relation to the Notes, the Accounts and the Issuer. The Trustee shall keep such books of record and accounts available for inspection by the Issuer or by any Holder of Notes during reasonable business hours and under reasonable circumstances. For purposes of preparing such books and records, the Trustee is authorized to retain outside accountants at the expense of the Issuer.

SECTION 9.2 Notice of Events of Default. Promptly after the Trustee shall have notice of the occurrence of any Default or Event of Default, the Trustee shall transmit by mail to all Holders and the Issuer notice of such Event of Default known to the Trustee.

SECTION 9.3 Certain Rights of the Trustee. Except as otherwise expressly provided in Section 9.1 hereof:

(a) in the absence of bad faith or negligence the Trustee conclusively may rely on and shall be protected in acting or refraining from acting when doing so, in each case in accordance with any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by the Trustee to be genuine and to have been signed or presented by the proper party or parties, and the Trustee need not investigate any facts stated therein;

(b) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking,

suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(c) before the Trustee acts or refrains from acting, it may require an Officer's Certificate or Opinion of Counsel, or both, and the Trustee shall not be liable for any action it takes, suffers or omits in reliance on either thereof; the Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of the legality of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon;

(d) the Trustee shall not be under any obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Noteholders pursuant to this Indenture, unless such Noteholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(e) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Trustee in its discretion may make such further inquiry or investigation into such facts or matters as it may see fit, and if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled, on reasonable prior notice to the Issuer, to examine the books, records and premises of the Issuer, personally or by agent or attorney, during the Issuer's normal business hours; provided that the Trustee shall and shall cause its agents to hold in confidence all such information except to the extent disclosure may be required by law and except to the extent that the Trustee, in its sole judgment, may determine that such disclosure is consistent with its obligations hereunder;

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(g) the Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within the rights or powers conferred upon it by this Indenture;

(h) to the extent a Person other than the Trustee is appointed by the Issuer to act as Note Registrar, such Person shall be an agent of the Issuer, and the Trustee shall not be liable or responsible by reason of any act or omission of any such Person; and

(i) the Trustee shall not be responsible for recalculating, recomputing, or verifying any information provided to it by the Master Servicer of and Sub-Servicer.

SECTION 9.4 Not Responsible for Recitals or Issuance of Notes. The recitals contained herein and in the Notes, except any such recitals relating to the Trustee, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee shall not be responsible for and makes no representation as to the validity or sufficiency of this Indenture, the Notes or the Trust Estate. The Trustee shall not be accountable for the Issuer's issue of the Notes or application of the proceeds thereof or for any money paid to the Issuer or upon the Issuer's direction under any of the provisions of this Indenture. The Trustee is not responsible for the use or application of any moneys by any agent other than the Trustee, including, without limitation, the Master Servicer. The Trustee shall not be responsible for any statement in the Notes or in any other document prepared, executed or delivered in connection with the sale and issuance of the Notes or the execution and delivery of this Indenture except its certificate of authentication.

SECTION 9.5 May Hold Notes. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer with the same rights it would have if it were not Trustee.

SECTION 9.6 Money Held in Trust. Money held by the Trustee in trust hereunder will be held
by the Trustee in its trust capacity and not in its commercial capacity, in a segregated account in accordance with the Indenture. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Issuer and except to the extent of income or other gain on Eligible Investments which are obligations of the Trustee (excluding obligations of Affiliates of the Trustee) and income or other gain actually received by the Trustee on Eligible Investments which are obligations of a third party.

SECTION 9.7 Compensation and Reimbursement

(a) The Issuer agrees:

(1) subject to any separate written agreement with the Trustee, to pay the Trustee from time to time reasonable compensation for all services rendered by it or any of its agents, including, without limitation, the Collateral Agent (each, the "Trustee" for the purposes of this Section 9.7 (a)) hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture; and

(3) to indemnify the Trustee for, and to hold the Trustee harmless against, any loss, liability or expense incurred without negligence or bad faith

on its part, arising out of or in connection with the acceptance or administration of this trust (other than taxes, penalties or other liabilities arising in connection with the Trustee's failure to withhold from payments with respect to the Notes amounts required to be withheld under the Code, or the Trustee's withholding from such payments amounts not required or permitted to be withheld under the Code), including the reasonable costs and expenses, including reasonable attorneys' fees, of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder; provided that:

(i) with respect to any such claim, the Trustee shall have given the Issuer written notice thereof promptly after the Trustee shall have knowledge thereof, provided, however, that the failure of the Trustee to so notify the Issuer shall not relieve the Issuer of its obligations pursuant to this subparagraph;

(ii) the Issuer shall assume the defense of any such claim, provided that if the Issuer shall not have employed counsel reasonably satisfactory to the Trustee to direct the defense of such claim within a reasonable time after such notice of the claim pursuant to paragraph (i) above, the Trustee shall have the right to direct the defense of such claim;

(iii) the Trustee shall have the right to employ separate counsel with respect to any claim and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Trustee unless the payment of such counsel has been specifically authorized by the Issuer; provided further, however, that if the Trustee shall assume the defense of any claim as a result of the Issuer's failure to assume the defense of such claim as described in paragraph (ii) above, the Issuer shall pay the reasonable fees and expenses of Trustee's counsel in connection with the defense of such claim; and

(iv) notwithstanding anything to the contrary in this
Section 9.7(a)(3), the Issuer shall not be liable for settlement of any such claim by the Trustee entered into without the prior consent of the Issuer.

Nothing in this Section 9.7 shall be construed to limit the exercise by the Trustee of any right or remedy permitted under this Indenture or otherwise in the event of the Issuer's failure to pay any sums due the Trustee pursuant to this Section 9.7.

(b) The provisions of this Section 9.7 shall govern all other provisions of this Indenture regarding the payment of the fees and expenses of the Trustee.

(c) To secure the Issuer's payment obligations under this Section 9.7, the Trustee shall have a lien prior to the Noteholders on the Trust Estate, except with respect to such moneys as are held in trust to pay principal of and interest on particular Notes. Such lien shall survive the satisfaction and discharge of this Indenture.

(d) The payment obligations of the Issuer under this Section 9.7 shall survive the satisfaction and discharge of this Indenture.

SECTION 9.8 Trustee Eligibility. The Trustee shall be a corporation or national banking association or trust company organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by any federal or state banking authority (except as provided in Section 9.9 hereof). If such Trustee publishes reports of condition annually, or more frequently, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 9.8, the combined capital and surplus of such corporation shall be deemed to be the respective amount set forth in its most recently published report of condition. The Trustee shall provide copies of such reports to the Issuer or any Noteholder upon request at the requesting party's expense. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 9.8, it shall resign immediately in the manner and with the effect hereinafter specified in this Article IX.

SECTION 9.9 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor trustee pursuant to this Article IX shall become effective until the acceptance of appointment by the successor trustee under Section 9.10 hereof. Any successor Trustee appointed hereunder is subject to the approval of the Holders of at least 51% of the aggregate outstanding principal amount of the Notes, which approval, in neither case, shall be unreasonably withheld or delayed.

(b) The Trustee or any trustee hereafter appointed may resign at any time by giving written notice of resignation to the Issuer, and by mailing notice of resignation by first-class mail, postage prepaid, to all of the Noteholders, at their addresses appearing on the Note Register. Upon receiving notice of resignation of the Trustee, the Issuer shall promptly appoint a successor trustee, by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee or trustees. The Trustee shall serve as trustee hereunder until a successor trustee shall have been appointed and shall have accepted such appointment; provided, however, that if no successor trustee shall have been appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee may, or any Noteholder who has been a bona fide Holder for at least six months may on behalf of himself or herself and all others similarly situated, petition any such court of competent jurisdiction for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(c) If at any time:

(1) the Trustee shall cease to be eligible under Section 9.8 hereof and shall fail to resign, after written request therefor by the Issuer or by any Noteholder who has been a bona fide Holder for at least six months; or

(2) (A) the Trustee shall become incapable of acting, (B) a court having jurisdiction in the premises in respect of the Trustee in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, shall have entered a decree or order granting relief or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) for the Trustee or for any substantial part of the Trustee's property, or ordering the winding-up or liquidation of the Trustee's affairs, provided any such decree or order shall have continued unstayed and in effect for a period of 60 consecutive days or (C) the Trustee commences a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or consents to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for the Trustee or for any substantial part of the Trustee's property, or makes any assignment for the benefit of creditors or fails generally to pay its debts as such debts become due or takes any corporate action in furtherance of any of the foregoing; then, in any such case the Issuer hereby agrees with the Noteholders that it shall remove the Trustee by written request and appoint a successor trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or any Noteholder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and for the appointment of a successor trustee. Such court may hereupon, after such notice, if any, as it may prescribe, remove the Trustee and appoint a successor trustee.

(d) The Trustee may also be removed at any time by act of the Holders of at least 51% of the aggregate outstanding principal amount of the Notes.

(e) The Issuer shall give notice of the resignation or removal of the Trustee by mailing notice of such event by first-class mail, postage prepaid, to the Holders of the Notes as their names and addresses appear in the Note Register. Each notice shall include the name of the successor trustee and the address of its trust division or department. The notice required by this paragraph (e) may be given at the same time as the notice required by Section 9.10.

SECTION 9.10 Acceptance of Appointment by Successor. Every successor trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and its predecessor trustee an instrument accepting such appointment hereunder. Upon the delivery and execution of the required instruments, the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, need or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor hereunder. Notwithstanding the foregoing, on request of the Issuer or the successor trustee, such predecessor trustee shall, upon payment of its then unpaid charges due and payable under Section 9.7 hereof, execute and deliver an instrument transferring to such successor trustee all of the rights, powers and trusts of the predecessor trustee and shall duly assign, transfer and deliver to such successor trustee all property and money held by such predecessor trustee hereunder. Upon request of any such successor trustee, the Issuer shall execute any and all instruments providing for more full and certain vesting in and confirming to such successor trustee all such rights, powers and trusts of this Indenture.

Upon acceptance of appointment by a successor trustee as provided in this
Section 9.10, the Issuer shall mail notice thereof by first-class mail, postage prepaid, to the Holders at the Holders' addresses appearing upon the Note Register. If the Issuer fails to mail such notice within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Issuer.

Any successor trustee must, at the time of such successor's acceptance of its appointment, meet the eligibility requirements set forth in this Article IX, and otherwise exercise the rights, remedies, powers and authority of the predecessor trustee with respect to the Trust Estate.

Notwithstanding the replacement of the Trustee or any successor trustee pursuant to the provisions of this Indenture, the Issuer's obligations set forth in Section 9.7 hereof shall survive such replacement and continue for the benefit of the resigning or replaced trustee.

SECTION 9.11 Merger, Conversion, Consolidation or Succession to Business of Trustee. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided such corporation shall be otherwise qualified and eligible under this Article IX. In case any Notes have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may deliver the Notes so authenticated with the same effect as if such successor trustee had itself authenticated such Notes.

SECTION 9.12 Co-trustees and Separate Trustees. The Trustee shall have power, with the consent of the Holders of Notes representing at least 51% of the then aggregate outstanding principal amount of the Notes, to appoint, one or more Persons approved by the Issuer either to act as Collateral Agent or co-trustee of all or any part of the Trust Estate, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. The Issuer hereby directs the Trustee to appoint BankBoston as the initial Collateral Agent pursuant to the Collateral Agent Agreement. If the Issuer does not approve such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default has occurred and is continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument from the Issuer be required by any Collateral Agent, co-trustee or separate trustee so appointed for more fully

confirming to such Collateral Agent, co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Issuer.

Every Collateral Agent, co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

1. The Notes shall be authenticated and delivered and all rights, powers, duties and obligations hereunder in respect of the custody of securities or cash held by or required to be deposited with the Trustee in an Account hereunder, shall be exercised, solely by the Trustee.

2. The rights, powers, duties and obligations hereby conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such Collateral Agent, co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such Collateral Agent, co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such Collateral Agent, co-trustee or separate trustee.

3. The Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Issuer, may accept the resignation of or remove any Collateral Agent, co-trustee or separate trustee appointed under this Section 9.12, and, in case an Event of Default has occurred and is continuing, the Trustee shall have power to accept the resignation of, or remove, any such Collateral Agent, co-trustee or separate trustee without the concurrence of the Issuer. Upon the written request of the Trustee, the Issuer shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any Collateral Agent, co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section 9.12.

(1) No Collateral Agent, co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee hereunder.

(2) Any act of Noteholders delivered to the Trustee shall be deemed to have been delivered to each such Collateral Agent, co-trustee and separate trustee.

ARTICLE 10

AMENDMENTS

SECTION 10.1 Amendments Without Consent of Noteholders. Without the consent of, or notice to, the Holders of any Notes, the Issuer and the Trustee, may amend this Indenture at any time and from time to time for any of the following purposes:

(a) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property; or

(b) to evidence the succession, in compliance with the provisions of
Section 4.2(b) hereof, of another person to the Issuer, and the assumption by any such successor of the covenants of the Issuer contained herein and in the Notes; or

(c) to add to the covenants of the Issuer or the Trustee, for the benefit of the Noteholders, or to surrender any right or power herein conferred upon the Issuer; or

(d) to convey, transfer, assign, mortgage or pledge any property to the Trustee to constitute additional Trust Estate; or

(e) to cure any ambiguity, correct or supplement any provision herein which may be defective or inconsistent with any other provisions herein or amend any other provisions with respect to matters or questions arising under this Indenture, provided that such action shall not adversely affect the interests of the Holders; or

(f) to evidence and provide for the acceptance of appointment hereunder by a successor trustee or note registrar, pursuant to the requirements of Sections 9.9 or 9.10 hereof.

The Trustee is hereby authorized to join in the execution of any such amendment and to make any further appropriate agreements and stipulations which may be therein contained or required.

SECTION 10.2 Amendments With Consent of Noteholders . With the consent of the Holders of at least 66-2/3% of the aggregate outstanding principal amount of the Notes delivered to the Issuer and the Trustee, the Issuer, pursuant to a written request, and the Trustee may amend this Indenture for the purpose of adding to, changing or eliminating any of the provisions of this Indenture or of modifying the rights of Holders under this Indenture; provided, however, that no such amendment shall, without the consent of the Holder of each outstanding Note:

(1) change the maturity of the principal of, or any installment of principal of or interest on, any Note, or reduce the principal amount thereof, the interest rate thereon, or change the provisions of this Indenture relating to the application of the Trust Estate to payment of principal of Notes, or change any place of payment where, or the coin or currency in which, the principal of or the interest of any Note is payable, or impair the right to institute Proceedings for the enforcement of the provisions of the Indenture requiring the application of funds available therefor, as provided in Article VII, to the payment of any amount due on the Notes on or after the maturity thereof; or

(2) reduce the percentage of the aggregate outstanding principal amount of the Notes, the consent of the Holders of which is required for any amendment, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture; or modify or alter the provisions of the proviso to the definition of the term "outstanding"; or

(3) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of a Trust Estate or terminate the lien of this Indenture on any property at any time subject hereto or deprive any Holder of the security afforded by the lien of this Indenture except as expressly otherwise permitted hereby; or

(4) reduce the percentage of the aggregate outstanding principal amount of the Notes, the consent of the Holders of which is required to direct the Trustee to sell the Trust Estate pursuant to Section 7.13 hereof; or

(5) modify any of the provisions of this Section 10.2, except to increase any percentage specified herein or to provide that certain additional provisions of this Indenture cannot be modified or waived without the consent of each Holder of an outstanding Note affected thereby; or

(6) modify any of the provisions of this Indenture in such a manner as to affect the calculation of the amount of any payment of interest or Principal Payment Amount due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation).

Promptly after the execution by the Issuer and the Trustee of any amendment pursuant to this Section, the Trustee shall mail to the Holders a notice setting forth in general terms the substance of such amendment. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

SECTION 10.3 Effect of Amendment. Upon the execution of any amendment of this Indenture pursuant to the provisions hereof, this Indenture shall be, and be deemed to be, modified and amended in accordance therewith with respect to each Note and the respective rights, limitations, obligations, duties, liabilities and immunities under this Indenture of the Trustee, the Issuer and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such amendment shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 10.4 Reference in Notes to Amendments. Notes authenticated and delivered after the execution of any amendment of this Indenture pursuant to this Article X may, and, if required by the Issuer shall, bear a notation in form approved by the Trustee as to any matter provided for in such amendment. If the Issuer shall so require, new Notes so modified as to conform, in the opinion of the Trustee and the Issuer, to any such amendment may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for outstanding Notes.

ARTICLE 11

MISCELLANEOUS

SECTION 11.1 Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents. Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Any certificate or opinion may be based, insofar as it relates to legal matters, upon an opinion of, or representations by, counsel, unless the Issuer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any Officer's Certificate or Opinion of Counsel may be based, without independent investigation, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by the Trustee or other appropriate Person, stating that the information with respect to such factual matters is in the possession of the Issuer, the Trustee or other appropriate Person, as the case may be, unless such Person knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous. Any opinion of counsel may be based upon such assumptions as shall be deemed appropriate by counsel rendering such Opinion of Counsel.

In connection with any application, certificate or report to the Trustee, whenever this Indenture provides that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any terms hereof, it is intended that the truth and accuracy of the facts and opinions stated in such document, at the time of the granting of such application or at the effective date

of such certificate or report (as the case may be), shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article IX hereof or to impose a duty on the Trustee to ascertain such truth or inaccuracy.

Whenever this Indenture provides that the absence of the occurrence and continuation of a Default or Event of Default as a condition precedent to the taking of any action by the Trustee at the request or direction of the Issuer, then, notwithstanding that the satisfaction of such condition is a condition precedent to the Issuer's right to make such request or direction, the Trustee shall be protected in acting in accordance with such request or direction if it does not have knowledge of the occurrence and continuance of such Default or Event of Default as provided in Section 9.1(e) hereof.

SECTION 11.2 Notices, etc., to Parties. All notices, requests or other communications desired or required to be given under this Indenture shall be in writing and shall be sent by (a) certified or registered mail, return receipt requested, postage prepaid, (b) national prepaid overnight delivery service, (c) telecopy or other facsimile transmission (following with hard copies to be sent by national prepaid overnight delivery service) or (d) personal delivery with receipt acknowledged in writing, as follows:

(a) If to the Trustee:

The Chase Manhattan Bank 450 West 33rd Street
New York, New York 10001 Attention: Global Trust Services, Structured Finance Services

(b) If to the Issuer:

Litchfield Hypothecation Corp. 1998-A c/o Litchfield Financial Corporation 430 Main Street
Williamstown, MA 01267
Attention: President

with a copy of any letter, notice, communication or direction hereunder to the Originator at the address set forth below.

(c) If to the Purchaser:

BankBoston, N.A.

15 Westminster Street
Providence, Rhode Island 02903

Attention: Mr. Thomas Morris

(d) If to the Originator or the Master Servicer:

Litchfield Financial Corporation 430 Main Street
Williamstown, MA 01267
Attention: President

(e) Notices required under this Indenture to be sent to the Noteholders shall in addition be sent to the Issuer. All notices shall be deemed given when actually received or refused by the party to whom the same is directed (except to the extent sent by certified or registered mail, return receipt requested, postage prepaid, in which event such notice shall be deemed given three days after the date of mailing). Each party may designate a change of address or supplemental addressee(s) by notice to the other parties, given at least 15 days before such change of address is to become effective. Any notice received from any Noteholder by any party listed in this Section 11.2 shall be promptly transmitted by such party to all other parties listed in this Section 11.2.

SECTION 11.3 Notices and Information to Noteholders; Waiver. Upon the request of any Noteholder holding 51% or more of the aggregate outstanding principal amount of all Notes, the Trustee shall deliver promptly to such Noteholder such information with respect to the Loan Collateral as such Noteholder shall request.

Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid, to each Noteholder affected by such event, at its address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice which is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice,

either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 11.4 Effect of Headings and Table of Contents. The Article and
Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 11.5 Successors and Assigns. All covenants and agreements in this Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

. SECTION 11.6 Severability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 11.7 Legal Holidays. If any Payment Date or other date for the payment of principal of or interest on any Note is proposed to be paid, or any date on which mailing of notices by the Trustee to any Person is required pursuant to any provision of this Indenture, shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment or mailing of such notice need not be made on such date, but may be made or mailed on the next succeeding Business Day with the same force and effect, and in the case of payments, but no interest shall accrue for the period from and after the date on which such payment was due to the next succeeding Business Day when paid.

SECTION 11.8 Governing Law. This Indenture, each indenture supplemental hereto and each Note shall be construed in accordance with and governed by the laws of the State of New York, without regard to the conflict-of-law provisions thereof.

SECTION 11.9 Counterparts. This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 11.10 Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording office, such recording is to be effected by the Issuer at its expense.

SECTION 11.11 Limited Obligations. No recourse for obligations hereunder or any other obligation running directly for the benefit of the Trustee may be taken, directly or indirectly, against (i) any holder of a beneficial interest in the Issuer, (ii) any partner, beneficiary, agent, officer, director, employee, or successor or assign of a holder of a beneficial interest in the Issuer, or (iii) any incorporator, subscriber to the capital stock, stockholder, officer, director or employee of the Trustee with respect to the predecessor or successor of the Trustee with respect to the Issuer's obligations with respect to the Notes or the obligation of the Issuer or the Trustee under this Indenture or any certificate or other writing delivered in connection herewith or therewith.

SECTION 11.12 Inspection. The Issuer agrees that, on reasonable prior notice, during the Issuer's normal business hours it will permit any representative of the Trustee or any Noteholder to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited by independent accountants selected by the Issuer with the consent of (i) the Purchaser, so long as it owns any Notes, and (ii) the Holders of not less than 51% of the aggregate outstanding principal amount of the Notes; and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees and independent accountants all at such reasonable times and as often as may be reasonably requested; provided that the Issuer shall be entitled to have its representatives present at any such discussion. The Trustee and the Purchaser shall hold, and shall cause their respective representatives to hold, in confidence all such information except to the extent disclosure may be required by law and except to the extent that the Trustee or the Purchaser, in its respective sole judgment, may determine that such disclosure is consistent with its obligations hereunder. Any expenses incident to the exercise by the Trustee or a Noteholder of any right under this Section 11.12 shall be borne by the Issuer.

SECTION 11.13 Usury. The amount of interest payable or paid on any Note under the terms of this Indenture shall be limited to any amount which shall not exceed the maximum nonusurious rate of interest permitted by the applicable laws of the State of New York (or the laws of any other jurisdiction determined to be applicable laws of the United States permitting a higher maximum nonusurious rate that preempts such applicable New York (or other) laws, which could lawfully be contracted for, charged or received (the "Highest Lawful Rate")). In the event any payment of interest on any Note exceeds the Highest Lawful Rate, the Issuer stipulates that such excess amount will be deemed to have been paid as a result of an error on the part of both the Trustee, acting on behalf of the Holder, and the Issuer, and the Holder receiving such excess payment shall promptly, upon discovery of such error or upon notice thereof from the Issuer or the Trustee, refund the amount of such excess or, at the option of the Trustee, apply the excess to the payment of principal of such Note, if any, remaining unpaid. In addition, all sums paid or agreed to be paid for the use, forbearance or detention of money shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such Notes.

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture to be duly
executed by their duly authorized officers all as of the day and year first above written.

THE CHASE MANHATTAN BANK,

as Trustee

By: /s/ Cynthia Kerpen
Title: Assistant vice President

Title: _____

LITCHFIELD HYPOTHECATION CORP. 1998-A

By: /s/ Heather A. Sica
Title: Executive Vice President

Exhibit 10.173 SERVICING AGREEMENT, dated as of June 1, 1998 (the "Agreement"), by and among LITCHFIELD HYPOTHECATION CORP. 1998-A, a corporation organized and existing under the laws of the State of Delaware (herein, together with its successors and assigns, called the "Issuer"), LITCHFIELD FINANCIAL CORPORATION, a corporation organized and existing under the laws of the Commonwealth of Massachusetts (herein, together with its successors and assigns, called the "Master Servicer"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as trustee (the "Trustee").

PRELIMINARY STATEMENT

WHEREAS, the Issuer has entered into an Indenture of Trust (the "Indenture") dated as of the date of this Agreement with the Trustee, as trustee, pursuant to which the Issuer shall issue its Hypothecation Loan Collateralized Notes (collectively, the "Notes"), on the terms and in the amounts described therein. Pursuant to the Indenture, as security for the indebtedness represented by the Notes, the Issuer is and will be Granting to the Trustee on behalf of the Noteholders, the Trust Estate, which includes, among other things, the Loans and the Loan Collateral, its rights under this Agreement, the Payment Account and all proceeds of the foregoing.

WHEREAS, the parties desire to enter into this Agreement to provide, among other things, for the servicing of the Loans and Loan Collateral by the Master Servicer. The Master Servicer acknowledges that, in order to further secure the Notes, the Issuer is and will be Granting to the Trustee, among other things, this Agreement, and the Master Servicer agrees that all covenants and agreements made by the Master Servicer herein with respect to the Loans securing the Notes shall also be for the benefit and security of the Trustee and the Noteholders. For its services hereunder, the Master Servicer will receive the Servicing Fee.

NOW THEREFORE, in consideration of the premises and the mutual agreements hereinafter set forth, the Issuer, the Servicer and the Trustee agree as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.1. Defined Terms.

(a) For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Appendix A hereto which is incorporated by reference herein. All other capitalized terms used herein shall have the meanings specified herein.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained in this Agreement or in any such certificate or other document shall control.

(d) The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section and Exhibit references contained in this Agreement are references to Sections and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation".

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

(f) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or

instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

ARTICLE 2

ADMINISTRATION AND SERVICING OF LOANS

SECTION 2.1. The Master Servicer to Act as the Servicer.

(a) Engagement of the Master Servicer. The Master Servicer is hereby authorized to and shall service and administer the Loans and Loan Collateral in accordance with the terms of this Agreement. Subject to the provisions herein, including, without limitation, Sections 2.6 hereof and subject to the Master Servicer's obligations and the covenants of the Issuer under the Indenture, the Master Servicer shall have full power and authority, acting alone and subject only to the specific requirements and prohibitions of this Agreement, to do and take any and all actions, or to refrain from taking any such actions and to do any and all things in connection with such servicing and administration which it may deem necessary or desirable, including, without limitation, calculating and compiling information required in connection with any report to be delivered pursuant to this Agreement. Without limiting the generality of the foregoing, but subject to the provisions of the Indenture and this Agreement, the Master Servicer is hereby authorized and empowered by the Issuer to execute and deliver, in the Master Servicer's own name, on behalf of the Issuer and Trustee, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Loans and the Loan Collateral, including, without limitation, consenting to sales, transfers or encumbrances of the Loan Collateral or assignments and assumptions of the Loans, all in accordance with the terms of the Loans and the Loan Collateral. The Master Servicer agrees that (i) its servicing of the Loans and Loan Collateral shall be carried out in accordance with prudent, customary and usual procedures of financial institutions which service loans and collateral similar to the Loans and Loan Collateral and, (ii) to the extent more exacting, the procedures which the Master Servicer would use if the Loans were owned by the Master Servicer (the "Servicing Standard").

(b) List of the Master Servicer's Officers. Promptly after the execution and delivery of this Agreement, the Master Servicer shall deliver to the Issuer and the Trustee a list of officers of the Master Servicer involved in, or responsible for, the administration and servicing of the Loans and the Loan Collateral, which list shall from time to time be updated by the Master Servicer on request of the Trustee.

(c) Actions to Perfect Security Interests. The Master Servicer shall promptly take all actions that are necessary or desirable to maintain continuous perfection and priority of the security interests granted by the Hypothecation Borrowers in the Loan Collateral subject to the terms of the Indenture and this Agreement, including, but not limited to, obtaining the execution by the Hypothecation Borrowers and Consumers and the recording, registering, filing, re-recording, re-registering and refiling of all mortgages, assignments, security agreements, financing statements, continuation statements or other instruments as are necessary to maintain the security interests granted by the Hypothecation Borrowers under the respective Loans. Without limiting the foregoing, the Master Servicer shall file or cause to be filed the financing statements on Form UCC-1 and assignments of financing statements on Form UCC-3 required to be filed in connection with the Purchase and Sale Agreement and the Indenture relating to the Loans and the transactions contemplated thereby.

(d) Servicer Advances. The Master Servicer hereby agrees to make Servicer Advances at the times and in the amounts specified in Section 5.3 of the Indenture. The obligation of the Master Servicer shall be subject to the provisions of said Section 5.3 of the Indenture.

(e) Limitation on the Master Servicer's Obligations. Notwithstanding anything to the contrary herein, other than Section 4.3(e) hereof, the Master Servicer may but shall not be obligated to incur any cost or expense (whether for maintaining insurance, protecting or maintaining collateral, or otherwise) if the Master Servicer, in its reasonable discretion, determines that such advances may not be recovered from the Hypothecation Borrowers.

SECTION 2.2. Collection of Loan Payments and Remittances; Protection of Loan Collateral; Payment Account.

(a) Collection of Payments; Protection of Loan Collateral. The Master Servicer shall perform (or shall cause a Sub-Servicer to perform) the following servicing, collection supervision and collateral protection activities:

(1) perform standard accounting services and general recordkeeping services with respect to the Loans and Loan Collateral;

(2) respond to any telephone and written inquiries of Hypothecation Borrowers and Consumers concerning the Loans and Loan Collateral;

(3) keep Hypothecation Borrowers and Consumers informed of the proper place and method for making payments with respect to the Loans and Consumer Receivables;

(4) contact Hypothecation Borrowers and Consumers to effect collection and to discourage delinquencies in the payment of Loans and Consumer Receivables, doing so by any lawful means, including, but not limited to, the following:

(i) transmittal of routine past due notices;

(ii) preparing and mailing collection letters;

(iii) contacting delinquent Hypothecation Borrowers and Consumers by telephone to encourage payment;

(iv) transmittal of reminder notices to delinquent Hypothecation Borrowers and Consumers; and

(v) initiating and pursuing termination or foreclosure actions deemed necessary by the Master Servicer;

(5) be responsible for the receipt and disbursement of monies paid by Hypothecation Borrowers and Consumers as follows:

(i) the receipt and collection of all amounts due and payable with respect to each Loan and the proceeds of any Loan Collateral, including all monies remitted by Consumers with respect to Consumer Receivables forming a part of the Loan Collateral; in connection herewith the Master Servicer shall use its best efforts to cause the collection of all payments called for under the terms and provisions of each Loan and Consumer Receivable, and shall use its best efforts to cause each Hypothecation Borrower to make all payments required to be made in respect of its Loan pursuant to the Loan Documents directly to the Lock Box Account at the Lockbox Bank.

(ii) the deposit of all such payments and proceeds in the Lock Box Account in accordance with Section 2.2(b) below;

(iii) the maintenance of accurate and timely books and records relating to the Master Servicer's receipt and collection of all such payments and proceeds and the balance due in respect of the Loans and Consumer Receivables;

(iv) the rendering to Hypothecation Borrowers and to Trustee, of periodic reports (not less frequently than monthly) in which the Master Servicer shall set forth such information as is customarily reported to such borrowers under a servicing agreement or as is otherwise reasonably requested by the Trustee; and

(v) the maintenance of records concerning the status of all of the Consumer Receivables.

(6) take such other action as may be necessary or appropriate to carry out the duties and obligations imposed upon the Master Servicer pursuant to the terms of this Section and of Section 4.4(a) of the Indenture which is incorporated herein by reference.

(b) Deposit of Misdirected Funds; No Commingling. The Master Servicer shall promptly remit, or cause to be remitted, to the Lock Box Bank for deposit in the Lock Box Account on the Business Day immediately following receipt thereof by the Master Servicer and in the form received all payments received by the Master Servicer in respect of the Loans or Consumer Receivables incorrectly sent to the Master Servicer by, or on behalf of, a Hypothecation Borrower or Consumer, respectively. The Master Servicer shall not commingle with its own assets and shall keep separate, segregated and appropriately marked and identified all Loans, Loan Collateral or any property comprising any part of the Trust Estate, and for such time, if any, as such Loans, Loan Collateral or property are in the possession or control of the Master Servicer, the Master Servicer shall hold the same in trust for the benefit of the Trustee, the Noteholders (or, following termination of the Indenture, the Issuer).

SECTION 2.3. Records.

The Master Servicer shall retain (or cause to be retained, at the principal servicing offices of the Sub-Servicers) all data (including, without limitation, computerized records) relating directly to or maintained in connection with the servicing of the Loans and Loan Collateral, and shall give the Trustee access to all data at all reasonable times upon reasonable notice, and, while an Event of Default shall be continuing, the Master Servicer shall, on demand of the Trustee, immediately deliver to the Trustee (or, at the Trustee's written instruction, to the Successor Master Servicer) all data (including, without limitation, computerized records) necessary for the servicing of the Loans and Loan Collateral. If the rights of the Master Servicer shall have been terminated in accordance with Section 5.1 or if this Agreement shall have been terminated pursuant to Section 6.1(b), the Master Servicer shall, upon demand of the Trustee or of the successor to the rights of the Issuer, in the case of Section 6.1(b), deliver (or cause to be delivered) to the Trustee all data (including, without limitation, computerized records) necessary for the servicing of the Loans and Loan Collateral. In addition to delivering such data, the Master Servicer shall, at its expense (or at the expense of the Issuer's successor in the event of termination under Section 6.1(b)), use its best efforts to effect the orderly and efficient transfer of the servicing of the Loans and Loan Collateral with respect to which such termination shall have occurred to the party which will be assuming responsibility for such servicing, including, without limitation, directing Hypothecation Borrowers and Consumers to remit scheduled payments and all other payments in respect of the Loans and Consumer Receivables to an account or address designated by, with the consent of the Trustee or such new servicer. Upon request of the Trustee while an Event of Default shall be continuing, the Master Servicer also shall send (or cause to be sent) to the Trustee copies of all invoices, statements or other directions with respect to payments that are sent to the Hypothecation Borrowers and Consumers. The provisions of this paragraph shall not require the Master Servicer to transfer any proprietary material or computer programs unrelated to the servicing of the Loans and Loan Collateral.

SECTION 2.4. No Offset.

Prior to the termination of this Agreement, the obligations of the Master Servicer under this Agreement shall not be subject to, and the Master

Servicer hereby waives, any defense, counterclaim or right of offset which the Master Servicer has or may have against the Issuer or the Trustee, whether in respect of this Agreement, any Loan or otherwise.

SECTION 2.5. Servicing Compensation; Reimbursement for Advances.

As compensation for the performance of its obligations under this Agreement, the Master Servicer shall be entitled to receive the Servicing Fee from the Issuer on each Payment Date out of amounts released by the Trustee from the Payment Account on such Payment Date pursuant to Section 5.2(c) of the Indenture. The Servicing Fee shall include amounts in respect of funds advanced by the Master Servicer in respect of the Loans (whether for maintaining insurance, protecting or maintaining collateral, or otherwise), if any. In addition, the Master Servicer shall be entitled to reimbursements for advances made by the Master Servicer from recoveries. Such reimbursements from recoveries may be made by the Master Servicer netting the unreimbursed advanced amount from recoveries or by remittance from the Trustee in respect of recoveries received by the Trustee.

SECTION 2.6. Sub-Servicing Agreements.

The Master Servicer may engage Sub-Servicers to perform some or all of the Master Servicer's responsibilities under this Agreement, subject to the following terms and conditions:

(a) On or prior to the Closing Date, the Master Servicer shall enter into one or more subservicing agreements (each a "Sub-Servicing Agreement") with one or more Sub-Servicers, and the Master Servicer shall not amend, supplement or terminate the Sub-Servicing Agreement, or agree to any assignment of any rights or obligations thereunder by the Sub-Servicer, or terminate the Sub-Servicer, without the consent of the Holders of Notes representing at least 51% of the aggregate outstanding principal amount of the Notes.

(b) If the Sub-Servicing Agreement with a Sub-Servicer is terminated, the Master Servicer may enter into one or more Sub-Servicing Agreements with another Sub-Servicer reasonably acceptable to the Holders of Notes representing at least 51% or the aggregate outstanding principal amount of the Notes and the Issuer to assist the Master Servicer in the performance of its duties under this Agreement.

(c) The Master Servicer shall be entitled to terminate any Sub-Servicing Agreement that may exist in accordance with the terms and conditions of such Sub-Servicing Agreement; provided, however, that in the event of the termination of any Sub-Servicing Agreement by the Master Servicer or the related Sub-Servicer, the Master Servicer shall either act directly as servicer in accordance with its duties hereunder or shall enter into a Sub-Servicing Agreement with a successor Sub-Servicer.

(d) References in this Agreement to actions taken or to be taken by the Master Servicer in servicing the Loans and Loan Collateral include actions taken or to be taken by a Sub-Servicer on behalf of the Master Servicer. Notwithstanding any Sub-Servicing Agreement, or any of the provisions of this Agreement relating to agreements or arrangements between the Master Servicer and a Sub-Servicer, the Master Servicer shall remain obligated and liable for the servicing and administering of the Loans and Loan Collateral in accordance with the provisions of this Agreement without diminution of such obligation or liability by virtue of such Sub-Servicing Agreement and to the same extent and under the same terms and conditions as if the Master Servicer alone were servicing and administering the Loans and Loan Collateral. Any funds received by any Sub-Servicer shall be deemed to be received by the Master Servicer.

(e) Within one hundred twenty (120) days of the Closing Date, the Master Servicer shall establish that each Sub-Servicer complies with such servicing standards as may reasonably be established by the Purchaser, such standards to be delivered in writing by the Purchaser within ten (10) days of the Closing Date. If in the reasonable judgment of the Purchaser any Sub-Servicer fails to meet such standards, the Master Servicer agrees, upon written request of the Purchaser, to replace such Sub-Servicer with a Sub-Servicer satisfactory to the Purchaser in the exercise of its reasonable discretion.

ARTICLE 3

STATEMENTS AND REPORTS

SECTION 3.1. Reporting by the Master Servicer.

(a) Not later than 11:00 am on the third Business Day preceding each Payment Date, the Master Servicer shall transmit to the Issuer and the Trustee and upon receipt the Trustee shall forward to the Noteholders a certificate (the "Master Servicer's Certificate") setting forth the information in respect of the Loans set forth in Exhibit A hereto.

ARTICLE 4

THE MASTER SERVICER

SECTION 4.1. Representations and Warranties Concerning the Master Servicer

The Master Servicer represents and warrants, effective as of the Closing Date, as follows:

(a) The Master Servicer (i)has been duly organized and is validly existing and in good standing under the laws of the state of its formation and organization, (ii) has qualified to do business and is in good standing in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary and where failure to so qualify would have a material and adverse effect on its ability to perform its obligations hereunder, and (iii) has full power, authority and legal right to own its property, to carry on its business as presently conducted, and to enter into and perform its obligations under this Agreement.

(b) The execution and delivery by the Master Servicer of this Agreement are within the power of the Master Servicer and have been duly authorized by all necessary action on the part of the Master Servicer. Neither the execution and delivery of this Agreement, nor the consummation of the transactions herein contemplated, nor compliance with the provisions hereof, will conflict with or result in a breach of, or constitute a default under, any of the provisions of any law, governmental rule, regulation, judgment, decree or order binding on the Master Servicer or its properties or the charter or bylaws or other organizational documents and agreements of the Master Servicer, or any of the provisions of any indenture, mortgage, contract or other instrument to which the Master Servicer is a party or by which it is bound or result in the creation or imposition of any lien, charge or encumbrance upon any of its property pursuant to the terms of any such indenture, mortgage, contract or other instrument.

(c) The Master Servicer is not required to obtain the consent of any other party or consent, license, approval or authorization, or registration or declaration with, any governmental authority, bureau or agency in connection with the execution, delivery, performance by the Master Servicer of this Agreement, or validity or enforceability of this Agreement against the Master Servicer.

(d) This Agreement has been duly executed and delivered by the Master Servicer and constitutes a legal, valid and binding instrument enforceable against the Master Servicer in accordance with its terms (subject to applicable bankruptcy laws and to general principles of equity).

(e) There are no actions, suits or proceedings pending or, to the knowledge of the Master Servicer, threatened against or affecting the Master Servicer, before or by any court, administrative agency, arbitrator or governmental body with respect to any of the transactions contemplated by this Agreement or the Indenture, or which will, if determined adversely to the Master Servicer, materially and adversely affect it or its business, assets, operations or condition, financial or otherwise, or adversely affect the Master Servicer's ability to perform its obligations under this Agreement. The Master Servicer is not in default with respect to any order of any court, administrative agency, arbitrator or governmental body so as to materially and adversely affect the transactions contemplated by the above-mentioned documents.

(f) The Master Servicer has obtained or made all necessary licenses, registrations, consents, approvals, waivers and notifications of creditors, lessors and other persons, in each case, in connection with the execution and delivery of this Agreement by the Master Servicer, and the consummation by the Master Servicer of all the transactions herein contemplated to be consummated by the Master Servicer and the performance of its obligations hereunder.

(g) The Master Servicer is not in default under any agreement, contract, instrument or indenture to which the Master Servicer is a party or by which it or its properties is or are bound, or with respect to any order of any court, administrative agency, arbitrator or governmental body, which would have a material adverse effect on the transactions contemplated hereunder; and no event has occurred which with notice or lapse of time or both would constitute such a material default with respect to any such agreement, contract, instrument or indenture, or with respect to any such order of any court, administrative agency, arbitrator or governmental body.

(h) The collection and servicing practices used by the Master Servicer with respect to each Loan and related Loan Collateral shall be consistent in all material respects with those customarily employed by the Master Servicer servicing loans which are owned by the Master Servicer.

(i) The Master Servicer (i) shall not extend or shorten, amend or otherwise modify the terms of any Loan, or amend, modify or waive any term or condition of any Loan Collateral related thereto, in any manner which would have a material adverse effect on the interests of the Noteholders or the Issuer, including, but not limited to, extending or shortening the due date, or impairing the collectibility of such Loan and (ii) shall not take any action that could reasonably be expected to have a material adverse effect on (x) the collectibility of the Loans taken as a whole or (y) the realization on the related Loan Collateral, taken as a whole, or (z) the ability of the Master Servicer to perform its obligations hereunder, in each case without obtaining the prior written consent of the Trustee, the Purchaser and the Issuer. In connection with any amendment, modification or waiver relating to the Loan Collateral consented to by the Master Servicer, the Master Servicer shall provide the Trustee with a certificate to the effect that such amendment, modification or waiver does not violate the provisions of this subsection (i).

SECTION 4.2. Existence; Status as the Master Servicer.

The Master Servicer shall keep in full effect its existence, rights and franchises under the laws of the state of its formation and organization, and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of the Loans and Loan Collateral, the Indenture and this Agreement or to perform its obligations hereunder.

SECTION 4.3. Performance of Obligations.

(a) Timely Performance. The Master Servicer shall punctually perform and observe all of its obligations and agreements contained in this Agreement in accordance with the terms hereof.

(b) Prohibited Actions. The Master Servicer shall not take any action, or permit any action to be taken by others, which would excuse any

person from any of its covenants or obligations under any of the Loans or Loan Collateral or under any other instrument included in the Trust Estate, or which would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity, enforceability or effectiveness of, any of the Loans or Loan Collateral, except as expressly provided herein and therein or as contemplated by the Indenture.

(c) Limitations of Responsibility of the Master Servicer. The Master Servicer will have no responsibility under this Agreement other than to render the services called for hereunder in good faith. The Master Servicer, its affiliates, its directors, officers, shareholders and employees will not be liable to the Issuer, the Trustee, the Noteholders or others, except by reason of acts constituting bad faith, willful misfeasance, negligence or reckless disregard of its duties.

(d) Right to Receive Instructions. In the event that the Master Servicer is unable to decide between alternative courses of action, or is unsure as to the application of any provision of this Agreement, or such provision is ambiguous as to its application, or is, or appears to be, in conflict with any other applicable provision, or in the event that this Agreement permits any determination by the Master Servicer or is silent or is incomplete as to the course of action which the Master Servicer is required to take with respect to a particular set of facts, the Master Servicer may give notice (in such form as shall be appropriate under the circumstances) to the Trustee requesting instructions in accordance with the Indenture and, to the extent that the Master Servicer shall have acted or refrained from acting in good faith in accordance with any such instructions received from the Trustee, the Master Servicer shall not be liable on account of such action or inaction to any Person. Subject to the Servicing Standard set forth in Section 2.1(a), if the Master Servicer shall not have received appropriate instructions within ten days of such notice (or within such shorter period of time as may be specified in such notice) the Master Servicer may, but shall be under no duty to, take or refrain from taking such action, not inconsistent with this Agreement, as the Master Servicer shall deem to be in the best interests of the Trustee and the Issuer, and the Master Servicer shall have no liability to any Person for such action or inaction except for the Master Servicer's own willful misconduct or negligence.

(e) No Duties Except as Specified in this Agreement or in Instructions. Except as expressly provided by the terms of this Agreement, the Master Servicer shall not have any duty or obligation to manage, make any payment in respect of, register, record, sell, reinvest, dispose of, create, perfect or maintain title or any security interest in, or otherwise deal with the Trust Estate, to prepare or file any report or other document, or to otherwise take or refrain from taking any action under, or in connection with, any document contemplated hereby to which the Master Servicer is a party. The Master Servicer nevertheless agrees that it will, at its own cost and expense, promptly take all action as may be necessary to discharge any asserted liens on any part of the Trust Estate which result from asserted claims against the Master Servicer personally that are not related to the ownership or the administration of the Trust Estate or the transactions contemplated by the Indenture.

(f) No Action Except Under Specified Documents or Instructions. The Master Servicer shall not manage, control, use, sell, reinvest, dispose of or otherwise deal with any part of the Trust Estate except (1) in accordance with the powers granted to and the authority conferred upon the Master Servicer pursuant to this Agreement, or (2) in accordance with instructions delivered to the Master Servicer pursuant hereto.

(g) Limitations on the Master Servicer Liability. Subject to the Servicing Standards set forth in Section 2.1(a), and except for the Master Servicer's own willful misconduct or negligence, the Master Servicer shall not be personally liable under any circumstances, including, without limitation:

(1) for any action taken or omitted to be taken by the Master Servicer in good faith in accordance with the instructions of the Trustee made in accordance herewith;

(2) for any representation, warranty, covenant, agreement or indebtedness of the Trust under the Notes, or for any other liability or obligation of the Trust;

(3) for or in respect of the validity or sufficiency of this Agreement or for the due execution hereof by any party hereto other than the Master Servicer, or for the form, character, genuineness, sufficiency, value or validity of any part of the Trust Estate, including but not limited to the Loans and Loan Collateral; and

(4) for any action or inaction of the Trustee, and the Master Servicer shall not be responsible for performing or supervising the performance of any obligation under this Agreement or the Indenture that is required to be performed by the Trustee.

(h) Limitation on Expenditure of Personal Funds. No provision of this Agreement (other than Section 2.1(d) and paragraph (e) above) shall require the Master Servicer to expend or risk its personal funds or otherwise incur any financial liability in the performance of any of its rights or powers hereunder, if the Master Servicer shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured or provided to it.

(i) Furnishing of Documents. The Master Servicer shall furnish to the Trustee, promptly upon receipt thereof, duplicates or copies of all material reports, notices, requests, demands, certificates, financial statements and any other instruments furnished to the Master Servicer hereunder.

(j) Reliance; Advice of Counsel. In performing its duties hereunder the Master Servicer may conclusively rely on and shall be protected in acting or refraining from acting when doing so, in each case in accordance with any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper believed by it to be genuine and believed by it to be signed by the proper

party or parties. The Master Servicer may accept a certified copy of a resolution of the board of directors or other governing body of any corporate party as conclusive evidence that such resolution has been duly adopted by such body and that the same is in full force and effect. As to any fact or matter the manner or ascertainment of which is not specifically prescribed herein, the Master Servicer may for all purposes hereof rely on a certificate, signed by the president or any vice president or by the treasurer or any assistant treasurer or the secretary or any assistant secretary of the relevant party, as to such fact or matter, and such certificate shall constitute full protection to the Master Servicer for any action taken or omitted to be taken by it in good faith in reliance thereon without specific knowledge to the contrary.

(k) Reliance on Third Parties. Subject to the Servicing Standard, in the exercise and performance of its duties and obligations under this Agreement, the Master Servicer may, at the expense of the Master Servicer, consult with counsel, accountants and other skilled persons to be selected with reasonable care and employed by it, and the Master Servicer shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons.

(l) Independent Contractor. In performing its obligations as servicer hereunder the Master Servicer acts solely as an independent contractor of the Issuer and Trustee. Nothing in this Agreement shall, or shall be deemed to, create or constitute any joint venture, partnership employment, or any other relationship between the Issuer and the Trustee on the one hand and the Master Servicer on the other hand, other than the independent contractor contractual relationship established hereby. The Master Servicer shall not be and shall not be deemed to be liable for any acts or obligations of the Issuer or the Trustee, and, without limiting the foregoing, the Master Servicer shall not be liable under or in connection with the Notes and all Persons having any claim under or in respect of this Agreement or the Indenture shall look only to the Trust Estate for payment or satisfaction thereof.

SECTION 4.4. Merger; Resignation and Assignment.

(a) The Master Servicer may not merge into any corporation or convey, transfer or lease substantially all of its assets as an entity, unless and until the Master Servicer's successor or a new servicer is approved in writing by the Issuer and the Holders of Notes representing at least 51% of the aggregate outstanding principal amount of the Notes and is willing to service the Loans and Loan Collateral and enter into a servicing agreement with the Issuer and the Trustee in form and substance reasonably satisfactory to such parties.

(b) Except as provided in Section 2.6 hereinabove with respect to Sub-Servicers, the Master Servicer may not assign this Agreement or any of its rights, powers, duties or obligations hereunder.

(c) Except as provided in Sections 4.4(a) and (b), the duties and obligations of the Master Servicer under this Agreement shall continue until this Agreement shall have been terminated as provided in Section 6.1, and shall survive the exercise by the Issuer or the Trustee of any right or remedy under this Agreement, or the enforcement by the Issuer, the Trustee, or any Noteholder of any provision of the Indenture, the Notes or this Agreement.

SECTION 4.5. Indemnities.

(a) The Master Servicer shall indemnify and hold harmless the Trustee and the Noteholders from and against any losses, damages, claims or liabilities arising out of the Master Servicer's breach of this Agreement.
(b) The Master Servicer agrees to indemnify the Trustee for, and to hold the Trustee harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust created by the Indenture (other than taxes, penalties or other liabilities arising in connection with the Trustee's failure to withhold from payments with respect to the Notes amounts required to be withheld under the Code, or the Trustee's withholding from such payments amounts not required or permitted to be withheld under the Code), including the reasonable costs and expenses, including reasonable attorneys' fees, of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties under the Indenture provided that:

(i) with respect to any such claim, the Trustee shall have given the Master Servicer written notice thereof promptly after the Trustee shall have knowledge thereof, provided, however, that the failure of the Trustee to so notify the Master Servicer shall not relieve the Master Servicer of its obligations pursuant to this subparagraph;

(ii) the Master Servicer shall assume the defense of any such claim, provided that if the Master Servicer shall not have employed counsel reasonably satisfactory to the Trustee to direct the defense of such claim within a reasonable time after such notice of the claim pursuant to paragraph (i) above, the Trustee shall have the right to direct the defense of such claim;

(iii) the Trustee shall have the right to employ separate counsel with respect to any claim and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Trustee unless the payment of such counsel has been specifically authorized by the Master Servicer; provided further, however, that if the Trustee shall assume the defense of any claim as a result of the Master Servicer's failure to assume the defense of such claim as described in paragraph (ii) above, the Master Servicer shall pay the reasonable fees and expenses of Trustee's counsel in connection with the defense of such claim; and

(iv) notwithstanding anything to the contrary in this Section 4.5(b), the Master Servicer shall not be liable for settlement of any such claim by the Trustee entered into without the prior consent of the Master Servicer.

(c) The Provisions of Section 4.5(a) and (b) shall survive the termination of this Agreement and the Indenture.

ARTICLE 5

DEFAULT

SECTION 5.1. Events of Default.

(a) Any of the following acts or occurrences shall constitute an Event of Default by the Master Servicer under this Agreement:

(i) any failure by the Master Servicer to remit any payments received by it in respect of the Loans or Loan Collateral to the Lock Box Bank in accordance with any provision hereof within two (2) Business Days after receipt thereof; or

(ii) the Trustee shall not have received a report in accordance with Section 3.1(a) hereof within two (2) Business Days of the date required to be delivered or the Master Servicer shall have defaulted in the due observance of any provision of Section 4.2 or Section 4.4 hereof and such default shall have continued for five (5) Business Days after it has obtained knowledge of, or has been notified by the Trustee of such default; or

(iii) the Master Servicer shall default in the due performance and observance of any other provision of this Agreement and such default shall have continued for a period of 30 days after it has obtained knowledge of, or has been notified by the Trustee of such default; or

(iv) any representation, warranty or statement of the Master Servicer made in this Agreement or by the Master Servicer in its capacity as servicer in any certificate, report or other writing delivered pursuant hereto shall prove to be incorrect in any material respect as of the time when the same shall have been made; or

(v) the Master Servicer makes an assignment for the benefit of creditors or is generally not paying its debts as such debts become due; or

(vi) the Master Servicer petitions or applies to any tribunal for, or consents to, the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official of the Master Servicer, or of any substantial part of the assets of the Master Servicer, or commences a voluntary case under the bankruptcy law of the United States or any proceedings relating to the Master Servicer, under the bankruptcy law of any other jurisdiction; or

(vii) any such petition or application is filed, or any such proceedings are commenced, against the Master Servicer and the Master Servicer by any act indicates its approval thereof, consent thereto or acquiescence therein, or any order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings and such order, judgment or decree remains unstayed and in effect for more than 45 days; or

(viii) any order, judgment or decree is entered in any proceedings against the Master Servicer decreeing the dissolution of the Master Servicer and such order, judgment or decree remains unstayed and in effect for more than 60 days; or

(ix) a final judgment for an amount in excess of $500,000 (exclusive of any portion thereof which is insured) is rendered against the Master Servicer, and within 60 days after the entry thereof, such judgment is not discharged or the execution thereof is stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment is not discharged.

(b) Upon the occurrence and continuance of an Event of Default specified in clause (v) or (vi) above, all of the rights and powers of the Master Servicer under this Agreement shall automatically terminate, including without limitation all rights of the Master Servicer to receive from and after such termination the servicing compensation provided for in Section 2.5, or any compensation or expense reimbursement hereunder, other than to the extent accrued prior to such termination and not previously paid. Upon the occurrence and continuance of any other Event of Default, the Issuer upon direction of the Holders representing at least 51% of the aggregate outstanding principal amount of the Notes may, by notice given to the Master Servicer (with copies to the Issuer and the Trustee), terminate all of the rights and powers of the Master Servicer under this Agreement, including without limitation all rights of the Master Servicer to receive the servicing compensation provided for in Section 2.5. Upon any automatic termination or the giving of the notice referred to in the preceding sentence, all rights, powers, duties and responsibilities of the Master Servicer under this Agreement, whether with respect to the related Loans and Loan Collateral, Payment Account, any Servicing Fee or otherwise shall vest in and be assumed by a new servicer as provided in Section 4.4(c) of the Indenture. From and during the continuation of an Event of Default, the Issuer upon the direction of the Holders representing at least 51% of the aggregate outstanding principal amount of the Notes (without regard to any Notes owned by the Master Servicer or any of its Affiliates), are each hereby irrevocably authorized and empowered to execute and deliver, on behalf of the Master Servicer, as attorney-in-fact or otherwise, all documents and other instruments (including any notices to Hypothecation Borrowers and Consumers deemed necessary or advisable by the Holders representing at least 51% of the aggregate outstanding principal amount of the Notes (without regard to any Notes owned by the Master Servicer or any of its Affiliates)), and to do or accomplish all other acts or things necessary or appropriate to effect such vesting and assumption. Except as otherwise expressly provided in the Indenture, the Issuer shall not have any right to waive any Event of Default by the Master Servicer under this Agreement.

(c) Promptly after the Trustee shall have notice of the occurrence of any Event of Default, the Trustee shall transmit by mail to all Noteholders notice of such Event of Default known to the Trustee.

SECTION 5.2. No Effect on Other Parties.

Upon any termination of the rights and powers of the Master Servicer from time to time pursuant to Section 5.1 or upon any appointment of a successor to the Master Servicer, all the rights, powers, duties and obligations of the Issuer or the Trustee under this Agreement or under the Indenture shall remain unaffected by such termination or appointment and shall remain in full force and effect thereafter, except as otherwise expressly provided in this Agreement or in the Indenture.

SECTION 5.3. Rights Cumulative.

All rights and remedies from time to time conferred upon or reserved to the Issuer, the Trustee, or the Noteholders or to any or all of the foregoing are cumulative, and none is intended to be exclusive of another or any right or remedy which they may have at law or in equity. No delay or omission in insisting upon the strict observance or performance of any provision of this Agreement, or in exercising any right or remedy, shall be construed as a waiver or relinquishment of such provision, nor shall it impair such right or remedy. Every right and remedy may be exercised from time to time and as often as deemed expedient.

ARTICLE 6

MISCELLANEOUS PROVISIONS

SECTION 6.1. Termination of Agreement.

(a) The respective duties and obligations of the Master Servicer and the Issuer created by this Agreement shall terminate upon the latest to occur of
(i) the final payment or other liquidation of the last outstanding Loan included in the Trust Estate, (ii) the satisfaction and discharge of the Indenture pursuant to Article VIII of the Indenture, and (iii) with respect to any Loan, the disposition of all property acquired upon foreclosure of any Loan Collateral. Upon termination of this Agreement pursuant to this Section 6.1(a), the Master Servicer shall pay over to the Issuer or any other Person entitled thereto all monies received from the Hypothecation Borrowers and Consumers and held by the Servicer.

(b) Following an Event of Default under the Indenture, the successor to the rights of the Issuer in respect of the Loans and Loan Collateral (including, without limitation, the Trustee or any or all of the related Noteholders) shall have the right to terminate this Agreement, by notice to the Master Servicer and the Issuer. Upon such termination, the Master Servicer shall be entitled to receive only the accrued and unpaid servicing compensation provided for in Section 2.5 to the date of such termination and any other reimbursement to which it would otherwise be entitled of amounts theretofore advanced by it.

SECTION 6.2. Amendment.

(a) This Agreement may only be amended from time to time by the Issuer, the Servicer and the Trustee, with the consent of the Holders representing at least 51% of the aggregate outstanding principal amount of the Notes (without giving regard to any Notes owned by the Master Servicer or its Affiliates) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, provided, however, that no such amendment shall, without consent of each Noteholder, (i) reduce in any manner the amount of, or the timing of, payments received on the related Loans which are required to be deposited in the Payment Account; (ii) alter the priorities with which any allocation of funds shall be made under this Agreement; (iii) permit the creation of any lien (other than the lien or permitted by the Indenture) on the Trust Estate for the Notes or any portion thereof or deprive any such Holder of the benefit of this Agreement with respect to the Trust Estate or any portion thereof; or (iv) modify this Section 6.2 or
Section 4.2, 4.3(b) or 4.4.

(b) Promptly after the execution of any amendment, the Master Servicer shall send to the Trustee a conformed copy of each such amendment, but the failure to do so will not impair or affect its validity. Promptly after the execution of any amendment pursuant to Section 6.2(a) the Issuer shall cause to be sent to each Noteholder a copy of such amendment. Any failure to do so shall not affect the validity of such amendment.

(c) It shall not be necessary, in any consent of Noteholders under this Section 6.2, to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents and of evidencing the authorization of the execution thereof by Noteholders shall be subject to such reasonable regulations as the Trustee may prescribe.

(d) Any amendment or modification effected contrary to the provisions of this Section 6.2 shall be void.

SECTION 6.3. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of New York, without regard to the conflict of law

provisions thereof.

SECTION 6.4. Notices.

All notices, requests or other communications desired or required to be given under this Agreement shall be in writing and shall be sent by (a) certified or registered mail, return receipt requested, postage prepaid,(b) national prepaid overnight delivery service, (c) telecopy or other facsimile transmission (following with hard copies to be sent by national prepaid overnight delivery service) or (d) personal delivery with receipt acknowledged in writing, as follows: (i) if to the Issuer, c/o Litchfield Financial Corporation, 430 Main Street, Williamstown, Massachusetts 01267, Attention:
Executive Vice President, (ii) if to the Master Servicer, to the Master Servicer at Litchfield Financial Corporation, 430 Main Street, Williamstown, Massachusetts 01267, Attention: Executive Vice President, (iii) if to the Trustee, at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Services, Structured Finance Services. Any of the persons in subclauses
(i) through (iii) above may change its address for notices hereunder by giving notice of such change to the other persons. Any change of address shown on a Note Register shall, after the date of such change, be effective to change the address for such Noteholder hereunder. All notices and demands shall be deemed to have been given either at the time of the delivery thereof to any officer of the Person entitled to receive such notices and demands at the address of such person for notices hereunder, or on the third day after the mailing thereof to such address, as the case may be.

SECTION 6.5. Severability of Provisions.

If one or more of the provisions of this Agreement shall be for any reason whatever held invalid or unenforceable, such provisions shall be deemed severable from the remaining covenants, agreements and provisions of this Agreement and such invalidity or unenforceability shall in no way affect the validity or enforceability of such remaining provisions, the rights of any parties hereto, or the rights of the Trustee or any Noteholders. To the extent permitted by law, the parties hereto waive any provision of law which renders any provision of this Agreement invalid or unenforceable in any respect.

SECTION 6.6. Binding Effect; Limited Rights of Others.

The provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto, and all such provisions shall inure to the benefit of the Trustee and the related Noteholders, provided that following an Event of Default under the Indenture and foreclosure of the Trust Estate pursuant thereto, the successor to the rights of the Issuer in respect of the related Loans and Loan Collateral (including without limitation the Trustee or any or all of the related Noteholders) shall not be bound by the provisions of this Agreement unless, within 90 days after the date on which such successor shall have succeeded to such rights of the Issuer, such successor shall not have terminated this Agreement pursuant to
Section 6.1(b). Nothing in this Agreement expressed or implied, shall be construed to give any Person other than the parties hereto any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenants, agreements, representations or provisions contained herein.

SECTION 6.7. Article and Section Headings.

The article and section headings herein are for convenience of reference only, and shall not limit or otherwise affect the meaning hereof.

SECTION 6.8. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

LITCHFIELD HYPOTHECATION CORP. 1998-A

By: /s/ Heather A. Sica
Name: Heather A. Sica
Title: Executive Vice President

LITCHFIELD FINANCIAL CORPORATION

By: /s/ Heather A. Sica
Name: Heather A. Sica
Title: Executive Vice President

THE CHASE MANHATTAN BANK, as Trustee

By: /s/ Cynthia Kerpen
Name: Cynthia Kerpen
Title: Assistant Vice President

Exhibit 10.174

INDENTURE OF TRUST (herein, as amended or supplemented from time to time as permitted hereby, the "Indenture"), dated as of June 1, 1998, by and between LITCHFIELD HYPOTHECATION CORP. 1998-B, a corporation organized under the laws of the State of Delaware (the "Issuer"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as trustee (together with its permitted successors in the trusts hereunder, the "Trustee").

W I T N E S S E T H:

WHEREAS, the Issuer proposes to issue from time to time its Hypothecation Loan Collateralized Notes in an aggregate outstanding principal amount not to exceed $50,000,000 (collectively, the "Notes") pursuant to this Indenture and to deliver the net proceeds of the sale thereof to the Originator (as such term and such other capitalized terms used herein and not otherwise defined are defined in Article I hereof) in consideration of the purchase of the Loans by the Issuer from the Originator;

WHEREAS, Litchfield Financial Corporation, a Massachusetts corporation, in its capacity as servicer (the "Master Servicer") pursuant to a Servicing Agreement, dated as of June 1, 1998 (herein, as amended or supplemented from time to time as permitted thereby, the "Servicing Agreement"), by and among the Issuer, the Master Servicer, and the Trustee, will service the Loans;

WHEREAS, as security for the Notes, the Issuer proposes to pledge and assign all of the Issuer's right, title and interest in and to the Loans and the Loan Collateral (other than the Unassigned Rights) to the Trustee pursuant to this Indenture;

WHEREAS, the Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance, payment, administration and securing of the Notes for the benefit of the Holders thereof;

WHEREAS, the Issuer and the Trustee agree that the Trustee be appointed under this Indenture and be charged with and accept the trusts and duties set forth in this Indenture in connection with the issuance, payment, administration and securing of the Notes under this Indenture for the benefit of the Holders of the Notes;

WHEREAS, the Trustee has duly authorized the execution and delivery of this Indenture and is duly authorized to accept the trusts and to perform its obligations under this Indenture;

WHEREAS, all things necessary to make this Indenture a valid agreement of the Issuer and the Trustee in accordance with its terms have been done; and

WHEREAS, all things necessary to make the Notes, when executed and delivered by the Issuer and authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the Issuer according to the import thereof, have been done and performed.

GRANTING CLAUSE

NOW, THEREFORE, in order to secure the payment of the principal of, interest on, and all other amounts payable with respect to, the Notes to be issued pursuant to this Indenture, and in order to secure the performance and observance of all the covenants and conditions contained herein and in such Notes, and in order to declare the terms and conditions upon which the Notes are executed, authenticated, issued, delivered, secured and accepted by all Persons who shall from time to time be or become Holders thereof, and for and in consideration of the mutual covenants contained herein, of acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Notes by the Holders thereof, the Issuer has executed and delivered this Indenture and by these presents:

The Issuer does hereby pledge, bargain, sell, warrant, alienate, remise, convey, assign, transfer, create and grant a lien upon and a security interest in and a right of set-off against (collectively, "Grant") unto the Trustee, its successor or successors and its or their assigns forever, in trust and as collateral security for the benefit of the Holders of the Notes, the Issuer's entire right, title, interest and estate, whether now or hereafter acquired, in, to and under (i) the Loans; (ii) the Loan Collateral; (iii) all monies and other property of any kind that relate to any of the Loans and that are now or at any time or times hereafter in the possession or under the control of the Issuer, the Master Servicer, any Sub-Servicer or the Trustee or any bailee of the Trustee, including without limitation, the Lock Box Account and all monies therein; (iv) the Servicing Agreement, each Subservicing Agreement, each Agency Agreement, the Purchase and Sale Agreement, the Deposit Account Assignment and the Payment Direction Agreement; (v) all books and records of the Issuer to the extent pertaining to any of (i) through (iv) above, including all computer programs, disks, tapes and related electronic data processing media, credit files, account cards, payment records, correspondence and ledgers in which any of the foregoing are reflected or maintained; (vi) all moneys and securities from time to time held by the Trustee in any Account created under the terms of this Indenture and all interest, profits, proceeds, or other income derived from such moneys and securities; (vii) the present and continuing exclusive right, power and authority, subject to the provisions of the Servicing Agreement, to give and receive notices and other communications, to make waivers or other agreements subject to the provisions of the Servicing Agreement, to make claims for and demand performance on, under or pursuant to any of the Loan Collateral, to bring actions and proceedings thereunder or for the enforcement thereof or the Loans, and to exercise all remedies, powers, privileges and options and to do any and all things which the Issuer is or may become entitled to do under the Loans or the Loan Collateral;
(viii) any and all property of every name and nature, now or hereafter transferred, mortgaged, pledged or assigned as security or additional security for payment or performance of any obligation of the Hypothecation Borrowers to the Issuer under the Loans or any of the Loan Collateral or otherwise (other than the Unassigned Rights), and the liabilities, obligations and indebtedness evidenced thereby or reflected therein; and (ix) all income, revenues, issues, products, revisions, substitutions, replacements, profit and proceeds of and from all of the foregoing, including proceeds of and unearned premiums with respect to insurance policies insuring any of the Loan Collateral (collectively, the "Trust Estate").

TO HAVE AND TO HOLD IN TRUST all and singular the Trust Estate whether now or hereafter acquired, unto the Trustee and its successor or successors and its or their assigns forever for the benefit of the Holders of the Notes, but:

IN TRUST NEVERTHELESS, upon the terms, trusts and conditions hereinafter set forth for the equal and proportionate benefit, security and protection of all present and future Holders of the Notes without preference, privilege, priority or distinction as to the lien or otherwise of any of the Notes over any of the other Notes, except as otherwise may be provided in this Indenture.

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, (I) shall pay, or cause to be paid, the principal of and interest payable with respect to, the Notes due or to become due thereon, at the times and in the manner mentioned in the Notes, or shall provide, as permitted hereby, for the payment thereof, (ii) shall keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and (iii) shall pay or cause to be paid to the Trustee all sums of money due or to become due to it and any other fiduciary appointed hereunder in accordance with the terms and provisions hereof, then, upon the final payment thereof, this Indenture, all rights of the Holders of the Notes under this Indenture and the rights hereby granted for the benefit thereof shall cease, determine and be void; otherwise this Indenture shall be and remain in full force and effect.

The Trustee, for itself and its successors and assigns, hereby declares that it shall hold all the estate, right, title and interest in any property received by it under this Indenture, including, without limitation, the Trust Estate, in trust for the benefit of all present and future Holders of the Notes, subject to the terms of this Indenture. The Trustee acknowledges the Grant of the Trust Estate hereunder, accepts the trusts hereunder in accordance with the provisions hereof and agrees to perform fully the duties herein required of it to the end that the interests of the Holders of the Notes may be adequately and effectively protected in accordance with the provisions of this Indenture.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared that all Notes issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interests and other amounts hereby assigned and pledged, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Holders of the Notes, as follows:

ARTICLE 1

DEFINITIONS AND ASSUMPTIONS

SECTION 1.1 Definitions. For all purposes of this Indenture, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in Appendix A hereto which is

incorporated by reference herein. All other capitalized terms used herein shall have the meanings specified herein.

SECTION 1.2 Construction. In this Indenture, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of this Indenture.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(c) Any headings preceding the texts of the several Articles and Sections of this Indenture, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

ARTICLE 2

THE NOTES

SECTION 2.1 Authorization of Notes; Notes to Constitute Full Recourse Obligations.

(a) The Notes issuable hereunder shall be issued as registered Notes, without coupons, in one or more series as from time to time shall be authorized by the Issuer. The Notes of all series shall be known and entitled generally as the "Litchfield Hypothecation Corp. 1998-B Hypothecation Loan Collateralized Notes." The Notes of each series shall have such further particular designation as the Issuer may adopt for each series, and each Note issued hereunder shall bear upon the face thereof the designation so adopted for the series to which it belongs;

(b) The Trustee is hereby authorized and directed to authenticate and deliver a series of Notes of the Issuer which shall be designated as "Litchfield Hypothecation Corp. 1998-B Hypothecation Loan Collateralized Notes, Series A" (the "Series A Notes"). The Trustee is hereby authorized to authenticate and deliver to the Purchaser on the Closing Date Series A Notes in the initial principal amount of $15,841,431.90.

(c) The Trustee is hereby authorized to authenticate and deliver a series of Notes of the Issuer which shall be designated from time to time as "Litchfield Hypothecation Corp. 1998-B Hypothecation Loan Collateralized Notes, Series B Variable Funding Notes (the "Variable Funding Notes") at any time and from time to time on or after the Closing Date, the Trustee is hereby authorized upon the direction of the Issuer to authenticate and deliver Variable Funding Notes in any principal amount in excess of $25,000; provided, however, that no authorization and delivery of Variable Funding Notes shall be authorized if, after giving effect to the principal amount of Variable Funding Notes to be issued, the aggregate principal amount of all Notes outstanding would exceed the Note Limit. The Variable Funding Notes shall be revolving variable amount funding Notes issued by the Issuer for the purpose of funding Future Advances made by the Originator to the Hypothecation Borrowers and assigned to the Issuer. Any Noteholder of Variable Funding Notes that purchases additional Variable Funding Notes (or at such Holder's direction, the Trustee) may, and is hereby authorized to, record on the grid attached to such Noteholder's Note the date and amount of any additional principal to be evidenced thereby; provided, however, that the failure to make any such recordation on such grid or any error on such grid shall not affect any Noteholder's rights with respect to the principal amount of such Note, or interest thereon. At any time and from time to time after the Closing Date, any Holder of Variable Funding Notes shall have the right, upon written notice to the Trustee and the Issuer and delivery of the Variable Funding Note to be converted to the Trustee, to convert not less than $750,000 in aggregate outstanding principal amount of Variable Funding Notes into Series C Notes of a like aggregate principal amount. Any Variable Funding Note so converted shall be cancelled by the Trustee.

(d) The Trustee is hereby authorized to authenticate and deliver a series of Notes of the Issuer which shall be designated from time to time as "Litchfield Hypothecation Corp. 1998-B Hypothecation Loan Collateralized Notes, Series C" (the "Series C Notes"). At any time and from time to time on or after the Closing Date, the Trustee is hereby authorized upon receipt from a Holder of Variable Funding Notes of written notice requesting conversion of such Variable Funding Notes pursuant to Section 2.1(c) hereof (which conversion shall be effective as of a Payment Date specified in the request for conversion) and the Variable Funding Notes to be converted, to authenticate and deliver Series C Notes to such Holder in a like aggregate principal amount as the aggregate outstanding amount of the Variable Funding Notes converted.

(e) The Notes shall constitute full recourse obligations of the Issuer. The Notes when issued shall not constitute direct or indirect indebtedness or obligations of the Master Servicer or the Originator. Neither the Master Servicer nor the Originator shall be liable to the Holders of the Notes for the payment of the principal thereof and interest thereon for any liability under this Indenture. The foregoing shall not diminish the Originator's obligations under the Guarantee. Neither the Notes nor the Loans are insured by any governmental agency.

SECTION 2.2 Forms of Notes and Certificate of Authentication. The Notes and the Trustee's certificate of authentication shall be in substantially the forms set forth in Exhibit A attached hereto, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistent herewith, be determined by the Authorized Officers of the Issuer executing such Notes, as evidenced by their

execution of such Notes. The definitive Notes shall be typed, photocopied, printed, lithographed or engraved or produced by any combination of these methods (with or without steel engraved borders), all as determined by the Authorized Officers of the Issuer executing such Notes, as evidenced by their execution of such Notes.

SECTION 2.3 Authorized Principal Amount. The aggregate principal amount of the Notes that may be authenticated, delivered and Outstanding under this Indenture is $50,000,000. All Notes shall be identical in all respects except for the maturity thereof, the interest rate thereon, the denominations thereof and such differences to reflect the revolving nature of the Variable Funding Notes. All Notes issued under this Indenture shall in all respects be equally and ratably entitled to the benefits hereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

SECTION 2.4 Date of Notes; Denominations. (i) Notes which are authenticated and delivered by the Trustee to or upon the order of the Issuer on the Closing Date shall be dated as of the Closing Date. Other series of Notes which are authenticated after the Closing Date shall be dated as of the respective Closing date therefor. All other Notes which are authenticated for any other purpose hereunder shall be dated the date of their authentication. The Series A Notes shall be issued in minimum denominations of $100,000, the Variable Funding Notes shall be issued in minimum denominations of $25,000 and the Series C Notes shall be issued in minimum denominations of $750,000.

(ii) Notes issued upon transfer, exchange, conversion or replacement of other Notes shall be issued in authorized denominations reflecting the original aggregate principal amount of the Notes so transferred, exchanged, converted or replaced, but shall represent only the then current outstanding principal amount of the Notes so transferred, converted, exchanged or replaced. In the event that any Note is divided into more than one Note in accordance with the provisions hereof, the principal amount of such Note shall be proportionately divided among the Notes delivered in exchange therefor.

SECTION 2.5 Execution, Authentication, Delivery and Dating.
(i) Each Note shall be executed on behalf of the Issuer with the manual or facsimile signature of an Authorized Officer of the Issuer.

(ii) Notes bearing the manual or facsimile signature of individuals who were at any time Authorized Officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

(iii) At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Notes executed by the Issuer to the Trustee for authentication. Upon a written order from the Issuer (which order shall be in the form of Exhibit B hereto) the Trustee shall authenticate and deliver such Notes as in this Indenture provided and not otherwise. No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form set forth in Exhibit A hereto executed by the Trustee by the manual signature of an Authorized Officer of the Trustee, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

SECTION 2.6 Transfer and Registry; Exchange; Negotiability.

(a) (i) Each Note shall be transferable only upon the books of the Issuer (the "Note Register"), which shall be kept for that purpose at the office of the Person acting as registrar of the Issuer (the "Note Registrar"). The Trustee is hereby designated as the Note Registrar. Subject to the provisions of paragraph (b) of this Section 2.6, the transfers of any Note may be effected on the books of the Issuer by the Holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Note Registrar duly executed by the Holder or its duly authorized attorney. Upon the transfer of any such Note, the Issuer shall issue in the name of the transferee a new Note or Notes of the same aggregate principal amount, the same series, interest rate and maturity as the surrendered Note.

(ii) At the option of the Holder, Notes may be exchanged for other Notes of any authorized denominations, and of a like aggregate principal amount, series, interest rate and maturity, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Notes which the Noteholder making the exchange is entitled to receive.

(iii) All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

(iv) Every Note presented or surrendered for registration of transfer or exchange shall (if so required by the Issuer or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Trustee, duly executed, by the Holder thereof or his attorney duly authorized in writing.

(b) Each Note shall bear the following legend:

"THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 ("1933 ACT"), OR THE SECURITIES LAWS OR "BLUE SKY" LAWS OF ANY STATE AND HAVE BEEN SOLD IN RELIANCE UPON AN EXEMPTION PROVIDED IN THE 1933 ACT AND APPLICABLE STATE SECURITIES AND BLUE SKY LAW. THE NOTES MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS SUBSEQUENTLY REGISTERED UNDER THE 1933 ACT

AND APPLICABLE STATE SECURITIES AND BLUE SKY LAW OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE."

(c) No Note or any beneficial interest therein may be sold or transferred (including, without limitation, by pledge or hypothecation) unless such transfer is exempt from the registration requirements of the 1933 Act and any applicable state securities and blue sky laws or is made in accordance with said Act and state laws. As a condition precedent to any such transfer, a certificate or certificates in the form of Exhibit C hereto, as appropriate, shall be delivered to the Trustee.

(d) None of the Issuer, the Note Registrar or the Trustee is obligated to register the Notes under the 1933 Act or any other securities law.

SECTION 2.7 Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging or transferring Notes is exercised, the Issuer shall execute and the Trustee shall authenticate and deliver Notes in accordance with the provisions of this Indenture. For every such exchange or registration of transfer of Notes, whether temporary or definitive, the Issuer and the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. Neither the Issuer nor the Trustee shall be required to register the transfer of or exchange Notes for a period beginning on the Record Date next preceding a Payment Date and ending on such Payment Date.
SECTION 2.8 Mutilated, Destroyed, Stolen or Lost Notes.

(a) In case any Note shall become mutilated or be destroyed, stolen or lost, the Issuer shall execute, and thereupon the Trustee shall authenticate and deliver, a new Note of like aggregate principal amount, series, interest rate and maturity as the Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note, upon surrender and cancellation of such mutilated Note or in lieu of and substitution for the Note destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Issuer and the Trustee that such Note has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Issuer and Trustee with such security or indemnity as may be required by them to save each of them harmless (an unsecured agreement of indemnity of a Purchaser being deemed sufficient for this purpose) and upon payment of any tax or governmental charge the Issuer and Trustee may incur. All Notes so surrendered to the Trustee shall be canceled by it. Any such new Notes issued pursuant to this Section 2.8 in substitution for Notes alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Issuer, whether or not the Notes so alleged to be destroyed, stolen or lost shall be found at any time, or be enforceable by anyone, and shall be equally secured by, and entitled to equal and proportionate benefits with all other Notes issued under the Indenture.

(b) Notwithstanding the foregoing provisions of this Section 2.8, in the event any such Note shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Notes, the Issuer may authorize the payment of the same (upon surrender thereof as provided in Section 2.9) instead of issuing a substitute Note, provided security or indemnification is furnished as above provided in this Section 2.8.

(c) The provisions of this Section 2.8 are exclusive and shall preclude (to the extent lawful) all of the rights and remedies with respect to the payment of mutilated, lost, stolen or destroyed Notes, including those granted by any law or statute now existing or hereafter enacted.

SECTION 2.9 Medium of Payment; Payment of Principal and Interest.

(a) The Notes shall be payable in lawful currency of the United States of America and shall be payable by check mailed by first class mail to the Person entitled thereto at such Person's address as it appears on the Note Register on the applicable Record Date except that payments to Holders of in excess of one million dollars ($1,000,000) of original principal amount of the Notes shall be made in immediately available funds to an account at a banking institution in the United States; provided that such Holder has provided to the Trustee no later than two Business Days prior to the relevant Payment Date its wire transfer instructions (the wire transfer instructions of the Purchaser set forth in the Note Purchase Agreement are deemed sufficient for all payments on the Notes held by the Purchaser).

(b) Each Note shall bear interest on the outstanding principal amount thereof from and including (i) June 29, 1998 in the case of the Series A Notes, and (ii) in the case of the Variable Funding Notes, the Series C Notes and any subsequent series of Notes, from and including the Closing date therefor, and, in each case, the most recent date to which interest has been paid until paid. Interest shall accrue on the principal amount of the Series A Notes and the Variable Funding Notes at the end of each day at a rate per annum equal to 2.10% plus the LIBOR Rate, as determined by the Master Servicer and set forth in the Master Servicer's Certificate. Interest shall accrue on the Series C Notes and any subsequent series of Notes at a rate to be determined by the Master Servicer on or before the Closing for such series of Notes. The term "LIBOR Rate" shall mean the rate published in The Wall Street Journal under "Money Rates" (or if such publication shall cease to publish such rate, then the rate published in such other nationally recognized publication as the Trustee may from time to time specify) as the average of the interbank offered rates for U.S. Dollar deposits in the London interbank market for a term of one month, based on quotations at 5 major banks. The LIBOR Rate for each day of a Payment Period shall be the rate so published on the first Business Day of such Payment Period. Interest shall accrue at the Default Rate with respect to the principal amount of any portion of the Notes that is not paid on the Payment Date for such principal (whether due at stated maturity, on demand, upon acceleration or otherwise) until paid in full. Interest shall be calculated daily and shall be computed on the basis of a 360-day year of twelve months of 30 days each.

(c) (i) On each Payment Date, payments of principal of the Notes will be due in an amount equal to the Principal Payment Amount in respect of the aggregate Loans as of such Payment Date.

(ii) (A) If any of the representations or warranties contained in

Section 3 of the Purchase and Sale Agreement shall prove to be, in any material and adverse respect, false, incorrect or misleading as to any Loan, the Issuer, at its expense, shall promptly take such action as is necessary and use its best efforts to cause such false, incorrect or misleading representation or warranty to be, in all material respects, true, correct and not misleading, within 30 days following the giving of written notice to the Issuer by the Trustee of such false, incorrect or misleading representation or warranty (provided, however, that the Trustee shall have no obligation to investigate or determine whether any such representation is false, incorrect or misleading) or following the discovery thereof by the Issuer.

(C)If within the applicable time period set forth in paragraph (A) above the Issuer fails to cure, in all material respects, any such representation or warranty with respect to a Loan which is, in any material respect, false, incorrect or misleading, then, the Issuer shall as soon as possible but in no event later than 60 days following notice or discovery of the false, incorrect or misleading representation or warranty, take all actions necessary or advisable under this Indenture and the Purchase and Sale Agreement to (i) cause the Trustee to redeem (pursuant to the exercise of the Repurchase Option set forth in Section 4(b) of the "Purchase and Sale Agreement"), on a pro rata basis among the outstanding Notes, an aggregate principal amount of the Notes equal to

the outstanding principal amount of the Loan with respect to which the false, incorrect or misleading representation or warranty was made, and to pay accrued interest on such redeemed Notes to the date of redemption or (ii), with the consent of the Holders of at least 66 2/3% of the aggregate outstanding principal amount of the Notes, substitute a new Loan for such Loan. As a condition to granting such consent the Noteholders shall be entitled to conduct a credit review of the proposed substitute substitute Loan.

(iii) The Issuer shall have the right to prepay all, but not less than all, of any series of outstanding Notes at any time after the date on which the aggregate outstanding principal amount of such series of Notes equals or is less than 10% of the initial aggregate principal amount of such series of Notes.

(iv) In the event that, pursuant to the terms of the Purchase and Sale Agreement, the Originator has notified the Issuer that (A) the Originator intends to exercise Unassigned Rights in respect of a Loan and (B) such exercise of Unassigned Rights requires the release of such Loan from the Lien of the Trust Estate hereunder, the Issuer shall have the right to prepay an aggregate outstanding principal amount of the Notes equal to the principal amount of the Loan released hereunder. Upon such prepayment, together with accrued interest on such prepaid Notes to the date of prepayment, the Trustee shall release the related Loan in accordance with Section 8.3 hereof.

(v) All unpaid principal of the Notes shall mature and be immediately due and payable at Stated Maturity.

(vi) Payments of principal (as a result of prepayments or otherwise) to be made will be allocated pro rata among the Notes in the proportion which the outstanding principal amount of each Note bears to the aggregate outstanding principal amount of the Notes of all series as of the first day of the month in which the Payment Date occurs.

(vii) All reductions in the principal amount of a Note effected by payments of installments of principal made on any Payment Date shall be binding upon all future Holders of the Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

(viii) Whenever the entire remaining unpaid principal amount of the Notes will become due and payable on the next Payment Date, the Trustee shall notify the Person in whose name such Note is registered as of the close of business on the Record Date prior to such Payment Date that such final installment is expected to be paid on such Payment Date. Such notice shall be given by the Trustee in the name and at the expense of the Issuer by first-class mail, postage prepaid, mailed no later than the Business Day following the day on which the Trustee receives the Master Servicer's Certificate with respect to such Payment Date. Such notice shall set forth the following information: the fact of such expectation of payment in full, restating the requirement set forth in this Indenture that such payment shall be payable only upon presentation of such Note (or in the case of mutilated, destroyed, lost or stolen Notes, a certificate to that effect and an indemnity (or unsecured agreement of indemnity) as provided in Section 2.8 hereof) on or after the Payment Date therefor at the corporate trust office of the Trustee for payment, the place where such Notes are to be surrendered for payment and that no interest shall accrue on the principal of such Notes for any period after such Payment Date.

(ix) The final installment of principal of any Note made on any Payment Date shall be payable, subject to Section 2.8(b) hereof, only upon presentation of such Note (or in the case of mutilated, destroyed, lost or stolen Notes, a certificate to that effect and an indemnity (or unsecured agreement of indemnity) as provided in Section 2.8 hereof) on or after the Payment Date therefor at the corporate trust office of the Trustee for payment; provided, however, that this requirement of presentation shall not apply to the Purchaser if it furnishes to the Trustee its unsecured agreement of indemnity in the same manner as is permitted by Section 2.8 hereof.

SECTION 2.10 Persons Deemed Owners. The Issuer, the Trustee and the Note Registrar may deem and treat the Person in whose name any Note shall be registered upon the Note Register as the absolute owner of such Note, whether such Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Note and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effective to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the Issuer, the Trustee nor the Note Registrar shall be affected by any notice to the contrary.

SECTION 2.11 Cancellation. All Notes surrendered upon payment of the final installment of principal pursuant to Section 2.9(c) hereof or otherwise surrendered for registration of transfer, conversion or exchange shall be delivered to the Trustee and shall be promptly canceled by it. The Issuer may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer

may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly canceled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section, except as expressly permitted by this Indenture.

SECTION 2.12 Access to List of Noteholders' Names and Addresses. The Note Registrar will furnish or cause to be furnished to the Trustee, the Issuer or any Noteholder promptly after receipt by the Note Registrar of a request therefor from the Trustee, the Issuer or such Noteholder in writing, a list, in such form as the Trustee, the Issuer or such Noteholder may reasonably require, of the primary contacts, names and addresses of the Noteholders as of the most recent Record Date. Every Noteholder by receiving and holding Notes, agrees with the Issuer, the Registrar and the Trustee that neither the Issuer, the Note Registrar nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Noteholders hereunder, regardless of the source from which such information was derived.

SECTION 2.13 Acts of Noteholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by an agent duly appointed in writing, and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and where required to the Issuer. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Issuer if made in the manner provided in this Section 2.13.

(b) The fact and date of the execution by any Noteholder of any such instrument or writing may be proven in any reasonable manner which the Trustee deems sufficient.

(c) The ownership of Notes shall be proven by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Noteholder shall bind every Holder of Notes issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, or omitted to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Notes.

(e) The Trustee may require such additional proof of any matter referred to in this Section 2.13 as it shall deem necessary.

(f) Any Notes owned by the Issuer, the Master Servicer , or any of their respective Affiliates (other than Notes which have been pledged or collaterally assigned by any of them) shall not be considered outstanding for the purposes of determining whether any act of the Noteholders hereunder has been validly taken, whether it shall be providing consent, granting waivers or otherwise.

ARTICLE 3

ISSUANCE OF NOTES

SECTION 3.1 Conditions to Authentication and Delivery of Notes. Following execution and delivery of this Indenture by the Issuer and the Trustee, Notes shall from time to time be executed by the Issuer and delivered to the Trustee for authentication and delivery together with the written order required pursuant to Section 2.5 hereof, and, thereupon, the same shall be authenticated; provided, however, that on or before the authentication and delivery of Notes on the initial Closing Date, and, as a condition to such authentication and delivery, the Trustee, or the Collateral Agent on behalf of the Trustee, shall have received the following:

(i) A List of Loans, certified by an Authorized Officer of the Master Servicer;

(ii) The originals of each Loan Document relating to each Loan;

(iii) If any of the Transaction Documents include an instrument executed by a Hypothecation Borrower or a Consumer, the original instrument endorsed in blank by the Hypothecation Borrower or Consumer, or, if endorsed to the Originator or the Issuer, endorsed in blank by an Authorized Officer of the Originator or the Issuer;

(iv) The originals of all Consumer Financing Document;

(v) If any of the Loan Collateral consists of real estate encumbered by a Mortgage, an original or copy time-stamped by the appropriate recording office of the recorded Mortgage and an original or copy time-stamped by the appropriate recording office of all amendments to such Mortgage and , to the extent obtained by the Originator, a title insurance policy insuring the lien of the mortgage;

(vi) A copy of an officially certified document, dated not more than 30 days prior to the Closing Date (and, if available, confirmed on the Business Day prior to the Closing Date by telegram, telephone or other similar means), evidencing the due organization and good standing of the Issuer;

(vii) A certificate of an Authorized Officer of the Issuer dated as of the Closing Date, certifying that (a) the Issuer is not in Default under this Indenture; (b) the issuance of the Notes applied for will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is a party or by which it or its property is bound or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it or its property may be bound or may be subject; (c) the Issuer is the owner of each Loan Granted to the Trustee; the Issuer has not assigned any interest or participation in any such Loan; and the Issuer has full right to Grant each such Loan to the Trustee; (d) the Issuer has Granted to the Trustee all of its right, title, and interest in each Loan Granted to the Trustee; (e) other than liens created under or pursuant to the Indenture, the Trust Estate is free and clear of any pledge, charge or encumbrance thereon or with respect thereto created by or through the Issuer, and all action on the part of the Issuer to that end has been duly and validly taken; (f) after giving effect to the issuance of the Notes, the aggregate outstanding principal amount of the Notes will not exceed the Note Limit; and (g) all conditions precedent provided in this Indenture relating to the issuance, authentication and delivery of the Notes applied for have been complied with;

(viii) An Opinion of Counsel (or Opinions of Counsel) to the Issuer, addressed to the Trustee and the Purchaser and dated as of the date of authentication of the Notes applied for, in the form attached hereto as Exhibit D;

(ix) A fully executed copy of each of the following agreements:

(A) this Indenture;

(B) the Servicing Agreement;

(C) the Agency Agreements;

(D) the Purchase and Sale Agreement;

(E) the Deposit Account Assignment; and

(F) the Payment Direction Agreement.

(x) A certificate of an Authorized Officer of the Issuer, dated as of the date of authentication of the Notes applied for, that the Issuer has filed or caused to be filed UCC-1 financing statements in the appropriate recording offices executed by the Issuer, as debtor, and naming the Trustee, as secured party, and the Loans and Loan Collateral as collateral;

(xi) Copies of resolutions of the Board of Directors of the Master Servicer approving the execution, delivery and performance of the Servicing Agreement and the transactions contemplated thereby, certified by the Clerk or an Assistant Clerk of the Master Servicer;

(xii) A copy of an officially certified document, dated not more than 30 days prior to the date of authentication of the Notes applied for (and, if available, confirmed on the Business Day prior to such date by telegram, telephone or other similar means), evidencing the due organization and good standing of the Master Servicer in the state of its organization; and

(xiii) Other. Such other documents as may be reasonably requested by the Trustee or the Purchaser. Notwithstanding the foregoing, for each Loan constituting a Participation Interest, in lieu of the foregoing documents, the Trustee, or the Collateral Agent on behalf of the Trustee, shall have received a copy of the Loan Documents and the original participation certificate endorsed in blank by an Authorized Officer of the Originator.

SECTIONVI3.2 Additional Document Deliveries; Post Closing Matters

(a) Within 90 days of the Closing Date, the Issuer shall deliver to the Trustee (or the Collateral Agent) with respect to each Mortgage received by a Hypothecation Borrower from a Consumer and collaterally assigned to the Originator, the original or copy time-stamped by the appropriate recording office of such collateral assignment and an original collateral reassignment of such Mortgage (which may be contained in a blanket reassignment) from the Originator to the Issuer and from the Issuer to the Trustee (which may be contained in one instrument), executed in blank and in form suitable for recording by the Trustee (or the Collateral Agent) at any time an Event of Default exists.

(b) On or before any Closing after the Closing Date, as a condition to the authentication and delivery of Notes on the date of such Closing, the Trustee, or the Collateral Agent on behalf of the Trustee, shall have received
(i) the documents specified in Sections 3.1(i) through 3.1(v) above, and (ii) a certificate of an Authorized Officer of the Issuer dated the date of such Closing, certifying as to the matters set forth in Section 3.1 (vii) above.

(c) Within 90 days of the Closing Date, the Issuer shall cause all lock-box or collection accounts in respect of the Loans or the Loan Collateral which on the Closing Date are owned or in the name of the "Master Servicer" to be transferred to an account or accounts in the name of the Trustee. The Trustee shall not have any obligations with respect to any such account, including, without limitation, any obligation to direct investments in such account or to respond to any inquiry with respect to any such account.

ARTICLE 4

COVENANTS OF THE ISSUER

SECTION 4.1 Payment of Principal and Interest. The Issuer will duly and punctually pay the principal of and interest on the Notes in accordance with the terms of the Notes and this Indenture.

SECTION 4.2 Maintenance of Existence.

(a) Except as permitted by Section 4.2(b), the Issuer will keep in full effect its existence, rights and franchises as a corporation under the laws of the State of its organization and the Issuer or any permitted successor hereunder will obtain and preserve its qualification to do business as a foreign corporation in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes, the Servicing Agreement or any of the Loan Documents. The Issuer at all times shall hold itself out as having an existence separate from that of the Master Servicer, and shall keep books and records separate from those of the Master Servicer.

(b) Any Person into which the Issuer hereunder may be merged or with which it may be consolidated on an involuntary basis, or any Person resulting from any such merger or consolidation to which the Issuer hereunder shall be a party, shall be the successor Issuer under this Indenture without the execution or filing of any paper, instrument or further act to be done on the part of the parties hereto, anything herein, or in any agreement relating to such merger or consolidation, by which any such successor Issuer may seek not to retain certain powers, rights and privileges theretofore obtaining for any period of time following such merger or consolidation, to the contrary notwithstanding.

SECTION 4.3 Protection of Trust Estate. (a) The Issuer will from time to time execute and deliver or cause to be delivered all amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(i) Grant more effectively all or any portion of the Trust Estate;

(ii) maintain or preserve the lien (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of, or protect the validity of any Grant made or to be made by this Indenture;

(iv) preserve and defend title to the Trust Estate and the rights of the Trustee, and of the Noteholders secured thereby, in such Trust Estate against the claims of all Persons and parties; and

(v) pay any and all taxes levied or assessed upon all or any part of the Trust Estate.

(b) The Issuer hereby designates the Trustee its agent and attorney-in-fact to execute, upon the Issuer's failure to do so in a timely manner, any financing statement, continuation statement or other instrument required pursuant to this Section 4.3. Such power of attorney is coupled with an interest and irrevocable, and the Issuer hereby ratifies and confirms all that the Trustee may do by virtue thereof. Such designation shall not be deemed to create a duty in the Trustee to monitor the compliance by the Issuer with the foregoing covenants, and the duty of the Trustee to execute any instrument required pursuant to this Section 4.3 shall arise only if the Trustee has knowledge of the type described in Section 9.1 (e) hereof of any Default by the Issuer in complying with the provisions of this Section 4.3.

SECTION 4.4 Enforcement of Servicing Agreement.

(a) The Noteholders agree that (i) the Issuer and the Trustee are hereby authorized to engage the Master Servicer to service the Loans pursuant to the Servicing Agreement, and (ii) the Trustee shall be entitled to rely on the services of the Master Servicer for purposes of servicing the Loans. Notwithstanding the foregoing, if the Trustee is notified by the Issuer or any of the Noteholders that action is necessary (x) for the enforcement of the Loans and the Loan Collateral, including without limitation, the prompt payment of all principal and interest and all other amounts due thereunder, consistent with the provisions of the Servicing Agreement, or (y) to defend, enforce, preserve and protect the rights and privileges of the Issuer and of the Noteholders under or with respect to the Loans and the related Loan Collateral, or (z) to preserve the Liens of the Loans and the Loan Collateral, the Trustee shall notify the Master Servicer and request that the Master Servicer take such action.

The Issuer will punctually perform and observe all of its obligations and agreements contained in the Servicing Agreement. The Issuer shall cause the Master Servicer to diligently enforce all terms and covenants and to satisfy all conditions of the Servicing Agreement, including, without limitation, the prompt payment of all principal and interest and all other amounts due thereunder. The Issuer at all times shall cause to be defended, enforced, preserved and protected the rights and interests of the Issuer, the Trustee and the Noteholders under or with respect to the Servicing Agreement.

(b) If the Issuer shall have knowledge of the occurrence of an Event of Default under the Servicing Agreement, the Issuer shall promptly notify the Trustee thereof, and shall specify in such notice the action, if any, the Issuer is taking in respect of such Event of Default. If such Event of Default arises from the failure of the Master Servicer to perform any of its duties or obligations under the Servicing Agreement with respect to the Loans securing the Notes, the Issuer may remedy such failure. So long as any such Event of Default under the Servicing Agreement shall

be continuing, the Trustee may, and upon the direction of (i) the Purchaser while the Purchaser is a Holder of Notes, or (ii) the Holders of Notes representing not less than 51% of the then aggregate outstanding principal amount of the Notes (other than Notes owned by the Originator or any Affiliate of the Originator), the Trustee shall terminate all of the rights and powers of the Master Servicer under the Servicing Agreement pursuant to Section 6.1 of the Servicing Agreement. Unless directed or permitted by the Trustee or the Holders of Notes representing not less than 51% of the then aggregate outstanding principal amount of the Notes (other than Notes owned by the Originator or any Affiliate of the Originator), the Issuer may not waive any such Event of Default under the Servicing Agreement or terminate the rights and powers of the Master Servicer under the Servicing Agreement.

(c) Upon any termination of the Master Servicer's rights and powers pursuant to Section 5.1 of the Servicing Agreement, all rights, powers, duties, obligations and responsibilities of the Master Servicer with respect to the related Loans shall vest in and be assumed by a Successor Master Servicer appointed by the Issuer with the consent of (i) the Purchaser, while the Purchaser is a Holder of Notes, and (ii) the then Holders of Notes representing not less than 51% of the then aggregate outstanding principal amount of the Notes (provided, that the Holder of any Notes owned by the Originator or any Affiliate of the Originator shall not be entitled to participate in any consent of the proposed Successor Master Servicer as an affiliate of the Originator), and such Successor Master Servicer shall be the successor in all respects to the Master Servicer in its capacity as servicer with respect to such Loans under the Servicing Agreement. No resignation or termination of the Master Servicer under the Servicing Agreement shall be effective until a Successor Master Servicer has been appointed and assumed the duties of the Master Servicer. Upon such appointment, such Successor Master Servicer shall enter into a servicing agreement with the Issuer and the Trustee, such agreement to be substantially similar to the Servicing Agreement. If, within 15 days after the termination or resignation of the Master Servicer, the Issuer shall not have obtained such a new servicer acceptable to the Noteholders as provided above, the Trustee may appoint, or may petition a court of competent jurisdiction to appoint, a successor servicer to service the Loans. In connection with any such appointment, the Trustee may make such arrangements for the compensation of such successor as it and such successor shall agree, and the Issuer shall enter into an agreement with such successor for the servicing of such Loans, such agreement to be in form and substance satisfactory to the Trustee and (i) the Purchaser while the Purchaser is a Holder of Notes and (ii) the then Holders of Notes representing not less than 51% of the then aggregate outstanding principal amount of the Notes. Any such compensation of the successor servicer shall not be in excess of that payable to the Master Servicer under the Servicing Agreement, unless the Master Servicer or some other Person agrees to pay such additional compensation.

(d) If any of the Noteholders or the Issuer notifies the Trustee that action is necessary in order to defend, enforce, preserve or protect the rights and interests of the Issuer and the Noteholders under or with respect to the Servicing Agreement, the Trustee shall notify the Issuer or the Master Servicer, as the case may be, and direct the notified party to diligently enforce all terms and covenants and satisfy all conditions of the Servicing Agreement. The Trustee may, without the consent of any Noteholder, enter into or consent to any amendment or supplement to the Servicing Agreement for the purpose of increasing the obligations or duties of any party other than the Trustee or the Noteholders. The Noteholders shall be provided with notice of any amendment of the Servicing Agreement pursuant to the preceding sentence. Except as provided above in this paragraph, the Trustee shall not consent or agree to or permit any amendment, modification or waiver of the Servicing Agreement without the prior consent thereto of the Holders of 66-2/3% of the aggregate outstanding principal amount of the Notes (without regard to any Notes owned by the Master Servicer or any of its Affiliates). The Trustee may, in its discretion, decline to enter into or consent to any such supplement or amendment if its own rights, duties or immunities shall be adversely affected.

SECTION 4.5 Books of Account. The Issuer covenants that the books of record and account of the Issuer and, pursuant to the provisions of the Servicing Agreement, the Master Servicer shall at all times be subject to the inspection and use of the Trustee and any Holder of Notes and of their respective agents and attorneys.

SECTION 4.6 Performance of Obligations. The Issuer will punctually perform and observe all of its obligations and agreements under the terms of this Indenture and the Notes. The Issuer will not take any action, and will use its best efforts not to permit any action to be taken by others, which would release any Person's covenants or obligations under any instrument included in the Trust Estate, or which would result in the hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument, except as expressly provided in this Indenture.

SECTION 4.7 Negative Covenants. Except as expressly permitted by this Indenture or contemplated by the Servicing Agreement, the Issuer will not:

(a) sell, transfer, exchange or otherwise dispose of any of the Trust Estate;

(b) claim any credit on, make any deduction from the principal or interest payable in respect of the Notes (other than amounts required to be withheld from such payments under the Code or any other applicable state or federal law) or assert any claim against any present or former Noteholder by reason of the payment of any taxes levied or assessed upon any of the Trust Estate;

(c) engage in any business or activity or create, incur, assume or in any manner become liable on any debt other than in connection with, or relating to, the issuance of the Notes pursuant to this Indenture;

(d) amend the certificate of incorporation of the Issuer without the prior written consent of the Purchaser;

(e) dissolve or liquidate in whole or in part;

(f) consolidate with or merge into any other Person or convey, transfer or lease substantially all of its assets as an entirety to any Person unless

(i) the Person formed by such consolidation or into which the Issuer has been merged or the Person which acquires substantially all of the assets of the Issuer as an entirety is an organization organized under the laws of a state in the United States, can lawfully perform the obligations of the Issuer hereunder and executes and delivers to the Trustee an agreement, in form and substance reasonably satisfactory to the Trustee, which contains an assumption by such successor entity of the due and punctual performance and observance of each representation, warranty, covenant and obligation to be made, performed or observed by the Issuer under this Indenture; and (ii) Noteholders representing 51% of the outstanding principal amount of the Notes consent to such consolidation, merger or transfer of assets;

(g) (i) permit the validity or effectiveness of this Indenture to be impaired or permit the lien of this Indenture with respect to the Trust Estate to be subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations under this Indenture, the Loans or the Loan Collateral, (ii) permit any lien, pledge, charge, adverse claim, security interest, mortgage or other encumbrance (other than liens created under or pursuant to this Indenture) to be created on or extend to or otherwise arise upon or burden the Trust Estate or any part thereof or any interest therein or the proceeds thereof, or (iii) permit the lien of this Indenture not to constitute a perfected security interest in the Trust Estate;

(h) permit any material amendment to the Loan Documents or waive any payment default thereunder;

(i) permit any amendment or modification to the Servicing Agreement; or

(j) permit any amendment or modification to any Consumer Financing Document.

SECTION 4.8 Protection of Security: Power to Issue Notes and Grant Trust Estate; Indenture to Constitute Contract. The Issuer represents, warrants and covenants that:

(a) The Issuer is, and at all times during the term of this Indenture will be, a corporation duly organized and validly existing in good standing under the laws of the State of Delaware; and the Issuer is, and at all times during the term of this Indenture will be, duly qualified to do business as a foreign corporation and in good standing under the laws of each jurisdiction where the character of its property, the nature of its business or the performance of its obligations under this Indenture makes such qualification necessary except where the failure to be so qualified will not have a material adverse effect on the business of the Issuer or its ability to perform its obligations under this Indenture or any other documents or transactions contemplated hereunder or the validity or enforceability of the Loans;

(b) The Issuer holds, and at all times during the term of this Indenture will hold, all material licenses, certificates, franchises and permits from all governmental authorities necessary for the conduct of its business and has received no notice of proceedings relating to the revocation of any such license, certificate, franchise or permit, which singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect its ability to perform its obligations under this Indenture or any other documents or transactions contemplated hereunder or the validity or enforceability of the Loans;

(c) The Issuer has, and at all times during the term of this Indenture will have, all requisite power and authority to own its properties, to conduct its business, to execute and deliver this Indenture and all documents and transactions contemplated hereunder, to perform all of its obligations under this Indenture and any other documents or transactions contemplated hereunder, to issue the Notes and to Grant the Trust Estate in the manner and to the extent provided herein. The Issuer has all requisite power and authority to acquire, own, sell and convey to the Trustee the Trust Estate;

(d) This Indenture, the Notes and all other documents and instruments required or contemplated hereby to be executed and delivered by the Issuer have been duly authorized, executed and delivered by the Issuer and, assuming the due execution and delivery by the other party or parties hereto and thereto, if any, constitute legal, valid and binding agreements enforceable against the Issuer in accordance with their respective terms subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy, insolvency or reorganization of the Issuer and to general principles of equity;

(e) The execution, delivery and performance by the Issuer of this Indenture, the Notes and any other documents and transactions in connection herewith to which the Issuer is a party do not and will not (i) violate any of the provisions of the organizational documents or by-laws of the Issuer; (ii) violate any provision of any law, governmental rule or regulation currently in effect applicable to the Issuer or its properties or by which the Issuer or its properties may be bound or affected, (iii) violate any judgment, decree, writ, injunction, award, determination or order currently in effect applicable to the Issuer or its properties or by which the Issuer or its properties are bound or affected, (iv) conflict with, or result in a breach of, or constitute a default under, any of the provisions of any indenture, mortgage, deed of trust, contract or other instrument to which the Issuer is a party or by which it is bound or
(v) except for the Grant hereunder, result in the creation or imposition of any lien upon any of its properties pursuant to the terms of any such indenture, mortgage, deed of trust, contract or other instrument;

(f) Except for the filing of financing statements and the recording of assignments contemplated hereby, no consent, approval, order or authorization of, and no filing with or notice to, any court or other governmental authority in respect of the Issuer is required in connection with the authorization, execution, delivery or performance by the Issuer of this Indenture, the Notes or any of the other documents or transactions contemplated hereunder;

(g) The Issuer is not in default under any agreement, contract, instrument or indenture to which the Issuer is a party or by which it or its properties is or are bound, or with respect to any order of any court, administrative agency, arbitrator or governmental body which would have a material adverse effect on the transactions contemplated hereunder; and no event has occurred which with notice or lapse of time or both would constitute such a default with respect to any such agreement, contract, instrument or indenture, or with respect to any such order of any court, administrative agency, arbitrator or governmental body;

(h) There is no pending or, to the best of the Issuer's knowledge, threatened action, suit, proceeding or investigation before any court, administrative agency, arbitrator or governmental body against or affecting the Issuer which, if decided adversely, would materially and adversely affect (i) the condition (financial or otherwise), business or operations of the Issuer, (ii) the ability of the Issuer to perform its obligations under, or the validity or enforceability of, this Indenture or any other documents or transactions contemplated under this Indenture, (iii) any Loan Collateral, (iv) the Master Servicer's ability to service the Loans;

(i) No document, certificate or report furnished or required to be furnished by the Issuer pursuant to this Indenture contains or will contain when furnished any untrue statement of a material fact or fails or will fail to state a material fact necessary in order to make the statements contained therein not misleading;

(j) Other than liens created under or pursuant to this Indenture, the Trust Estate is and will be free and clear of any pledge, charge or encumbrance thereon or with respect thereto created by or through the Issuer, and all action on the part of the Issuer to that end has been duly and validly taken;

(k) The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the Grant of the Trust Estate and all the rights of Noteholders under this Indenture against all claims and demands of all Persons whomsoever claiming by, through or under the Issuer (except claims and demands of the Trustee under or pursuant to this Indenture);

(l) The Issuer shall at all times hold itself out to the public, including creditors of the Originator, and carry out its business and conduct its affairs under the Issuer's own name and as a separate and distinct entity from the Originator or any of its Affiliates;

(m) The Issuer shall at all times be responsible for the payment of all its obligations and indebtedness, shall at all times maintain a business office, records, books of account and funds separate from the Originator and shall observe all customary formalities of independent existence;

(n) The Issuer shall make its books and records and the Note Register available to the Noteholders and the Trustee, at their own expense, for purposes of inspection and copying and shall, at the Issuer's expense, furnish, or cause to be furnished, to the Trustee or any Noteholder, promptly after receipt by the Issuer of a request therefor from the Trustee or such Noteholder in writing, a list of the primary contacts, names and addresses of the Noteholders as of the Record Date immediately preceding such request;

(o) As long as any Note is outstanding, the Issuer shall not issue, incur, assume or guarantee any indebtedness or other obligation except for such indebtedness as may be incurred by the Issuer pursuant to this Indenture and related documents or instruments;

(p) Each of the representations and warranties of the Originator set forth in the Purchase and Sale Agreement are true and correct as of the date when made, and the Issuer hereby makes such representations and warranties to the Trustee for the benefit of the Noteholders; and

(q) The Issuer shall provide to each Noteholder (i) within 60 days of the end of each fiscal quarter the unaudited financial statements of the Issuer as of the end of such fiscal quarter, and (ii) within 135 days of the end of each fiscal year of the Issuer, the unaudited financial statements of the Issuer as of the end of such fiscal year.

SECTION 4.9 Maintenance of Offices or Agency. The Issuer will maintain an office or agency, which may be changed in the discretion of the Issuer, within the United States of America at which Notes may be presented or surrendered for payment, Notes may be surrendered for registration of transfer or exchange and notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer hereby initially appoints the Trustee at its corporate trust office such office or agency. The Issuer will give prompt written notice to the Trustee of the location, and of any change in the location, of any such office or agency. If at any time the Issuer shall fail to maintain any such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the corporate trust office, and the Issuer hereby appoints the Trustee at its corporate trust office its agent to receive all such presentations, surrenders, notices and demands.

SECTION 4.10 Further Assurances. The Issuer will execute and deliver, or cause to be executed and delivered, all such additional instruments and do, or cause to be done, all such additional actions as (i) may be necessary or proper, consistent with the Granting Clause hereof, to carry out the purposes of this Indenture and to make subject to the lien hereof any property intended so to be subject, (ii) may be necessary or proper to transfer to any successor trustee the estate, powers, instruments and funds held in trust hereunder and to confirm the lien of this Indenture with respect to any series of the Notes, or (iii) the Trustee may reasonably request for any of the foregoing purposes. The Issuer hereby authorizes the Trustee to execute and file all such financing statements, continuation statements and other documents as the Trustee may deem necessary or advisable to make or keep effective the lien of this Indenture or any supplemental indenture and the priority thereof. The Trustee shall have no duty to monitor compliance by the Issuer with the foregoing covenants or to determine whether the execution or filing of any financing statements or any other document is necessary or advisable in connection with the foregoing.

ARTICLE 5

ACCOUNTS, DISBURSEMENTS AND RELEASES

SECTION 5.1 Collection of Money. Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance from any fiscal agent or other intermediary, pursuant to the terms hereof, all money and other property payable to or receivable by the Trustee pursuant to this Indenture, including all payments due on the Loans, in accordance with the respective terms and conditions of such Loans and the Loan Collateral. Except as otherwise expressly provided herein, the Trustee shall hold all such money and property received by it as part of the Trust Estate and shall apply it as provided in this Indenture.

SECTION 5.2 Payment Account.

(a) On or prior to the Closing Date, the Trustee shall establish and thereafter maintain a separate trust account under the sole control of the Trustee entitled "The Chase Manhattan Bank, as trustee, in trust for the benefit of the holders of the Litchfield Hypothecation Corp. 1998-B Hypothecation Loan Collateralized Notes--Payment Account." The Trustee shall make withdrawals from the Payment Account only as provided in this Indenture. Monies on deposit in the Payment Account shall be invested in accordance with Section 5.4 hereof.

(b) Not later than the Business Day immediately following receipt thereof, the Trustee shall deposit or cause to be deposited into the Payment Account all monies received by the Trustee in respect of the Loans (including all payments, insurance proceeds, condemnation proceeds, recoveries and Servicer Advances, if any) in immediately available funds;

(c) On each Payment Date, the Trustee, in accordance with the Master Servicer's Certificate, shall withdraw and distribute or cause to be distributed all monies received in the related Collection Period on deposit in the Payment Account (including any Investment Income with respect to such monies on deposit in the Payment Account) in the following order of priority:

(i) To the Trustee, all accrued and unpaid fees and reimbursable expenses due and payable to the Trustee pursuant to Section 9.7 hereof;

(ii) If the Master Servicer is not the Originator or an Affiliate of the Originator, to the Master Servicer by wire transfer of immediately available funds, an amount equal to the Servicing Fee due and payable on such Payment Date plus all Servicer Advances made by the Master Servicer on previous Payment Dates to the extent the Master Servicer has not been reimbursed for such Servicer Advances;

(iii) To the Holders of Notes on the Record Date relating to such Payment Date, interest accrued on the Notes in the related Payment Period;

(iv) Pro rata to the Holders of Notes on the Record Date relating to such Payment Date, the Principal Payment Amount due and payable, if any, with respect to the Notes;

(v) If the Master Servicer is the Originator or an Affiliate of the Originator, to the Master Servicer by wire transfer of immediately available funds, an amount equal to the Servicing Fee due and payable on such Payment Date plus all Servicer Advances made by the Master Servicer on previous Payment Dates to the extent the Master Servicer has not been reimbursed for such Servicer Advances; and

(vi) Provided no Payment Default has occurred and is continuing, to the Issuer, all remaining amounts on deposit in the Payment Account, plus all Investment Income, if any, then held in the Payment Account to the extent not needed to make the distributions required by clauses (i) through (v) of this Section 5.2(c);

SECTION 5.3 Servicer Advances. If on the date which is two Business Days prior to a Payment Date, amounts on deposit in the Payment Account are insufficient to make the distributions required to be made on such Payment Date pursuant to paragraphs (iii) and (iv) of Section 5.2 hereof, the Master Servicer shall be required to make a deposit in the amount of such shortfall into the Payment Account (each, a "Servicer Advance") on such date; provided, however, that the Master Servicer shall not be obligated to make any Servicer Advance if the Master Servicer determines that the Master Servicer will not be able to ultimately recover the full amount of such Servicer Advance; and, provided, further that at no time shall outstanding unreimbursed Future Advances in respect of any particular Loan exceed $100,000. The Master Servicer shall be entitled to reimbursement for any Servicer Advance as provided in Section 5.2 hereof.

SECTION 5.4 Investment of Funds. Amounts on deposit in the Payment Account shall, if and to the extent then permitted by law, be invested by the Trustee in Eligible Investments, at the written direction of an Authorized Officer of the Issuer. Such investments shall mature on or before the Business Day preceding the Payment Date following the date of such investment. Net income or gain received and collected from such investments shall be credited and losses charged to the Payment Account.

SECTION 5.5 Repayment to the Issuer from the Accounts. After payment in full of the principal of, interest on, and all other amounts due and payable with respect to the Notes (in accordance with Section 7.1 hereof) and the payment of all fees, reimbursable charges and expenses of or other amounts owed to the Issuer, the Trustee, and the Note Registrar and all other amounts required to be paid hereunder, all amounts remaining in the Payment Account shall be paid to the Issuer on its written order.

SECTION 5.6 Reports to the Noteholders. On each Payment Date, the Trustee will furnish to the Issuer and will include with each distribution to the Noteholders the Master Servicer's Certificate delivered pursuant to Section 3.1(a) of the Servicing Agreement.

ARTICLE 6

[RESERVED]

ARTICLE 7

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.1 Events of Default. Each of the events described in clauses (a) through (l) below shall constitute an "Event of Default" with respect to the Notes (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) The Issuer shall fail to make any payment of principal on the Notes within two Business Days of the day the same becomes due and payable; or

(b) The Issuer shall fail to make any payment of interest on the Notes within two Business Days of the day the same becomes due and payable; or

(c) The Issuer shall fail to observe or perform in any material respects any of the covenants of the Issuer under Sections 4.2, 4.3, 4.4, 4.5, 4.6 or 4.9 hereof, which failure has continued for a period of 30 days; or

(d) The Issuer shall fail to observe or perform its covenants under Section 4.7 hereof; or

(e) Any representation or warranty of the Issuer set forth in
Section 4.8 of this Indenture shall prove to be false in any material respect as of the date when made; or

(f) The Issuer makes an assignment for the benefit of creditors or is generally not paying its debts as such debts become due; or

(g) The Issuer petitions or applies to any tribunal for, or consents to, the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official of the Issuer, or of any substantial part of the assets of the Issuer, or commences a voluntary case under the Bankruptcy Law of the United States or any proceedings relating to the Issuer, under the Bankruptcy Law of any other jurisdiction; or

(h) Any such petition or application is filed, or any such proceedings are commenced, against the Issuer and the Issuer by any act indicates its approval thereof, consent thereto or acquiescence therein, or any order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(i) Any order, judgment or decree is entered in any proceedings against the Issuer decreeing the dissolution of the Issuer and such order, judgment or decree remains unstayed and in effect for more than 60 days; or

(j) A final judgment in an amount in excess of $50,000 is rendered against the Issuer, and within 60 days after entry thereof, such judgment is not discharged or execution thereof stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment is not discharged; or

(k) Any assignment by the Issuer to a delegate of its duties or rights hereunder, except as specifically permitted hereunder, or any attempt to make such an assignment; or

(l) Any occurrence or existence of any Event of Default (as defined in the Servicing Agreement) under the Servicing Agreement.

SECTION 7.2 Acceleration of Maturity. (a) Upon the occurrence and continuance of an Event of Default, (i) if such event is an Event of Default specified in clause (h), (i), (j) or (k) of Section 7.1, all of the Notes at the time outstanding shall automatically become immediately due and payable at par together with interest accrued thereon, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Issuer, and (ii) if such event is any other Event of Default, the Trustee may, and, upon the written request of over 25% in aggregate outstanding principal amount of the Notes (by notice in writing to the Issuer and the Trustee), shall declare all of the Notes to be, and all of the Notes shall thereupon be and become, immediately due and payable together with interest accrued thereon, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Issuer.

(b) At any time after a declaration pursuant to Section 7.2(a), but before any judgment or decree for the payment of monies due shall have been obtained or entered, unless the same has been discharged, and before the Notes have matured by their terms, or as otherwise provided herein, if

all overdue payments of principal and interest upon such Notes, together with the reasonable and proper charges, expenses and liabilities of the Trustee and the Holders of such Notes and their respective agents and attorneys and all other sums then payable by the Issuer under this Indenture (except the principal of and interest accrued since the next preceding Payment Date on such Notes or due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Issuer or provisions satisfactory to the Holders of 51% of the aggregate outstanding principal amount of the Notes shall be made for such payment, and all Events of Default under such Notes and under this Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) have been cured to the satisfaction of the Holders of 51% of the aggregate outstanding principal amount of the Notes or provision deemed by the Holders of 51% of the aggregate outstanding principal amount of the Notes to be adequate has been made therefor, then and in every such case the Holders of 51% of the aggregate outstanding principal amount of the Notes by written notice to the Issuer and to the Trustee, shall have the right, but not be obligated to, rescind such declaration and annul such Event of Default in its entirety. For purposes of the foregoing sentence, the Holders of 51% of the aggregate outstanding principal amount of the Notes shall be determined without regard to any Notes owned by the Originator or any of its Affiliates. No such rescission and annulment shall extend to or affect any subsequent Event of Default or impair or exhaust any right or power consequent thereon.

SECTION 7.3 Enforcement of Remedies. (a) If an Event of Default shall have occurred and be continuing and the Notes have been declared due and payable and such declaration and its consequences have not been rescinded and annulled, the Trustee may, and upon the written request of the Holders of over 25% in aggregate outstanding principal amount of the Notes shall, proceed to protect and enforce its rights and the rights of the Noteholders under the Notes and this Indenture and take one or more of the following actions without limitation:

(i) proceed to protect and enforce its rights and the rights of the Noteholders by appropriate Proceedings whether by the specific enforcement of any covenant or agreement in this Indenture or in the aid of the exercise of any power granted herein, or to enforce any other property remedy;

(ii) institute Proceedings for the collection of all amounts then payable on the Notes, whether by declaration or otherwise, enforce any judgment obtained, and collect any monies adjudged due;

(iii) in accordance with Section 7.13, sell the Trust Estate or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law;

(iv) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Trust Estate; and

(v) exercise any remedies of a secured party under the Uniform Commercial Code and take any other appropriate action or protect and enforce the rights and remedies of the Trustee or the Noteholders hereunder.

(b) In the enforcement of any right or remedy under the Notes or this Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any Event of Default becoming, and any time remaining, due from the Issuer, for principal and interest, or otherwise, under any of the provisions of the Notes or this Indenture, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Notes, together with any and all costs and expenses of collection and of all Proceedings under the Notes or the Indenture, without prejudice to any other right or remedy of the Trustee or the Noteholders and to recover and enforce judgments or decrees against the Issuer, but solely as provided in this Indenture and in the Notes for any amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from moneys available therefor to the extent provided in this Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file such proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Noteholders allowed in any judicial proceeding, relative to the Issuer or its creditors or property.

(c) The Trustee may, and if requested in writing by the Holders of over 51% in aggregate outstanding principal amount of the Notes and furnished with reasonable security and indemnity (an unsecured agreement of indemnity of the Purchaser being deemed sufficient for such purpose), shall, institute and maintain such suits and proceedings or take such other acts as it may be advised shall be necessary or expedient to prevent any impairment of the security under this Indenture or under any Loan Collateral by any acts which may be unlawful or in violation of this Indenture or of such Loan Collateral, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Noteholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of this Indenture.

SECTION 7.4 Application of Money Collected Upon Acceleration. If the Notes have been declared due and payable pursuant to Section 7.2 hereof, any moneys collected by the Trustee pursuant to this Article 7 or otherwise held by the Trustee as part of the Trust Estate shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal of and interest on the Notes upon presentation and surrender thereof:

FIRST: To the payment of amounts due the Trustee pursuant to Section 9.7 hereof including amounts payable to the Trustee acting as Master Servicer;

SECOND: To the payment of all the amounts then due and unpaid upon the Notes for:

(a) all interest payable on the Notes through the Acceleration Date;

(b) interest from the first day following the Acceleration Date to the date of payment in full of the aggregate principal amount of the Notes; and

(c) interest on any overdue installments of interest on the Notes from the due date of any such installments to the date of payment but only to the extent that payment of such interest shall be legally enforceable;

such funds to be allocated in proportion to the total amount of interest otherwise payable on the Notes;

THIRD: To the payment of all amounts then due and unpaid upon the Notes for principal ratably, without preference or priority of any kind;

FOURTH: To the payment of all other amounts to the persons entitled thereto in accordance with this Indenture.

SECTION 7.5 Unconditional Rights of Noteholders To Receive Principal and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Note shall have an absolute and unconditional right to receive payment of the principal of and interest on such Note (subject to Section 2.9 hereof) on or after the respective Payment Dates expressed in such Note, and such right shall not be impaired without the consent of such Holder.

SECTION 7.6 Restoration of Rights and Remedies. If the Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Noteholder, then and in every such case the Issuer, the Trustee and the Noteholders shall, subject to any determination in such proceedings, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

SECTION 7.7 Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise; the assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 7.8 Delay or Omission Not Waiver. No delay or omission of the Trustee or any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every such right and remedy given by this Article 7 or by law to the Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Noteholders, as the case may be.

SECTION 7.9 Control by Noteholders Subject to the provisions of Section 7.2, Section 7.3 and Section 7.7, the Holders of at least 51% of the aggregate outstanding principal amount of the Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to the Notes or exercising any trust or power conferred on the Trustee with respect to the Notes; provided that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture;

(b) the Trustee shall have been provided with indemnity reasonably satisfactory to it;

(c) subject to (d) below, any direction to the Trustee to undertake a sale of the Trust Estate or any part thereof shall be by the Holders of Notes representing not less than 66-2/3% of the aggregate outstanding principal amount of the Notes; and

(d) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction; provided, however, that, subject to Section 9.1 hereof, the Trustee need not take any action which it determines might involve it in liability or may be unjustly prejudicial to the Noteholders not consenting.

SECTION 7.10 Waiver of Past Events of Default. Prior to the time a judgment or decree for payment of the money due has been obtained by the Trustee, as provided in this Article VII, the Trustee may waive any past Event of Default with respect to the Notes and its consequences except an Event of Default (a) in the payment of principal of or interest on any of the Notes or
(b) in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Holder of each Note affected. Upon any such waiver, such Event of Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Indenture. In the case of any such waiver, the Issuer, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

SECTION 7.11 Undertaking for Costs. The Issuer and the Trustee agree, and each Noteholder by such Noteholder's acceptance of a Note shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture undertaken by the Trustee at the direction of the Noteholders, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits

and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 7.11 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Noteholder, or group of Noteholders, holding in the aggregate at least 51% of the aggregate outstanding principal amount of the Notes, or to any suit instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note, which principal or interest is due and payable.

SECTION 7.12 Issuer Waiver of Stay or Extension Laws; Waiver of Jury Trial
(i) The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

(ii) The Issuer and the Trustee each hereby waives the right to trial by jury in any Proceeding of any kind arising out of or in respect of this Indenture or any Note.

SECTION 7.13 Sale of Trust Estate.

(a) The power to effect any sale of any portion of the Trust Estate pursuant to Section 7.3 hereof shall not be exhausted by any one or more sales as to any portion of the Trust Estate remaining unsold, but shall continue unimpaired until either the entire Trust Estate shall have been sold or all amounts payable on the Notes and under this Indenture shall have been paid pursuant to Section 7.4. The Trustee may from time to time postpone any sale by public announcement made at the time and place of such sale. The Trustee hereby expressly waives its right to any amount fixed by law as compensation for any sale; provided, however, that such waiver does not apply to any amounts to which the Trustee is otherwise entitled under Section 9.7 hereof.

(b) The Trustee may bid for and acquire any portion of the Trust Estate in connection with a public sale or, to the extent permitted by law, a private sale thereof, and in lieu of paying cash to the Issuer therefor, may make settlement for the purchase price by applying to the gross sale price in payment therefor the sum of (i) the amount of unpaid principal of and accrued interest on the Notes, and (2) the expenses of the sale and of any proceedings in connection therewith which are reimbursable to it pursuant to Section 9.7 hereof and other amounts due hereunder and secured by the Trust Estate. The Notes need not be produced to complete any such sale. Any Noteholder may bid for and purchase any portion of the Trust Estate at any private or public sale thereof.

(c) The Trustee shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Trust Estate in connection with a sale hereof. In addition, the Trustee is hereby irrevocably appointed an agent and attorney-in-fact of the Issuer to transfer and convey the Issuer's interest in any portion of the Trust Estate in connection with a sale thereof, and to take all action necessary to effect such sale. No purchaser or transferee at such a sale shall have any obligation to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

SECTION 7.14 Action on Notes. The Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Trust Estate or upon any of the assets of the Issuer.

ARTICLE 8

SATISFACTION AND DISCHARGE

SECTION 8.1 Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect except as to (a) rights of registration of transfer and exchange, (d) rights of substitution of new Notes for mutilated, destroyed, lost or stolen Notes, (e) rights of Noteholders to receive payments of principal thereof and interest thereon, (f) the rights, obligations and immunities of the Trustee hereunder, and (g) the rights of Noteholders as beneficiaries hereof with respect to the property so deposited with the Trustee and payable to them, and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) all Notes theretofore authenticated and delivered (other than Notes which have been mutilated, destroyed, stolen and which have been replaced, or paid as provided in Section 2.8 hereof) have been delivered to the Trustee for cancellation; and

(b) the Issuer has delivered to the Trustee an Officer's Certificate stating that there has been compliance with all conditions precedent herein provided for the satisfaction and discharge of this Indenture.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Issuer to the Trustee under Section 9.7 hereof and of the Trustee to the Issuer and the Noteholders, as the case may be, under Section 8.2 hereof and the provisions of Article II hereof with respect to lost, stolen, destroyed or mutilated Notes, registration of transfer and exchange of Notes, and rights to receive payments of principal of or interest on the Notes shall survive.

SECTION 8.2 Application of Trust Money. All moneys deposited with the Trustee pursuant to Article V hereof shall be held in trust by the

Trustee, in its trust capacity and not in its commercial capacity, and applied by the Trustee in accordance with the provisions of the Notes and this Indenture, to the payment to the Holders of the Notes, and, if required hereunder, to the Issuer.

SECTION 8.3 Release of Trust Estate.

(a) Subject to the payment of its fees and expenses pursuant to Section 9.7 hereof and only when and to the extent required by the provisions of this Indenture, the Trustee (or any Collateral Agent on its behalf) shall execute instruments to release property from the lien of this Indenture, or convey the Trustee's interest in the same, in a manner and under circumstances which are not inconsistent with the provisions of this Indenture. No party relying upon an instrument executed by the Trustee as provided in this Article VIII shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(b) The Trustee shall, at such time as there are no Notes outstanding and all sums due the Trustee pursuant to Section 9.7 hereof have been paid, release the Trust Estate from the lien of this Indenture.

(c) Upon receipt of an Officer's Certificate of the Master Servicer substantially in the form of Exhibit E stating either (i) that all payments of principal and interest have been made upon any Loan held by the Trustee, or the Collateral Agent on behalf of the Trustee, hereunder and deposited into the Payment Account or (ii) that the Trustee has received an amount sufficient to prepay a principal amount of the Notes equal to the outstanding principal amount of a Loan in accordance with Section 2.9(c)(ii)(B)(iv) hereof, the Trustee, or the Collateral Agent on behalf of the Trustee, shall promptly release, reassign without representation or recourse and deliver the Loan Documents with respect to such Loan to the Issuer.

ARTICLE 9

THE TRUSTEE

SECTION 9.1 Certain Duties and Responsibilities

(a) Except during the continuance of an Event of Default:

(ii) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties and no others; the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(iii) in the absence of bad faith on its part, the Trustee may conclusively rely upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, including investment instructions received pursuant to Section 5.4 hereof, as to the truth of the statements and the correctness of the opinions expressed therein; but in the case of any such certificates or opinions which by any provision of this Indenture are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform as to form to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture, including, without limitation, Section 9.7, shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) of this
Section 9.1;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by an Authorized Officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be personally liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction received by the Trustee in accordance with the terms of this Indenture from the Holders of at least 51% (or such other percentage as may be required by the terms hereof) of the then aggregate outstanding principal amount of the Notes relating to the time, method and place of conducting any Proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct of, affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

(e) For all purposes under this Indenture, the Trustee shall not be deemed to have notice of any Default or Event of Default (other than an Event of Default described in Sections 7.1(a) or (b) hereof) or a Default or Event of Default under any document included in the Trust Estate, unless

an Authorized Officer of the Trustee has actual knowledge thereof or unless the Trustee has received written notice thereof at the Trust Office and such notice references the Notes generally, the Issuer, the Trust Estate or this Indenture. For purposes of determining the Trustee's responsibility and liability hereunder, whenever reference is made in this Indenture to a Default or an Event of Default, such reference shall be construed to refer only to the Default or the Event of Default of which the Trustee is deemed to have notice pursuant to this Section 9.1(e).

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it, the Trustee having the right to require an indemnity pursuant to subparagraph (g) below.

(g) The Trustee shall not be under any obligation to institute any suit, or to take any remedial Proceeding under this Indenture, or to enter any appearance in or in any way defend any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created, the performance of any of its duties hereunder or in the enforcement of any rights and powers hereunder until it shall be indemnified to its reasonable satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements and against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct, in connection with any action so taken.

(h) Notwithstanding any extinguishment of all right, title and interest of the Issuer in and to the Trust Estate following an Event of Default and a consequent declaration of acceleration of the maturity of the Notes, whether such extinguishment occurs through a sale of the Trust Estate to another person, the acquisition of the Trust Estate by the Trustee or otherwise, the rights, powers and duties of the Trustee with respect to the Trust Estate (or the proceeds thereof) and the Noteholders and the rights of the Noteholders shall continue to be governed by the terms of this Indenture.

(i) The Trustee shall keep and maintain proper books of record and accounts relating to the Notes in which full, true and correct entries will be made of all dealings or transactions of the Trustee in relation to the Notes, the Accounts and the Issuer. The Trustee shall keep such books of record and accounts available for inspection by the Issuer or by any Holder of Notes during reasonable business hours and under reasonable circumstances. For purposes of preparing such books and records, the Trustee is authorized to retain outside accountants at the expense of the Issuer.

SECTION 9.2 Notice of Events of Default. Promptly after the Trustee shall have notice of the occurrence of any Default or Event of Default, the Trustee shall transmit by mail to all Holders and the Issuer notice of such Event of Default known to the Trustee.

SECTION 9.3 Certain Rights of the Trustee. Except as otherwise expressly provided in Section 9.1 hereof:

(a) in the absence of bad faith or negligence the Trustee conclusively may rely on and shall be protected in acting or refraining from acting when doing so, in each case in accordance with any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by the Trustee to be genuine and to have been signed or presented by the proper party or parties, and the Trustee need not investigate any facts stated therein;

(b) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(c) before the Trustee acts or refrains from acting, it may require an Officer's Certificate or Opinion of Counsel, or both, and the Trustee shall not be liable for any action it takes, suffers or omits in reliance on either thereof; the Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of the legality of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon;

(d) the Trustee shall not be under any obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Noteholders pursuant to this Indenture, unless such Noteholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(e) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Trustee in its discretion may make such further inquiry or investigation into such facts or matters as it may see fit, and if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled, on reasonable prior notice to the Issuer, to examine the books, records and premises of the Issuer, personally or by agent or attorney, during the Issuer's normal business hours; provided that the Trustee shall and shall cause its agents to hold in confidence all such information except to the extent disclosure may be required by law and except to the extent that the Trustee, in its sole judgment, may determine that such disclosure is consistent with its obligations hereunder;

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(g) the Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within the rights or powers conferred upon it by this Indenture;

(h) to the extent a Person other than the Trustee is appointed by the Issuer to act as Note Registrar, such Person shall be an agent of the Issuer, and the Trustee shall not be liable or responsible by reason of any act or omission of any such Person; and

(i) the Trustee shall not be responsible for recalculating , recomputing, or verifying any information provided to it by the Master Servicer or any Sub-Servicer.

SECTION 9.4 Not Responsible for Recitals or Issuance of Notes. The recitals contained herein and in the Notes, except any such recitals relating to the Trustee, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee shall not be responsible for and makes no representation as to the validity or sufficiency of this Indenture, the Notes or the Trust Estate. The Trustee shall not be accountable for the Issuer's issue of the Notes or application of the proceeds thereof or for any money paid to the Issuer or upon the Issuer's direction under any of the provisions of this Indenture. The Trustee is not responsible for the use or application of any moneys by any agent other than the Trustee, including, without limitation, the Master Servicer. The Trustee shall not be responsible for any statement in the Notes or in any other document prepared, executed or delivered in connection with the sale and issuance of the Notes or the execution and delivery of this Indenture except its certificate of authentication.

SECTION 9.5 May Hold Notes. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer with the same rights it would have if it were not Trustee.

SECTION 9.6 Money Held in Trust. Money held by the Trustee in trust hereunder will be held
by the Trustee in its trust capacity and not in its commercial capacity, in a segregated account in accordance with the Indenture. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Issuer and except to the extent of income or other gain on Eligible Investments which are obligations of the Trustee (excluding obligations of Affiliates of the Trustee) and income or other gain actually received by the Trustee on Eligible Investments which are obligations of a third party.

SECTION 9.7 Compensation and Reimbursement

(b) The Issuer agrees:

(4) subject to any separate written agreement with the Trustee, to pay the Trustee from time to time reasonable compensation for all services rendered by it or any of its agents, including, without limitation, the Collateral Agent (each, the "Trustee" for the purposes of this Section 9.7 (a)) hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(5) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture; and

(6) to indemnify the Trustee for, and to hold the Trustee harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust (other than taxes, penalties or other liabilities arising in connection with the Trustee's failure to withhold from payments with respect to the Notes amounts required to be withheld under the Code, or the Trustee's withholding from such payments amounts not required or permitted to be withheld under the Code), including the reasonable costs and expenses, including reasonable attorneys' fees, of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder; provided that:

(j) with respect to any such claim, the Trustee shall have given the Issuer written notice thereof promptly after the Trustee shall have knowledge thereof, provided, however, that the failure of the Trustee to so notify the Issuer shall not relieve the Issuer of its obligations pursuant to this subparagraph;

(v) the Issuer shall assume the defense of any such claim, provided that if the Issuer shall not have employed counsel reasonably satisfactory to the Trustee to direct the defense of such claim within a reasonable time after such notice of the claim pursuant to paragraph (i) above, the Trustee shall have the right to direct the defense of such claim;

(vi) the Trustee shall have the right to employ separate counsel with respect to any claim and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Trustee unless the payment of such counsel has been specifically authorized by the Issuer; provided further, however, that if the Trustee shall assume the defense of any claim as a result of the Issuer's failure to assume the defense of such claim as described in paragraph (ii) above, the Issuer shall pay the reasonable fees and expenses of Trustee's counsel in connection with the defense of such claim; and

(vii) notwithstanding anything to the contrary in this
Section 9.7(a)(3), the Issuer shall not be liable for settlement of any such claim by the Trustee entered into without the prior consent of the Issuer.

Nothing in this Section 9.7 shall be construed to limit the exercise by the Trustee of any right or remedy permitted under this Indenture or otherwise in the event of the Issuer's failure to pay any sums due the Trustee pursuant to this Section 9.7.

(b) The provisions of this Section 9.7 shall govern all other provisions of this Indenture regarding the payment of the fees and expenses of the Trustee.

(c) To secure the Issuer's payment obligations under this Section 9.7, the Trustee shall have a lien prior to the Noteholders on the Trust Estate, except with respect to such moneys as are held in trust to pay principal of and interest on particular Notes. Such lien shall survive the satisfaction and discharge of this Indenture.

(d) The payment obligations of the Issuer under this Section 9.7 shall survive the satisfaction and discharge of this Indenture.

SECTION 9.8 Trustee Eligibility. The Trustee shall be a corporation or national banking association or trust company organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $250,000,000, subject to supervision or examination by any federal or state banking authority (except as provided in Section 9.9 hereof). If such Trustee publishes reports of condition annually, or more frequently, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 9.8, the combined capital and surplus of such corporation shall be deemed to be the respective amount set forth in its most recently published report of condition. The Trustee shall provide copies of such reports to the Issuer or any Noteholder upon request at the requesting party's expense. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 9.8, it shall resign immediately in the manner and with the effect hereinafter specified in this Article IX.

SECTION 9.9 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor trustee pursuant to this Article IX shall become effective until the acceptance of appointment by the successor trustee under Section 9.10 hereof. Any successor Trustee appointed hereunder is subject to the approval of the Holders of at least 51% of the aggregate outstanding principal amount of the Notes, which approval, in neither case, shall be unreasonably withheld or delayed.

(b) The Trustee or any trustee hereafter appointed may resign at any time by giving written notice of resignation to the Issuer, and by mailing notice of resignation by first-class mail, postage prepaid, to all of the Noteholders, at their addresses appearing on the Note Register. Upon receiving notice of resignation of the Trustee, the Issuer shall promptly appoint a successor trustee, by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee or trustees. The Trustee shall serve as trustee hereunder until a successor trustee shall have been appointed and shall have accepted such appointment; provided, however, that if no successor trustee shall have been appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee may, or any

Noteholder who has been a bona fide Holder for at least six months may on behalf of himself or herself and all others similarly situated, petition any such court of competent jurisdiction for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(c) If at any time:

(i) the Trustee shall cease to be eligible under Section 9.8 hereof and shall fail to resign, after written request therefor by the Issuer or by any Noteholder who has been a bona fide Holder for at least six months; or

(b) (A) the Trustee shall become incapable of acting, (B) a court having jurisdiction in the premises in respect of the Trustee in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, shall have entered a decree or order granting relief or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) for the Trustee or for any substantial part of the Trustee's property, or ordering the winding-up or liquidation of the Trustee's affairs, provided any such decree or order shall have continued unstayed and in effect for a period of 60 consecutive days or (C) the Trustee commences a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or consents to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for the Trustee or for any substantial part of the Trustee's property, or makes any assignment for the benefit of creditors or fails generally to pay its debts as such debts become due or takes any corporate action in furtherance of any of the foregoing; then, in any such case the Issuer hereby agrees with the Noteholders that it shall remove the Trustee by written request and appoint a successor trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or any Noteholder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and for the appointment of a successor trustee. Such court may hereupon, after such notice, if any, as it may prescribe, remove the Trustee and appoint a successor trustee.

(d) The Trustee may also be removed at any time by act of the Holders of at least 51% of the aggregate outstanding principal amount of the Notes.

(e) The Issuer shall give notice of the resignation or removal of the Trustee by mailing notice of such event by first-class mail, postage prepaid, to the Holders of the Notes as their names and addresses appear in the Note Register. Each notice shall include the name of the successor trustee and the address of its trust division or department. The notice required by this paragraph (e) may be given at the same time as the notice required by Section 9.10.

SECTION 9.10 Acceptance of Appointment by Successor. Every successor trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and its predecessor trustee an instrument accepting such appointment hereunder. Upon the delivery and execution of the required instruments, the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, need or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor hereunder. Notwithstanding the foregoing, on request of the Issuer or the successor trustee, such predecessor trustee shall, upon payment of its then unpaid charges due and payable under Section 9.7 hereof, execute and deliver an instrument transferring to such successor trustee all of the rights, powers and trusts of the predecessor trustee and shall duly assign, transfer and deliver to such successor trustee all property and money held by such predecessor trustee hereunder. Upon request of any such successor trustee, the Issuer shall execute any and all instruments providing for more full and certain vesting in and confirming to such successor trustee all such rights, powers and trusts of this Indenture.

Upon acceptance of appointment by a successor trustee as provided in this
Section 9.10, the Issuer shall mail notice thereof by first-class mail, postage prepaid, to the Holders at the Holders' addresses appearing upon the Note Register. If the Issuer fails to mail such notice within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Issuer.

Any successor trustee must, at the time of such successor's acceptance of its appointment, meet the eligibility requirements set forth in this Article IX, and otherwise exercise the rights, remedies, powers and authority of the predecessor trustee with respect to the Trust Estate.

Notwithstanding the replacement of the Trustee or any successor trustee pursuant to the provisions of this Indenture, the Issuer's obligations set forth in Section 9.7 hereof shall survive such replacement and continue for the benefit of the resigning or replaced trustee.

SECTION 9.11 Merger, Conversion, Consolidation or Succession to Business of Trustee. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided such corporation shall be otherwise qualified and eligible under this Article IX. In case any Notes have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may deliver the Notes so authenticated with the same effect as if such successor trustee had itself authenticated such Notes.

SECTION 9.12 Co-trustees and Separate Trustees. The Trustee shall have power, with the consent of the Holders of Notes representing at least 51% of the then aggregate outstanding principal amount of the Notes, to appoint, one or more Persons approved by the Issuer either to act as Collateral Agent or co-trustee of all or any part of the Trust Estate, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. The Issuer hereby directs the Trustee to appoint BankBoston as the initial Collateral Agent pursuant to the Collateral Agent Agreement. If the Issuer does not approve such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default has occurred and is continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument from the Issuer be required by any Collateral Agent, co-trustee or separate trustee so appointed for more fully confirming to such Collateral Agent, co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Issuer.

Every Collateral Agent, co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

3. The Notes shall be authenticated and delivered and all rights, powers, duties and obligations hereunder in respect of the custody of securities or cash held by or required to be deposited with the Trustee in an Account hereunder, shall be exercised, solely by the Trustee.

4. The rights, powers, duties and obligations hereby conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such Collateral Agent, co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such Collateral Agent, co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such Collateral Agent, co-trustee or separate trustee.

3. The Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Issuer, may accept the resignation of or remove any Collateral Agent, co-trustee or separate trustee appointed under this
Section 9.12, and, in case an Event of Default has occurred and is continuing, the Trustee shall have power to accept the resignation of, or remove, any such Collateral Agent, co-trustee or separate trustee without the concurrence of the Issuer. Upon the written request of the Trustee, the Issuer shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any Collateral Agent, co-trustee or separate trustee so resigned or removed may be

appointed in the manner provided in this Section 9.12.

4. No Collateral Agent, co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee hereunder.

5. Any act of Noteholders delivered to the Trustee shall be deemed to have been delivered to each such Collateral Agent, co-trustee and separate trustee.

ARTICLE 10

AMENDMENTS

SECTION 10.1 Amendments Without Consent of Noteholders. Without the consent of, or notice to, the Holders of any Notes, the Issuer and the Trustee, may amend this Indenture at any time and from time to time for any of the following purposes:

(a) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property; or

(b) to evidence the succession, in compliance with the provisions of
Section 4.2(b) hereof, of another person to the Issuer, and the assumption by any such successor of the covenants of the Issuer contained herein and in the Notes; or

(c) to add to the covenants of the Issuer or the Trustee, for the benefit of the Noteholders, or to surrender any right or power herein conferred upon the Issuer; or

(d) to convey, transfer, assign, mortgage or pledge any property to the Trustee to constitute additional Trust Estate; or

(e) to cure any ambiguity, correct or supplement any provision herein which may be defective or inconsistent with any other provisions herein or amend any other provisions with respect to matters or questions arising under this Indenture, provided that such action shall not adversely affect the interests of the Holders; or

(f) to evidence and provide for the acceptance of appointment hereunder by a successor trustee or note registrar, pursuant to the requirements of Sections 9.9 or 9.10 hereof.

The Trustee is hereby authorized to join in the execution of any such amendment and to make any further appropriate agreements and stipulations which may be therein contained or required.

SECTION 10.2 Amendments With Consent of Noteholders . With the consent of the Holders of at least 66-2/3% of the aggregate outstanding principal amount of the Notes delivered to the Issuer and the Trustee, the Issuer, pursuant to a written request, and the Trustee may amend this Indenture for the purpose of adding to, changing or eliminating any of the provisions of this Indenture or of modifying the rights of Holders under this Indenture; provided, however, that no such amendment shall, without the consent of the Holder of each outstanding Note:

(2) change the maturity of the principal of, or any installment of principal of or interest on, any Note, or reduce the principal amount thereof, the interest rate thereon, or change the provisions of this Indenture relating to the application of the Trust Estate to payment of principal of Notes, or change any place of payment where, or the coin or currency in which, the principal of or the interest of any Note is payable, or impair the right to institute Proceedings for the enforcement of the provisions of the Indenture requiring the application of funds available therefor, as provided in Article VII, to the payment of any amount due on the Notes on or after the maturity thereof; or

(2) reduce the percentage of the aggregate outstanding principal amount of the Notes, the consent of the Holders of which is required for any amendment, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture; or modify or alter the provisions of the proviso to the definition of the term "outstanding"; or

(3) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of a Trust Estate or terminate the lien of this Indenture on any property at any time subject hereto or deprive any Holder of the security afforded by the lien of this Indenture except as expressly otherwise permitted hereby; or

(4) reduce the percentage of the aggregate outstanding principal amount of the Notes, the consent of the Holders of which is required to direct the Trustee to sell the Trust Estate pursuant to Section 7.13 hereof; or

(5) modify any of the provisions of this Section 10.2, except to increase any percentage specified herein or to provide that certain additional provisions of this Indenture cannot be modified or waived without the consent of each Holder of an outstanding Note affected thereby; or

(6) modify any of the provisions of this Indenture in such a manner as to affect the calculation of the amount of any payment of interest or Principal Payment Amount due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation).

Promptly after the execution by the Issuer and the Trustee of any amendment pursuant to this Section, the Trustee shall mail to the Holders a notice setting forth in general terms the substance of such amendment. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

SECTION 10.3 Effect of Amendment. Upon the execution of any amendment of this Indenture pursuant to the provisions hereof, this Indenture shall be, and be deemed to be, modified and amended in accordance therewith with respect to each Note and the respective rights, limitations, obligations, duties, liabilities and immunities under this Indenture of the Trustee, the Issuer and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such amendment shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 10.4 Reference in Notes to Amendments. Notes authenticated and delivered after the execution of any amendment of this Indenture pursuant to this Article X may, and, if required by the Issuer shall, bear a notation in form approved by the Trustee as to any matter provided for in such amendment. If the Issuer shall so require, new Notes so modified as to conform, in the opinion of the Trustee and the Issuer, to any such amendment may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for outstanding Notes.

ARTICLE 11

MISCELLANEOUS

SECTION 11.1 Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents. Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Any certificate or opinion may be based, insofar as it relates to legal matters, upon an opinion of, or representations by, counsel, unless the Issuer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any Officer's Certificate or Opinion of Counsel may be based, without independent investigation, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by the Trustee or other appropriate Person, stating that the information with respect to such factual matters is in the possession of the Issuer, the Trustee or other appropriate Person, as the case may be, unless such Person knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous. Any opinion of counsel may be based upon such assumptions as shall be deemed appropriate by counsel rendering such Opinion of Counsel.

In connection with any application, certificate or report to the Trustee, whenever this Indenture provides that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any terms hereof, it is intended that the truth and accuracy of the facts and opinions stated in such document, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article IX hereof or to impose a duty on the Trustee to ascertain such truth or inaccuracy.

Whenever this Indenture provides that the absence of the occurrence and continuation of a Default or Event of Default as a condition precedent to the taking of any action by the Trustee at the request or direction of the Issuer, then, notwithstanding that the satisfaction of such condition is a condition precedent to the Issuer's right to make such request or direction, the Trustee shall be protected in acting in accordance with such request or direction if it does not have knowledge of the occurrence and continuance of such Default or Event of Default as provided in Section 9.1(e) hereof.

SECTION 11.2 Notices, etc., to Parties. All notices, requests or other communications desired or required to be given under this Indenture shall be in writing and shall be sent by (a) certified or registered mail, return receipt requested, postage prepaid, (b) national prepaid overnight delivery service, (c) telecopy or other facsimile transmission (following with hard copies to be sent by national prepaid overnight delivery service) or (d) personal delivery with receipt acknowledged in writing, as follows:

(a) If to the Trustee:

The Chase Manhattan Bank 450 West 33rd Street
New York, New York 10001 Attention: Global Trust Services, Structured Finance Services

(b) If to the Issuer:

Litchfield Hypothecation Corp. 1998-B c/o Litchfield Financial Corporation 430 Main Street
Williamstown, MA 01267
Attention: President

with a copy of any letter, notice, communication or direction hereunder to the Originator at the address set forth below.

(c) If to the Purchaser:

BankAtlantic, a Federal Savings Bank 1750 East Sunrise Boulevard Fort Lauderdale, Florida 33304-3013 Attention: Marcia K. Synder

(d) If to the Originator or the Master Servicer:

Litchfield Financial Corporation 430 Main Street
Williamstown, MA 01267
Attention: President

(f) Notices required under this Indenture to be sent to the Noteholders shall in addition be sent to the Issuer. All notices shall be deemed given when actually received or refused by the party to whom the same is directed (except to the extent sent by certified or registered mail, return receipt requested, postage prepaid, in which event such notice shall be deemed given three days after the date of mailing). Each party may designate a change of address or supplemental addressee(s) by notice to the other parties, given at least 15 days before such change of address is to become effective. Any notice received from any Noteholder by any party listed in this Section 11.2 shall be promptly transmitted by such party to all other parties listed in this Section 11.2.

SECTION 11.3 Notices and Information to Noteholders; Waiver. Upon the request of any Noteholder holding 51% or more of the aggregate outstanding principal amount of all Notes, the Trustee shall deliver promptly to such Noteholder such information with respect to the Loan Collateral as such Noteholder shall request.

Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid, to each Noteholder affected by such event, at its address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice which is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 11.4 Effect of Headings and Table of Contents. The Article and
Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 11.5 Successors and Assigns. All covenants and agreements in this Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

. SECTION 11.6 Severability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 11.7 Legal Holidays. If any Payment Date or other date for the payment of principal of or interest on any Note is proposed to be paid, or any date on which mailing of notices by the Trustee to any Person is required pursuant to any provision of this Indenture, shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment or mailing of such notice need not be made on such date, but may be made or mailed on the next succeeding Business Day with the same force and effect, and in the case of payments, but no interest shall accrue for the period from and after the date on which such payment was due to the next succeeding Business Day when paid.

SECTION 11.8 Governing Law. This Indenture, each indenture supplemental hereto and each Note shall be construed in accordance with and governed by the laws of the State of New York, without regard to the conflict-of-law provisions thereof.

SECTION 11.9 Counterparts. This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to

be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 11.10 Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording office, such recording is to be effected by the Issuer at its expense.

SECTION 11.11 Limited Obligations. No recourse for obligations hereunder or any other obligation running directly for the benefit of the Trustee may be taken, directly or indirectly, against (i) any holder of a beneficial interest in the Issuer, (ii) any partner, beneficiary, agent, officer, director, employee, or successor or assign of a holder of a beneficial interest in the Issuer, or (iii) any incorporator, subscriber to the capital stock, stockholder, officer, director or employee of the Trustee with respect to the predecessor or successor of the Trustee with respect to the Issuer's obligations with respect to the Notes or the obligation of the Issuer or the Trustee under this Indenture or any certificate or other writing delivered in connection herewith or therewith.

SECTION 11.12 Inspection. The Issuer agrees that, on reasonable prior notice, during the Issuer's normal business hours it will permit any representative of the Trustee or any Noteholder to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited by independent accountants selected by the Issuer with the consent of (i) the Purchaser, so long as it owns any Notes, and (ii) the Holders of not less than 51% of the aggregate outstanding principal amount of the Notes; and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees and independent accountants all at such reasonable times and as often as may be reasonably requested; provided that the Issuer shall be entitled to have its representatives present at any such discussion. The Trustee and the Purchaser shall hold, and shall cause their respective representatives to hold, in confidence all such information except to the extent disclosure may be required by law and except to the extent that the Trustee or the Purchaser, in its respective sole judgment, may determine that such disclosure is consistent with its obligations hereunder. Any expenses incident to the exercise by the Trustee or a Noteholder of any right under this Section 11.12 shall be borne by the Issuer.

SECTION 11.13 Usury. The amount of interest payable or paid on any Note under the terms of this Indenture shall be limited to any amount which shall not exceed the maximum nonusurious rate of interest permitted by the applicable laws of the State of New York (or the laws of any other jurisdiction determined to be applicable laws of the United States permitting a higher maximum nonusurious rate that preempts such applicable New York (or other) laws, which could lawfully be contracted for, charged or received (the "Highest Lawful Rate")). In the event any payment of interest on any Note exceeds the Highest Lawful Rate, the Issuer stipulates that such excess amount will be deemed to have been paid as a result of an error on the part of both the Trustee, acting on behalf of the Holder, and the Issuer, and the Holder receiving such excess payment shall promptly, upon discovery of such error or upon notice thereof from the Issuer or the Trustee, refund the amount of such excess or, at the option of the Trustee, apply the excess to the payment of principal of such Note, if any, remaining unpaid. In addition, all sums paid or agreed to be paid for the use, forbearance or detention of money shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such Notes.

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture to be duly executed by their duly authorized officers all as of the day and year first above written.

THE CHASE MANHATTAN BANK,
as Trustee

By: /s/ Cynthia Kerpen
Title: Assistant Vice President

Title:

LITCHFIELD HYPOTHECATION CORP. 1998-B

By: /s/ Heather A. Sica
Title: Executive Vice President

Exhibit 10.175 SERVICING AGREEMENT, dated as of June 1, 1998 (the "Agreement"), by and among LITCHFIELD HYPOTHECATION CORP. 1998-B, a corporation organized and existing under the laws of the State of Delaware (herein, together with its successors and assigns, called the "Issuer"), LITCHFIELD FINANCIAL CORPORATION, a corporation organized and existing under the laws of the Commonwealth of Massachusetts (herein, together with its successors and assigns, called the "Master Servicer"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as trustee (the "Trustee").

PRELIMINARY STATEMENT

WHEREAS, the Issuer has entered into an Indenture of Trust (the "Indenture") dated as of the date of this Agreement with the Trustee, as trustee, pursuant to which the Issuer shall issue its Hypothecation Loan Collateralized Notes (collectively, the "Notes"), on the terms and in the amounts described therein. Pursuant to the Indenture, as security for the indebtedness represented by the Notes, the Issuer is and will be Granting to the Trustee on behalf of the Noteholders, the Trust Estate, which includes, among other things, the Loans and the Loan Collateral, its rights under this Agreement, the Payment Account and all proceeds of the foregoing.

WHEREAS, the parties desire to enter into this Agreement to provide, among other things, for the servicing of the Loans and Loan Collateral by the Master Servicer. The Master Servicer acknowledges that, in order to further secure the Notes, the Issuer is and will be Granting to the Trustee, among other things, this Agreement, and the Master Servicer agrees that all covenants and agreements made by the Master Servicer herein with respect to the Loans securing the Notes shall also be for the benefit and security of the Trustee and the Noteholders. For its services hereunder, the Master Servicer will receive the Servicing Fee.

NOW THEREFORE, in consideration of the premises and the mutual agreements hereinafter set forth, the Issuer, the Servicer and the Trustee agree as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.1. Defined Terms.

(a) For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Appendix A hereto which is incorporated by reference herein. All other capitalized terms used herein shall have the meanings specified herein.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained in this Agreement or in any such certificate or other document shall control.

(d) The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section and Exhibit references contained in this Agreement are references to Sections and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation".

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

(f) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

ARTICLE 2

ADMINISTRATION AND SERVICING OF LOANS

SECTION 2.1. The Master Servicer to Act as the Servicer.

(a) Engagement of the Master Servicer. The Master Servicer is hereby authorized to and shall service and administer the Loans and Loan Collateral in accordance with the terms of this Agreement. Subject to the provisions herein, including, without limitation, Sections 2.6 hereof and subject to the Master Servicer's obligations and the covenants of the Issuer under the Indenture, the Master Servicer shall have full power and authority, acting alone and subject only to the specific requirements and prohibitions of this Agreement, to do and take any and all actions, or to refrain from taking any such actions and to do any and all things in connection with such servicing and administration which it may deem necessary or desirable, including, without limitation, calculating and compiling information required in connection with any report to be delivered pursuant to this Agreement. Without limiting the generality of the foregoing, but subject to the provisions of the Indenture and this Agreement, the Master Servicer is hereby authorized and empowered by the Issuer to execute and deliver, in the Master Servicer's own name, on behalf of the Issuer and Trustee, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Loans and the Loan Collateral, including, without limitation, consenting to sales, transfers or encumbrances of the Loan Collateral or assignments and assumptions of the Loans, all in accordance with the terms of the Loans and the Loan Collateral. The Master Servicer agrees that (i) its servicing of the Loans and Loan Collateral shall be carried out in accordance with prudent, customary and usual procedures of financial institutions which service loans and collateral similar to the Loans and Loan Collateral and, (ii) to the extent more exacting, the procedures which the Master Servicer would use if the Loans were owned by the Master Servicer (the "Servicing Standard").

(b) List of the Master Servicer's Officers. Promptly after the execution and delivery of this Agreement, the Master Servicer shall deliver to the Issuer and the Trustee a list of officers of the Master Servicer involved in, or responsible for, the administration and servicing of the Loans and the Loan Collateral, which list shall from time to time be updated by the Master Servicer on request of the Trustee.

(c) Actions to Perfect Security Interests. The Master Servicer shall promptly take all actions that are necessary or desirable to maintain continuous perfection and priority of the security interests granted by the Hypothecation Borrowers in the Loan Collateral subject to the terms of the Indenture and this Agreement, including, but not limited to, obtaining the execution by the Hypothecation Borrowers and Consumers and the recording, registering, filing, re-recording, re-registering and refiling of all mortgages, assignments, security agreements, financing statements, continuation statements or other instruments as are necessary to maintain the security interests granted by the Hypothecation Borrowers under the respective Loans. Without limiting the foregoing, the Master Servicer shall file or cause to be filed the financing statements on Form UCC-1 and assignments of financing statements on Form UCC-3 required to be filed in connection with the Purchase and Sale Agreement and the Indenture relating to the Loans and the transactions contemplated thereby.

(d) Servicer Advances. The Master Servicer hereby agrees to make Servicer Advances at the times and in the amounts specified in Section 5.3 of the Indenture. The obligation of the Master Servicer shall be subject to the provisions of said Section 5.3 of the Indenture.

(e) Limitation on the Master Servicer's Obligations. Notwithstanding anything to the contrary herein, other than Section 4.3(e) hereof, the Master Servicer may but shall not be obligated to incur any cost or expense (whether for maintaining insurance, protecting or maintaining collateral, or otherwise) if the Master Servicer, in its reasonable discretion, determines that such advances may not be recovered from the Hypothecation Borrowers.

SECTION 2.2. Collection of Loan Payments and Remittances; Protection of Loan Collateral; Payment Account.

(a) Collection of Payments; Protection of Loan Collateral. The Master Servicer shall perform (or shall cause a Sub-Servicer to perform) the following servicing, collection supervision and collateral protection activities:

(1) perform standard accounting services and general recordkeeping services with respect to the Loans and Loan Collateral;

(2) respond to any telephone and written inquiries of Hypothecation Borrowers and Consumers concerning the Loans and Loan Collateral;

(3) keep Hypothecation Borrowers and Consumers informed of the proper place and method for making payments with respect to the Loans and Consumer Receivables;

(4) contact Hypothecation Borrowers and Consumers to effect collection and to discourage delinquencies in the payment of Loans and Consumer Receivables, doing so by any lawful means, including, but not limited to, the following:

(i) transmittal of routine past due notices;

(ii) preparing and mailing collection letters;

(iii) contacting delinquent Hypothecation Borrowers and Consumers by telephone to encourage payment;

(iv) transmittal of reminder notices to delinquent Hypothecation Borrowers and Consumers; and

(v) initiating and pursuing termination or foreclosure actions deemed necessary by the Master Servicer;

(5) be responsible for the receipt and disbursement of monies paid by Hypothecation Borrowers and Consumers as follows:

(i) the receipt and collection of all amounts due and payable with respect to each Loan and the proceeds of any Loan Collateral, including all monies remitted by Consumers with respect to Consumer Receivables forming a part of the Loan Collateral; in connection herewith the Master Servicer shall use its best efforts to cause the collection of all payments called for under the terms and provisions of each Loan and Consumer Receivable, and shall use its best efforts to cause each Hypothecation Borrower to make all payments required to be made in respect of its Loan pursuant to the Loan Documents directly to the Lock Box Account at the Lockbox Bank.

(ii) the deposit of all such payments and proceeds in the Lock Box Account in accordance with Section 2.2(b) below;

(iii) the maintenance of accurate and timely books and records relating to the Master Servicer's receipt and collection of all such payments and proceeds and the balance due in respect of the Loans and Consumer Receivables;

(iv) the rendering to Hypothecation Borrowers and to Trustee, of periodic reports (not less frequently than monthly) in which the Master Servicer shall set forth such information as is customarily reported to such borrowers under a servicing agreement or as is otherwise reasonably

requested by the Trustee; and

(v) the maintenance of records concerning the status of all of the Consumer Receivables.

(6) take such other action as may be necessary or appropriate to carry out the duties and obligations imposed upon the Master Servicer pursuant to the terms of this Section and of Section 4.4(a) of the Indenture which is incorporated herein by reference.

(b) Deposit of Misdirected Funds; No Commingling. The Master Servicer shall promptly remit, or cause to be remitted, to the Lock Box Bank for deposit in the Lock Box Account on the Business Day immediately following receipt thereof by the Master Servicer and in the form received all payments received by the Master Servicer in respect of the Loans or Consumer Receivables incorrectly sent to the Master Servicer by, or on behalf of, a Hypothecation Borrower or Consumer, respectively. The Master Servicer shall not commingle with its own assets and shall keep separate, segregated and appropriately marked and identified all Loans, Loan Collateral or any property comprising any part of the Trust Estate, and for such time, if any, as such Loans, Loan Collateral or property are in the possession or control of the Master Servicer, the Master Servicer shall hold the same in trust for the benefit of the Trustee, the Noteholders (or, following termination of the Indenture, the Issuer).

SECTION 2.3. Records.

The Master Servicer shall retain (or cause to be retained, at the principal servicing offices of the Sub-Servicers) all data (including, without limitation, computerized records) relating directly to or maintained in connection with the servicing of the Loans and Loan Collateral, and shall give the Trustee access to all data at all reasonable times upon reasonable notice, and, while an Event of Default shall be continuing, the Master Servicer shall, on demand of the Trustee, immediately deliver to the Trustee (or, at the Trustee's written instruction, to the Successor Master Servicer) all data (including, without limitation, computerized records) necessary for the servicing of the Loans and Loan Collateral. If the rights of the Master Servicer shall have been terminated in accordance with Section 5.1 or if this Agreement shall have been terminated pursuant to Section 6.1(b), the Master Servicer shall, upon demand of the Trustee or of the successor to the rights of the Issuer, in the case of Section 6.1(b), deliver (or cause to be delivered) to the Trustee all data (including, without limitation, computerized records) necessary for the servicing of the Loans and Loan Collateral. In addition to delivering such data, the Master Servicer shall, at its expense (or at the expense of the Issuer's successor in the event of termination under Section 6.1(b)), use its best efforts to effect the orderly and efficient transfer of the servicing of the Loans and Loan Collateral with respect to which such termination shall have occurred to the party which will be assuming responsibility for such servicing, including, without limitation, directing Hypothecation Borrowers and Consumers to remit scheduled payments and all other payments in respect of the Loans and Consumer Receivables to an account or address designated by, with the consent of the Trustee or such new servicer. Upon request of the Trustee while an Event of Default shall be continuing, the Master Servicer also shall send (or cause to be sent) to the Trustee copies of all invoices, statements or other directions with respect to payments that are sent to the Hypothecation Borrowers and Consumers. The provisions of this paragraph shall not require the Master Servicer to transfer any proprietary material or computer programs unrelated to the servicing of the Loans and Loan Collateral.

SECTION 2.4. No Offset.

Prior to the termination of this Agreement, the obligations of the Master Servicer under this Agreement shall not be subject to, and the Master Servicer hereby waives, any defense, counterclaim or right of offset which the Master Servicer has or may have against the Issuer or the Trustee, whether in respect of this Agreement, any Loan or otherwise.

SECTION 2.5. Servicing Compensation; Reimbursement for Advances.

As compensation for the performance of its obligations under this Agreement, the Master Servicer shall be entitled to receive the Servicing Fee from the Issuer on each Payment Date out of amounts released by the Trustee from the Payment Account on such Payment Date pursuant to Section 5.2(c) of the Indenture. The Servicing Fee shall include amounts in respect of funds advanced by the Master Servicer in respect of the Loans (whether for maintaining insurance, protecting or maintaining collateral, or otherwise), if any. In addition, the Master Servicer shall be entitled to reimbursements for advances made by the Master Servicer from recoveries. Such reimbursements from recoveries may be made by the Master Servicer netting the unreimbursed advanced amount from recoveries or by remittance from the Trustee in respect of recoveries received by the Trustee.

SECTION 2.6. Sub-Servicing Agreements.

The Master Servicer may engage Sub-Servicers to perform some or all of the Master Servicer's responsibilities under this Agreement, subject to the following terms and conditions:

(a) On or prior to the Closing Date, the Master Servicer shall enter into one or more subservicing agreements (each a "Sub-Servicing Agreement") with one or more Sub-Servicers, and the Master Servicer shall not amend, supplement or terminate the Sub-Servicing Agreement, or agree to any assignment of any rights or obligations thereunder by the Sub-Servicer, or terminate the Sub-Servicer, without the consent of the Holders of Notes representing at least 51% of the aggregate outstanding principal amount of the Notes.

(b) If the Sub-Servicing Agreement with a Sub-Servicer is terminated, the Master Servicer may enter into one or more Sub-Servicing Agreements with another Sub-Servicer reasonably acceptable to the Holders of Notes representing at least 51% or the aggregate outstanding

principal amount of the Notes and the Issuer to assist the Master Servicer in the performance of its duties under this Agreement.

(c) The Master Servicer shall be entitled to terminate any Sub-Servicing Agreement that may exist in accordance with the terms and conditions of such Sub-Servicing Agreement; provided, however, that in the event of the termination of any Sub-Servicing Agreement by the Master Servicer or the related Sub-Servicer, the Master Servicer shall either act directly as servicer in accordance with its duties hereunder or shall enter into a Sub-Servicing Agreement with a successor Sub-Servicer.

(d) References in this Agreement to actions taken or to be taken by the Master Servicer in servicing the Loans and Loan Collateral include actions taken or to be taken by a Sub-Servicer on behalf of the Master Servicer. Notwithstanding any Sub-Servicing Agreement, or any of the provisions of this Agreement relating to agreements or arrangements between the Master Servicer and a Sub-Servicer, the Master Servicer shall remain obligated and liable for the servicing and administering of the Loans and Loan Collateral in accordance with the provisions of this Agreement without diminution of such obligation or liability by virtue of such Sub-Servicing Agreement and to the same extent and under the same terms and conditions as if the Master Servicer alone were servicing and administering the Loans and Loan Collateral. Any funds received by any Sub-Servicer shall be deemed to be received by the Master Servicer.

ARTICLE 3

STATEMENTS AND REPORTS

SECTION 3.1. Reporting by the Master Servicer.

(a) Not later than 11:00 am on the third Business Day preceding each Payment Date, the Master Servicer shall transmit to the Issuer and the Trustee and upon receipt the Trustee shall forward to the Noteholders a certificate (the "Master Servicer's Certificate") setting forth the information in respect of the Loans set forth in Exhibit A hereto.

ARTICLE 4

THE MASTER SERVICER

SECTION 4.1. Representations and Warranties Concerning the Master Servicer

The Master Servicer represents and warrants, effective as of the Closing Date, as follows:

(a) The Master Servicer (i)has been duly organized and is validly existing and in good standing under the laws of the state of its formation and organization, (ii) has qualified to do business and is in good standing in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary and where failure to so qualify would have a material and adverse effect on its ability to perform its obligations hereunder, and (iii) has full power, authority and legal right to own its property, to carry on its business as presently conducted, and to enter into and perform its obligations under this Agreement.

(b) The execution and delivery by the Master Servicer of this Agreement are within the power of the Master Servicer and have been duly authorized by all necessary action on the part of the Master Servicer. Neither the execution and delivery of this Agreement, nor the consummation of the transactions herein contemplated, nor compliance with the provisions hereof, will conflict with or result in a breach of, or constitute a default under, any of the provisions of any law, governmental rule, regulation, judgment, decree or order binding on the Master Servicer or its properties or the charter or bylaws or other organizational documents and agreements of the Master Servicer, or any of the provisions of any indenture, mortgage, contract or other instrument to which the Master Servicer is a party or by which it is bound or result in the creation or imposition of any lien, charge or encumbrance upon any of its property pursuant to the terms of any such indenture, mortgage, contract or other instrument.

(c) The Master Servicer is not required to obtain the consent of any other party or consent, license, approval or authorization, or registration or declaration with, any governmental authority, bureau or agency in connection with the execution, delivery, performance by the Master Servicer of this Agreement, or validity or enforceability of this Agreement against the Master Servicer.

(d) This Agreement has been duly executed and delivered by the Master Servicer and constitutes a legal, valid and binding instrument enforceable against the Master Servicer in accordance with its terms (subject to applicable bankruptcy laws and to general principles of equity).

(e) There are no actions, suits or proceedings pending or, to the knowledge of the Master Servicer, threatened against or affecting the Master Servicer, before or by any court, administrative agency, arbitrator or governmental body with respect to any of the transactions contemplated by this Agreement or the Indenture, or which will, if determined adversely to the Master Servicer, materially and adversely affect it or its business, assets, operations or condition, financial or otherwise, or adversely affect the Master Servicer's ability to perform its obligations under this Agreement. The Master Servicer is not in default with respect to any order of any court, administrative agency, arbitrator or governmental body so as to materially and adversely affect the transactions contemplated by the above-mentioned documents.

(f) The Master Servicer has obtained or made all necessary licenses, registrations, consents, approvals, waivers and notifications of creditors,

lessors and other persons, in each case, in connection with the execution and delivery of this Agreement by the Master Servicer, and the consummation by the Master Servicer of all the transactions herein contemplated to be consummated by the Master Servicer and the performance of its obligations hereunder.

(g) The Master Servicer is not in default under any agreement, contract, instrument or indenture to which the Master Servicer is a party or by which it or its properties is or are bound, or with respect to any order of any court, administrative agency, arbitrator or governmental body, which would have a material adverse effect on the transactions contemplated hereunder; and no event has occurred which with notice or lapse of time or both would constitute such a material default with respect to any such agreement, contract, instrument or indenture, or with respect to any such order of any court, administrative agency, arbitrator or governmental body.

(h) The collection and servicing practices used by the Master Servicer with respect to each Loan and related Loan Collateral shall be consistent in all material respects with those customarily employed by the Master Servicer servicing loans which are owned by the Master Servicer.

(i) The Master Servicer (i) shall not extend or shorten, amend or otherwise modify the terms of any Loan, or amend, modify or waive any term or condition of any Loan Collateral related thereto, in any manner which would have a material adverse effect on the interests of the Noteholders or the Issuer, including, but not limited to, extending or shortening the due date, or impairing the collectibility of such Loan and (ii) shall not take any action that could reasonably be expected to have a material adverse effect on (x) the collectibility of the Loans taken as a whole or (y) the realization on the related Loan Collateral, taken as a whole, or (z) the ability of the Master Servicer to perform its obligations hereunder, in each case without obtaining the prior written consent of the Trustee, the Purchaser and the Issuer. In connection with any amendment, modification or waiver relating to the Loan Collateral consented to by the Master Servicer, the Master Servicer shall provide the Trustee with a certificate to the effect that such amendment, modification or waiver does not violate the provisions of this subsection (i).

SECTION 4.2. Existence; Status as the Master Servicer.

The Master Servicer shall keep in full effect its existence, rights and franchises under the laws of the state of its formation and organization, and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of the Loans and Loan Collateral, the Indenture and this Agreement or to perform its obligations hereunder.

SECTION 4.3. Performance of Obligations.

(a) Timely Performance. The Master Servicer shall punctually perform and observe all of its obligations and agreements contained in this Agreement in accordance with the terms hereof.

(b) Prohibited Actions. The Master Servicer shall not take any action, or permit any action to be taken by others, which would excuse any person from any of its covenants or obligations under any of the Loans or Loan Collateral or under any other instrument included in the Trust Estate, or which would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity, enforceability or effectiveness of, any of the Loans or Loan Collateral, except as expressly provided herein and therein or as contemplated by the Indenture.

(c) Limitations of Responsibility of the Master Servicer. The Master Servicer will have no responsibility under this Agreement other than to render the services called for hereunder in good faith. The Master Servicer, its affiliates, its directors, officers, shareholders and employees will not be liable to the Issuer, the Trustee, the Noteholders or others, except by reason of acts constituting bad faith, willful misfeasance, negligence or reckless disregard of its duties.

(d) Right to Receive Instructions. In the event that the Master Servicer is unable to decide between alternative courses of action, or is unsure as to the application of any provision of this Agreement, or such provision is ambiguous as to its application, or is, or appears to be, in conflict with any other applicable provision, or in the event that this Agreement permits any determination by the Master Servicer or is silent or is incomplete as to the course of action which the Master Servicer is required to take with respect to a particular set of facts, the Master Servicer may give notice (in such form as shall be appropriate under the circumstances) to the Trustee requesting instructions in accordance with the Indenture and, to the extent that the Master Servicer shall have acted or refrained from acting in good faith in accordance with any such instructions received from the Trustee, the Master Servicer shall not be liable on account of such action or inaction to any Person. Subject to the Servicing Standard set forth in Section 2.1(a), if the Master Servicer shall not have received appropriate instructions within ten days of such notice (or within such shorter period of time as may be specified in such notice) the Master Servicer may, but shall be under no duty to, take or refrain from taking such action, not inconsistent with this

Agreement, as the Master Servicer shall deem to be in the best interests of the Trustee and the Issuer, and the Master Servicer shall have no liability to any Person for such action or inaction except for the Master Servicer's own willful misconduct or negligence.

(e) No Duties Except as Specified in this Agreement or in Instructions. Except as expressly provided by the terms of this Agreement, the Master Servicer shall not have any duty or obligation to manage, make any payment in respect of, register, record, sell, reinvest, dispose of, create, perfect or maintain title or any security interest in, or otherwise deal with the Trust Estate, to prepare or file any report or other document, or to otherwise take or refrain from taking any action under, or in connection with, any document contemplated hereby to which the Master Servicer is a party. The Master Servicer nevertheless agrees that it will, at its own cost and expense, promptly take all action as may be necessary to discharge any asserted liens on any part of the Trust Estate which result from asserted claims against the Master Servicer

personally that are not related to the ownership or the administration of the Trust Estate or the transactions contemplated by the Indenture.

(f) No Action Except Under Specified Documents or Instructions. The Master Servicer shall not manage, control, use, sell, reinvest, dispose of or otherwise deal with any part of the Trust Estate except (1) in accordance with the powers granted to and the authority conferred upon the Master Servicer pursuant to this Agreement, or (2) in accordance with instructions delivered to the Master Servicer pursuant hereto.

(g) Limitations on the Master Servicer Liability. Subject to the Servicing Standards set forth in Section 2.1(a), and except for the Master Servicer's own willful misconduct or negligence, the Master Servicer shall not be personally liable under any circumstances, including, without limitation:

(1) for any action taken or omitted to be taken by the Master Servicer in good faith in accordance with the instructions of the Trustee made in accordance herewith;

(2) for any representation, warranty, covenant, agreement or indebtedness of the Trust under the Notes, or for any other liability or obligation of the Trust;

(3) for or in respect of the validity or sufficiency of this Agreement or for the due execution hereof by any party hereto other than the Master Servicer, or for the form, character, genuineness, sufficiency, value or validity of any part of the Trust Estate, including but not limited to the Loans and Loan Collateral; and

(4) for any action or inaction of the Trustee, and the Master Servicer shall not be responsible for performing or supervising the performance of any obligation under this Agreement or the Indenture that is required to be performed by the Trustee.

(h) Limitation on Expenditure of Personal Funds. No provision of this Agreement (other than Section 2.1(d) and paragraph (e) above) shall require the Master Servicer to expend or risk its personal funds or otherwise incur any financial liability in the performance of any of its rights or powers hereunder, if the Master Servicer shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured or provided to it.

(i) Furnishing of Documents. The Master Servicer shall furnish to the Trustee, promptly upon receipt thereof, duplicates or copies of all material reports, notices, requests, demands, certificates, financial statements and any other instruments furnished to the Master Servicer hereunder.

(j) Reliance; Advice of Counsel. In performing its duties hereunder the Master Servicer may conclusively rely on and shall be protected in acting or refraining from acting when doing so, in each case in accordance with any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper believed by it to be genuine and believed by it to be signed by the proper party or parties. The Master Servicer may accept a certified copy of a resolution of the board of directors or other governing body of any corporate party as conclusive evidence that such resolution has been duly adopted by such body and that the same is in full force and effect. As to any fact or matter the manner or ascertainment of which is not specifically prescribed herein, the Master Servicer may for all purposes hereof rely on a certificate, signed by the president or any vice president or by the treasurer or any assistant treasurer or the secretary or any assistant secretary of the relevant party, as to such fact or matter, and such certificate shall constitute full protection to the Master Servicer for any action taken or omitted to be taken by it in good faith in reliance thereon without specific knowledge to the contrary.

(k) Reliance on Third Parties. Subject to the Servicing Standard, in the exercise and performance of its duties and obligations under this Agreement, the Master Servicer may, at the expense of the Master Servicer, consult with counsel, accountants and other skilled persons to be selected with reasonable care and employed by it, and the Master Servicer shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons.

(l) Independent Contractor. In performing its obligations as servicer hereunder the Master Servicer acts solely as an independent contractor of the Issuer and Trustee. Nothing in this Agreement shall, or shall be deemed to, create or constitute any joint venture, partnership employment, or any other relationship between the Issuer and the Trustee on the one hand and the Master Servicer on the other hand, other than the independent contractor contractual relationship established hereby. The Master Servicer shall not be and shall not be deemed to be liable for any acts or obligations of the Issuer or the Trustee, and, without limiting the foregoing, the Master Servicer shall not be liable under or in connection with the Notes and all Persons having any claim under or in respect of this Agreement or the Indenture shall look only to the Trust Estate for payment or satisfaction thereof.

SECTION 4.4. Merger; Resignation and Assignment.

(a) The Master Servicer may not merge into any corporation or convey, transfer or lease substantially all of its assets as an entity, unless and until the Master Servicer's successor or a new servicer is approved in writing by the Issuer and the Holders of Notes representing at least 51% of the aggregate outstanding principal amount of the Notes and is willing to service the Loans and Loan Collateral and enter into a servicing agreement with the Issuer and the Trustee in form and substance reasonably satisfactory to such parties.

(b) Except as provided in Section 2.6 hereinabove with respect to Sub-Servicers, the Master Servicer may not assign this Agreement or any of its rights, powers, duties or obligations hereunder.

(c) Except as provided in Sections 4.4(a) and (b), the duties and obligations of the Master Servicer under this Agreement shall continue until this Agreement shall have been terminated as provided in Section 6.1, and shall survive the exercise by the Issuer or the Trustee of any right or remedy under this Agreement, or the enforcement by the Issuer, the Trustee, or any Noteholder of any provision of the Indenture, the Notes or this Agreement.

SECTION 4.5. Indemnities.

(a) The Master Servicer shall indemnify and hold harmless the Trustee and the Noteholders from and against any losses, damages, claims or liabilities arising out of the Master Servicer's breach of this Agreement.

(b) The Master Servicer agrees to indemnify the Trustee for, and to hold the Trustee harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust created by the Indenture (other than taxes, penalties or other liabilities arising in connection with the Trustee's failure to withhold from payments with respect to the Notes amounts required to be withheld under the Code, or the Trustee's withholding from such payments amounts not required or permitted to be withheld under the Code), including the reasonable costs and expenses, including reasonable attorneys' fees, of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties under the Indenture provided that:
(i) with respect to any such claim, the Trustee shall have given the Master Servicer written notice thereof promptly after the Trustee shall have knowledge thereof, provided, however, that the failure of the Trustee to so notify the Master Servicer shall not relieve the Master Servicer of its obligations pursuant to this subparagraph;

(ii) the Master Servicer shall assume the defense of any such claim, provided that if the Master Servicer shall not have employed counsel reasonably satisfactory to the Trustee to direct the defense of such claim within a reasonable time after such notice of the claim pursuant to paragraph (i) above, the Trustee shall have the right to direct the defense of such claim;

(iii) the Trustee shall have the right to employ separate counsel with respect to any claim and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Trustee unless the payment of such counsel has been specifically authorized by the Master Servicer; provided further, however, that if the Trustee shall assume the defense of any claim as a result of the Master Servicer's failure to assume the defense of such claim as described in paragraph (ii) above, the Master Servicer shall pay the reasonable fees and expenses of Trustee's counsel in connection with the defense of such claim; and

(iv) notwithstanding anything to the contrary in this Section 4.5(b), the Master Servicer shall not be liable for settlement of any such claim by the Trustee entered into without the prior consent of the Master Servicer.

(c) The Provisions of Section 4.5(a) and (b) shall survive the termination of this Agreement and the Indenture.

ARTICLE 5

DEFAULT

SECTION 5.1. Events of Default.

(a) Any of the following acts or occurrences shall constitute an Event of Default by the Master Servicer under this Agreement:

(i) any failure by the Master Servicer to remit any payments received by it in respect of the Loans or Loan Collateral to the Lock Box Bank in accordance with any provision hereof within two (2) Business Days after receipt thereof; or

(ii) the Trustee shall not have received a report in accordance with Section 3.1(a) hereof within two (2) Business Days of the date required to be delivered or the Master Servicer shall have defaulted in the due observance of any provision of Section 4.2 or Section 4.4 hereof and such default shall have continued for five (5) Business Days after it has obtained knowledge of, or has been notified by the Trustee of such default; or

(iii) the Master Servicer shall default in the due performance and observance of any other provision of this Agreement and such default shall have continued for a period of 30 days after it has obtained knowledge of, or has been notified by the Trustee of such default; or

(iv) any representation, warranty or statement of the Master Servicer made in this Agreement or by the Master Servicer in its capacity as servicer in any certificate, report or other writing delivered pursuant hereto shall prove to be incorrect in any material respect as of the time when the same shall have been made; or

(v) the Master Servicer makes an assignment for the benefit of creditors or is generally not paying its debts as such debts become due; or

(vi) the Master Servicer petitions or applies to any tribunal for, or consents to, the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official of the Master Servicer, or of any substantial part of the assets of the Master Servicer, or commences a

voluntary case under the bankruptcy law of the United States or any proceedings relating to the Master Servicer, under the bankruptcy law of any other jurisdiction; or

(vii) any such petition or application is filed, or any such proceedings are commenced, against the Master Servicer and the Master Servicer by any act indicates its approval thereof, consent thereto or acquiescence therein, or any order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings and such order, judgment or decree remains unstayed and in effect for more than 45 days; or

(viii) any order, judgment or decree is entered in any proceedings against the Master Servicer decreeing the dissolution of the Master Servicer and such order, judgment or decree remains unstayed and in effect for more than 60 days; or

(ix) a final judgment for an amount in excess of $500,000 (exclusive of any portion thereof which is insured) is rendered against the Master Servicer, and within 60 days after the entry thereof, such judgment is not discharged or the execution thereof is stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment is not discharged.

(b) Upon the occurrence and continuance of an Event of Default specified in clause (v) or (vi) above, all of the rights and powers of the Master Servicer under this Agreement shall automatically terminate, including without limitation all rights of the Master Servicer to receive from and after such termination the servicing compensation provided for in Section 2.5, or any compensation or expense reimbursement hereunder, other than to the extent accrued prior to such termination and not previously paid. Upon the occurrence and continuance of any other Event of Default, the Issuer upon direction of the Holders representing at least 51% of the aggregate outstanding principal amount of the Notes may, by notice given to the Master Servicer (with copies to the Issuer and the Trustee), terminate all of the rights and powers of the Master Servicer under this Agreement, including without limitation all rights of the Master Servicer to receive the servicing compensation provided for in Section 2.5. Upon any automatic termination or the giving of the notice referred to in the preceding sentence, all rights, powers, duties and responsibilities of the Master Servicer under this Agreement, whether with respect to the related Loans and Loan Collateral, Payment Account, any Servicing Fee or otherwise shall vest in and be assumed by a new servicer as provided in Section 4.4(c) of the Indenture. From and during the continuation of an Event of Default, the Issuer upon the direction of the Holders representing at least 51% of the aggregate outstanding principal amount of the Notes (without regard to any Notes owned by the Master Servicer or any of its Affiliates), are each hereby irrevocably authorized and empowered to execute and deliver, on behalf of the Master Servicer, as attorney-in-fact or otherwise, all documents and other instruments (including any notices to Hypothecation Borrowers and Consumers deemed necessary or advisable by the Holders representing at least 51% of the aggregate outstanding principal amount of the Notes (without regard to any Notes owned by the Master Servicer or any of its Affiliates)), and to do or accomplish all other acts or things necessary or appropriate to effect such vesting and assumption. Except as otherwise expressly provided in the Indenture, the Issuer shall not have any right to waive any Event of Default by the Master Servicer under this Agreement.

(c) Promptly after the Trustee shall have notice of the occurrence of any Event of Default, the Trustee shall transmit by mail to all Noteholders notice of such Event of Default known to the Trustee.

SECTION 5.2. No Effect on Other Parties.

Upon any termination of the rights and powers of the Master Servicer from time to time pursuant to Section 5.1 or upon any appointment of a successor to the Master Servicer, all the rights, powers, duties and obligations of the Issuer or the Trustee under this Agreement or under the Indenture shall remain unaffected by such termination or appointment and shall remain in full force and effect thereafter, except as otherwise expressly provided in this Agreement or in the Indenture.

SECTION 5.3. Rights Cumulative.

All rights and remedies from time to time conferred upon or reserved to the Issuer, the Trustee, or the Noteholders or to any or all of the foregoing are cumulative, and none is intended to be exclusive of another or any right or remedy which they may have at law or in equity. No delay or omission in insisting upon the strict observance or performance of any provision of this Agreement, or in exercising any right or remedy, shall be construed as a waiver or relinquishment of such provision, nor shall it impair such right or remedy. Every right and remedy may be exercised from time to time and as often as deemed expedient.

ARTICLE 6

MISCELLANEOUS PROVISIONS

SECTION 6.1. Termination of Agreement.

(a) The respective duties and obligations of the Master Servicer and the Issuer created by this Agreement shall terminate upon the latest to occur of
(i) the final payment or other liquidation of the last outstanding Loan included in the Trust Estate, (ii) the satisfaction and discharge of the Indenture pursuant to Article VIII of the Indenture, and (iii) with respect to any Loan, the disposition of all property acquired upon foreclosure of any Loan Collateral. Upon termination of this Agreement pursuant to this Section 6.1(a), the Master Servicer shall pay over to the Issuer or any other Person entitled thereto all monies received from the Hypothecation Borrowers and Consumers and held by the Servicer.

(b) Following an Event of Default under the Indenture, the successor to the rights of the Issuer in respect of the Loans and Loan Collateral (including, without limitation, the Trustee or any or all of the related Noteholders) shall have the right to terminate this Agreement, by notice to the Master Servicer and the Issuer. Upon such termination, the Master Servicer shall be entitled to receive only the accrued and unpaid servicing compensation provided for in Section 2.5 to the date of such termination and any other reimbursement to which it would otherwise be entitled of amounts theretofore advanced by it.

SECTION 6.2. Amendment.

(a) This Agreement may only be amended from time to time by the Issuer, the Servicer and the Trustee, with the consent of the Holders representing at least 51% of the aggregate outstanding principal amount of the Notes (without giving regard to any Notes owned by the Master Servicer or its Affiliates) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, provided, however, that no such amendment shall, without consent of each Noteholder, (i) reduce in any manner the amount of, or the timing of, payments received on the related Loans which are required to be deposited in the Payment Account; (ii) alter the priorities with which any allocation of funds shall be made under this Agreement; (iii) permit the creation of any lien (other than the lien or permitted by the Indenture) on the Trust Estate for the Notes or any portion thereof or deprive any such Holder of the benefit of this Agreement with respect to the Trust Estate or any portion thereof; or (iv) modify this Section 6.2 or
Section 4.2, 4.3(b) or 4.4.

(b) Promptly after the execution of any amendment, the Master Servicer shall send to the Trustee a conformed copy of each such amendment, but the failure to do so will not impair or affect its validity. Promptly after the execution of any amendment pursuant to Section 6.2(a) the Issuer shall cause to be sent to each Noteholder a copy of such amendment. Any failure to do so shall not affect the validity of such amendment.

(c) It shall not be necessary, in any consent of Noteholders under this Section 6.2, to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents and of evidencing the authorization of the execution thereof by Noteholders shall be subject to such reasonable regulations as the Trustee may prescribe.

(d) Any amendment or modification effected contrary to the provisions of this Section 6.2 shall be void.

SECTION 6.3. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of New York, without regard to the conflict of law provisions thereof.

SECTION 6.4. Notices.

All notices, requests or other communications desired or required to be given under this Agreement shall be in writing and shall be sent by (a) certified or registered mail, return receipt requested, postage prepaid, (b) national prepaid overnight delivery service, (c) telecopy or other facsimile transmission (following with hard copies to be sent by national prepaid overnight delivery service) or (d) personal delivery with receipt acknowledged in writing, as follows: (i) if to the Issuer, c/o Litchfield Financial Corporation, 430 Main Street, Williamstown, Massachusetts 01267, Attention:
Executive Vice President, (ii) if to the Master Servicer, to the Master Servicer at Litchfield Financial Corporation, 430 Main Street, Williamstown, Massachusetts 01267, Attention: Executive Vice President, (iii) if to the Trustee, at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Services, Structured Finance Services. Any of the persons in subclauses
(i) through (iii) above may change its address for notices hereunder by giving notice of such change to the other persons. Any change of address shown on a Note Register shall, after the date of such change, be effective to change the address for such Noteholder hereunder. All notices and demands shall be deemed to have been given either at the time of the delivery thereof to any officer of the Person entitled to receive such notices and demands at the address of such person for notices hereunder, or on the third day after the mailing thereof to such address, as the case may be.

SECTION 6.5. Severability of Provisions.

If one or more of the provisions of this Agreement shall be for any reason whatever held invalid or unenforceable, such provisions shall be deemed severable from the remaining covenants, agreements and provisions of this Agreement and such invalidity or unenforceability shall in no way affect the validity or enforceability of such remaining provisions, the rights of any parties hereto, or the rights of the Trustee or any Noteholders. To the extent permitted by law, the parties hereto waive any provision of law which renders any provision of this Agreement invalid or unenforceable in any respect.

SECTION 6.6. Binding Effect; Limited Rights of Others.

The provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto, and all such provisions shall inure to the benefit of the Trustee and the related Noteholders, provided that following an Event of Default under the Indenture and foreclosure of the Trust Estate pursuant thereto, the successor to the rights of the Issuer in respect of the related Loans and Loan Collateral (including without limitation the Trustee or any or all of the related Noteholders) shall not be bound by the provisions of this

Agreement unless, within 90 days after the date on which such successor shall have succeeded to such rights of the Issuer, such successor shall not have terminated this Agreement pursuant to
Section 6.1(b). Nothing in this Agreement expressed or implied, shall be construed to give any Person other than the parties hereto any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenants, agreements, representations or provisions contained herein.

SECTION 6.7. Article and Section Headings.

The article and section headings herein are for convenience of reference only, and shall not limit or otherwise affect the meaning hereof.

SECTION 6.8. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

LITCHFIELD HYPOTHECATION CORP. 1998-B

By: /s/Heather A. Sica
Name: Heather A. Sica
Title: Executive Vice President

LITCHFIELD FINANCIAL CORPORATION

By: /s/ Heather A. Sica
Name: Heather A. Sica
Title: Executive Vice President

THE CHASE MANHATTAN BANK, as Trustee

By: /s/ Cynthia Kerpen
Name: Cynthia Kerpen
Title: Assistant Vice President

Exhibit 10.176
AMENDMENT NO. 5
Dated as of May 27, 1998

to

Receivables Purchase Agreement
Dated as of September 29, 1995

THIS AMENDMENT NO. 5 dated as of May 27, 1998 ("Amendment") is entered into by and among LITCHFIELD MORTGAGE SECURITIES CORPORATION 1994, a Delaware corporation (the "Seller"), LITCHFIELD FINANCIAL CORPORATION, a Massachusetts corporation ("Litchfield"), HOLLAND LIMITED SECURITIZATION, INC., a Delaware corporation ("HLS") and ING BARING (U.S.) CAPITAL MARKETS, INC. (formerly known as Internationale Nederlanden (U.S.) Capital Markets, Inc.), as agent (the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the "Agreement" referred to below.

PRELIMINARY STATEMENT

A. The Seller, Litchfield, HLS and the Agent are parties to that certain
Receivables Purchase Agreement dated as of September 29, 1995 (as amended from time to time prior to the date hereof, the "Agreement", pursuant to which HLS has agreed to purchase certain assets and to make other financial accommodations to the Seller.

B. The Seller, Litchfield, HLS and the Agent have agreed to amend the
Agreement on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises set forth above, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Seller, Litchfield, HLS and the Agent agree as follows:

SECTION 1. Amendment of the Agreement. Effective as of the date first above written, subject to the fulfillment of the conditions precedent set forth in Section 2 below, the Agreement is hereby amended as follows:

1.1 The defined term "Purchase Limit" contained in Section 1.01 of the
Agreement is amended to delete the amount "$125,000,000" set forth therein and to substitute "$150,000,000" therefor.

1.2 The defined term "Termination Date" contained in Section 1.01 of the Agreement is amended to delete the date "June 15, 1998" set forth therein and to substitute "June 15, 2001" therefor.

SECTION 2. Conditions Precedent. This Amendment shall become effective and shall be deemed effective as of date first above written upon the satisfaction of the following conditions precedent: (a) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both; and (b) the Agent shall have received (i) five (5) copies of this Amendment duly executed by the Seller, Litchfield, HLS and the Agent, (ii) the Agent shall have received $250,000 representing the first installment of the structuring fee, and (iii) written confirmation from each of S&P and Fitch that this Amendment will not adversely affect the rating of the commercial paper notes issued by HLS to fund the acquisition of "Purchased Assets" (as such quoted terms are defined in the Agreement) to the Seller.

SECTION 3. Representations and Warranties of the Seller and Litchfield.

3.1 Each of the Seller and Litchfield hereby represents and warrants that this Amendment constitutes a legal, valid and binding obligation of the such Person enforceable against it in accordance with its terms.

3.2 Upon the effectiveness of this Amendment, each of the Seller and Litchfield reaffirms all covenants, representations and warranties made in the Agreement by such Person to the extent the same are not amended hereby and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment.

SECTION 4. Reference to and Effect on the Agreement.

4.1 Upon the effectiveness of this Amendment, each reference in the Agreement

to "this Agreement", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Agreement as amended hereby, and each reference to the Agreement in any other document, instrument or agreement executed and/or delivered in reference to the Agreement as amended hereby.

4.2 Except as specifically amended hereby, the Agreement and other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

4.3 The execution, delivery and effectiveness of this Amendment shall not (a) operate as a waiver of any right, power or remedy of the Agent or the Seller under the Agreement or any other document, instrument or agreement executed in connection therewith, (b) constitute a waiver of any provision contained therein, nor (c) be deemed to be a consent to any other or further actions or occurrences, except as specifically set forth herein.

SECTION 5. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. Paragraph Headings. The paragraph headings contained in this Amendment are and shall be without substance, meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

SECTION 7. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

LITCHFIELD MORTGAGE SECURITIES CORPORATION 1994

By: /s/ Richard A. Stratton
Title: President and Chief Executive Officer

LITCHFIELD FINANCIAL CORPORATION

By: /s/ Richard A. Stratton
Title: President and Chief Executive Officer

ING BARING (U.S.) CAPITAL MARKETS, INC.

By: /s/ Richard J. Wisniewski
Title: Vice President

HOLLAND LIMITED SECURITIZATION, INC.

By: ING BARING (U.S.) CAPITAL MARKETS, INC., as attorney-in-fact

By: /s/ Richard J. Wisniewski
Title: Vice President

Exhibit 10.177
AMENDMENT NO. 5
Dated as of May 27, 1998

to

Receivables Loan and Security Agreement Dated as of September 29, 1995

THIS AMENDMENT NO. 5 dated as of May 27, 1998 ("Amendment") is entered into by and among LITCHFIELD MORTGAGE SECURITIES CORPORATION 1994, a Delaware corporation (the "Borrower"), LITCHFIELD FINANCIAL CORPORATION, a Massachusetts corporation ("Litchfield"), HOLLAND SECURITIZATION, INC., a Delaware corporation ("HLS") and ING BARING (U.S.) CAPITAL MARKETS, INC. (formerly known as Internationale Nederlanden (U.S.) Capital Markets, Inc.), as agent (the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the "Agreement" referred to below.

PRELIMINARY STATEMENT

A. The Borrower, Litchfield, HLS and the Agent are parties to that certain Receivables Loan and Security Agreement dated as of September 29, 1995 (as amended from time to time prior to the date hereof, the "Agreement"), pursuant to which HLS has agreed to make certain loans and other financial accommodations to the Borrower.

B. The Borrower, Litchfield, HLS and the Agent have agreed to amend the Agreement on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises set forth above, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, Litchfield, HLS and the Agent agree as follows:

SECTION 1. Amendment of the Agreement. Effective as of the date first above written, subject to the fulfillment of the conditions precedent set forth in Section 2 below, the Agreement is hereby amended as follows:

1.1 The defined term "Borrowing Limit" contained in Section 1.01 of the Agreement is amended to delete the amount "$125,000,000" set forth therein and to substitute "$150,000,000" therefor.

1.2 The defined term "Termination Date" contained in Section 1.01 of the Agreement is amended to delete the date "June 15, 1998" set forth therein and to substitute "June 15, 2001" therefor.

SECTION 2. Conditions Precedent. This Amendment shall become effective and shall be deemed effective as of date first above written upon the satisfaction of the following conditions precedent: (a) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both; and (b) the Agent shall have received (i) five (5) copies of this Amendment duly executed by the Borrower, Litchfield, HLS and the Agent, (ii) the Agent shall have received $250,000 representing the first installment of the structuring fee, and (iii) written confirmation from each of S&P and Fitch that this Amendment will not adversely affect the rating of the commercial paper notes issued by HLS to fund "Loans" secured by interests in "Pledged Assets" (as such quoted terms are defined in the Agreement) to the Borrower.

SECTION 3. Representations and Warranties of the Borrower and Litchfield.

3.1 Each of the Borrower and Litchfield hereby represents and warrants that this Amendment constitutes a legal, valid and binding obligation of the such Person enforceable against it in accordance with its terms.

3.2 Upon the effectiveness of this Amendment, each of the Borrower and Litchfield reaffirms all covenants, representations and warranties made in the Agreement by such Person to the extent the same are not amended hereby and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment.

SECTION 4. Reference to and Effect on the Agreement.

4.1 Upon the effectiveness of this Agreement, each reference in the Agreement

to "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to the Agreement as amended hereby, and each reference to the Agreement in any other document, instrument or agreement executed and/or delivered in reference to the Agreement as amended hereby.

4.2 Except as specifically amended hereby, the Agreement and other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

4.3 The execution, delivery and effectiveness of this Amendment shall not (a) operate as a waiver of any right, power or remedy of the Agent or the Borrower under the Agreement or any other document, instrument or agreement executed in connection therewith, (b) constitute a waiver of any provision contained therein, nor (c) be deemed to be a consent to any other or further actions or occurrences, except as specifically set forth herein.

SECTION 5. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. Paragraph Headings. The paragraph headings contained in this Amendment are and shall be without substance, meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

SECTION 7. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

LITCHFIELD MORTGAGE SECURITIES CORPORATION 1994

By: /s/ Richard A. Stratton
Title: President and Chief Executive Officer

LITCHFIELD FINANCIAL CORPORATION

By: /s/ Richard A. Stratton
Title: President and Chief Executive Officer

ING BARING (U.S.) CAPITAL MARKETS, INC.

By: /s/ Richard J. Wisniewski
Title: Vice President

HOLLAND LIMITED SECURITIZATION, INC.

By: ING BARING (U.S.) CAPITAL MARKETS, INC., as attorney-in-fact

By: /s/ Richard J. Wisniewski
Title: Vice President

Litchfield Financial Corporation
Computation of Earnings Per Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Basic:				
Weighted average number of common shares outstanding.....	5,754,018	5,560,167	5,706,887	5,503,736
Net income.....	$2,309,000	$1,880,000	$3,859,000	$3,025,000
Net income per common share.	$ .40	$ .34	$ .68	$ .55
Diluted:				
Weighted average number of common shares outstanding.....	5,754,018	5,560,167	5,706,887	5,503,736
Weighted average number of common stock equivalents outstanding:				
Stock options.....	363,814	297,009	362,277	321,211
Weighted average common and common equivalent shares outstanding.....	6,117,832	5,857,176	6,069,164	5,824,947
Net income.....	$2,309,000	$1,880,000	$3,859,000	$3,025,000
Net income per common share.	$ .38	$ .32	$ .64	$ .52

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD END	JUN 30 1998
CASH	42,040
SECURITIES	31,007
RECEIVABLES	147,693
ALLOWANCES	6,463
INVENTORY	0
CURRENT ASSETS	0
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	233,681
CURRENT LIABILITIES	0
BONDS	105,056
COMMON	66
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	73,948
TOTAL LIABILITY AND EQUITY	233,681
SALES	0
TOTAL REVENUES	9,973
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	0
LOSS PROVISION	460
INTEREST EXPENSE	3,695
INCOME PRETAX	3,755
INCOME TAX	1,446
INCOME CONTINUING	2,309
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	2,309
EPS PRIMARY	.40
EPS DILUTED	.38