

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): February 7, 2005

Commission File Number 1-13610

PMC COMMERCIAL TRUST

(Exact name of registrant as specified in its charter)

TEXAS

(State or other jurisdiction
of incorporation or organization)

17950 Preston Road, Suite 600, Dallas, TX 75252

(Address of principal executive offices)

75-6446078

(I.R.S. Employer Identification No.)

(972) 349-3200

(Registrant's telephone number)

Former name, former address and former fiscal year, if changed since last report: NONE

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.03. Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant.

On February 7, 2005, we entered into a \$100 million conduit warehouse facility (the “Facility”), evidenced by a Credit and Security Agreement among PMC Conduit, L.P., as the borrower (the “Borrower”), PMC Conduit, LLC, PMC Commercial Trust (the “Company”), as the servicer, Jupiter Securitization Corporation, as the conduit lender, the alternate lenders from time to time party thereto and JPMorgan Chase Bank, National Association, as the agent and an alternate lender (the “Agreement”).

The Facility is a revolving line of credit, secured by loans originated by the Company, which have been or will be sold and/or contributed to the Borrower. While the Company has not guaranteed the repayment of the Facility, the Company must repurchase the loans securing the Facility if certain of the representations and warranties made by the Company in connection with the Facility are breached. The ability to make draws under the Facility expires on February 6, 2008. At the end of each annual period commencing February 6, 2006, the alternate lenders have the option to extend their respective commitments for an additional 364-day period. If the Facility is not extended, any and all principal amounts outstanding thereunder and all accrued and unpaid interest thereon will be immediately due and payable. The Agreement contains customary default provisions as well as a cross-default to the Company’s revolving credit facility.

Item 9.01. Financial Statements and Exhibits.

(c) *Exhibits*

- 10.1 Credit and Security Agreement by and among PMC Conduit, L.P., as Borrower, PMC Conduit, LLC, PMC Commercial Trust, as Servicer, Jupiter Securitization Corporation, as the Conduit Lender, The Alternate Lenders from Time to Time Party hereto and JPMorgan Chase Bank, National Association as Agent dated February 7, 2005.
 - 10.2 Servicing Agreement by and among PMC Conduit, L.P., as Borrower, PMC Commercial Trust as Servicer and JPMorgan Chase Bank, National Association as Agent dated February 7, 2005.
 - 10.3 Purchase and Contribution Agreement by and between PMC Commercial Trust, as Seller and PMC Conduit, L.P., as Purchaser dated February 7, 2005.
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SIGNATURE

Pursuant to the requirements of Section 13 or 15 (d) 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.

Date: February 11, 2005

PMC COMMERCIAL TRUST

By: /s/ Barry N. Berlin
Barry N. Berlin, Chief Financial Officer

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CREDIT AND SECURITY AGREEMENT

Dated as of February 7, 2005

by and among

PMC CONDUIT, L.P.,
as Borrower

PMC CONDUIT, LLC,

PMC COMMERCIAL TRUST,
as Servicer

JUPITER SECURITIZATION CORPORATION,
as the Conduit Lender

THE ALTERNATE LENDERS FROM TIME TO TIME PARTY HERETO

and

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
as Agent

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CREDIT AND SECURITY AGREEMENT

THIS CREDIT AND SECURITY AGREEMENT, dated as of February 7, 2005 is entered into by and among:

- (a) PMC CONDUIT, L.P., a Delaware limited partnership (the "Borrower");
- (b) PMC CONDUIT, LLC, a Delaware limited liability company (the "General Partner");
- (c) PMC COMMERCIAL TRUST, a Texas real estate investment trust ("PMC"), as initial servicer (in such capacity, the "Servicer" and together with the Borrower and the General Partner, the "Transaction Parties" and each, a "Transaction Party");
- (d) JUPITER SECURITIZATION CORPORATION, a Delaware corporation (the "Conduit Lender");
- (e) The FINANCIAL INSTITUTIONS LISTED ON SCHEDULE A TO THIS AGREEMENT (together with any of their respective successors and assigns hereunder, the "Alternate Lenders"); and
- (f) JPMORGAN CHASE BANK, NATIONAL ASSOCIATION ("JPMorgan Chase"), as agent for the Lenders hereunder or any successor agent hereunder (together with its successors and assigns hereunder, the "Agent").

Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I hereto and in the Servicing Agreement.

PRELIMINARY STATEMENTS

The Borrower may from time to time purchase Loans from PMC pursuant to the Purchase Agreement.

To fund its purchases under the Purchase Agreement, the Borrower may from time to time request Advances from the Lenders upon the terms and subject to the conditions set forth in this Agreement.

The Conduit Lender may, in its absolute and sole discretion, make Advances to the Borrower from time to time.

In the event that the Conduit Lender declines to make any Advance, the Alternate Lenders shall, at the request of the Borrower, make Advances from time to time.

JPMorgan Chase has been requested and is willing to act as Agent on behalf of the Conduit Lender and the Alternate Lenders in accordance with the terms hereof.

ARTICLE I
THE ADVANCES

Section 1.1 Credit Facility.

(a) Upon the terms and subject to the conditions hereof, from time to time during the period commencing on the Closing Date and ending on the Amortization Date:

(i) The Borrower may, at its option, request Advances from the Lenders in an aggregate principal amount at any one time outstanding not to exceed the lesser of the Aggregate Commitment and the Borrowing Base (such lesser amount, the "Borrowing Limit"); and

(ii) The Conduit Lender may, at its option, make the requested Advance, or if the Conduit Lender shall decline to make any Advance, except as otherwise provided in Section 1.2, the Alternate Lenders severally agree to fund their respective Pro Rata Shares of the requested Advance.

Each of the Advances, and all other Obligations, shall be secured by the Collateral as provided in Article XIII.

(b) The Borrower may, upon at least three Business Days' notice to the Agent, terminate in whole or reduce in part, ratably among the Alternate Lenders, the unused portion of the Aggregate Commitment; provided, that each partial reduction of the Aggregate Commitment shall be in an amount equal to \$10,000,000 (or a larger integral multiple of \$1,000,000 if in excess thereof) and shall reduce the Commitments of the Alternate Lenders ratably in accordance with their respective Pro Rata Shares.

Section 1.2 Increases. Except as otherwise agreed to by the Agent, the Borrower shall provide the Agent with at least two (2) Business Days' prior notice in a form set forth as Exhibit II hereto of each Advance (each, a "Borrowing Notice"). Each Borrowing Notice shall be subject to Section 6.2 hereof and, except as set forth below, shall be irrevocable and shall specify the requested increase in Aggregate Principal (which shall not be less than \$1,000,000 or a larger integral multiple of \$100,000) and the requested Borrowing Date (it being understood and agreed that there shall be no more than five Borrowing Dates in any calendar month) and, in the case of an Advance to be funded by the Alternate Lenders, the requested Interest Rate and Interest Period. Following receipt of a Borrowing Notice, the Agent will determine whether the Conduit Lender agrees to make the requested Advance. If the Conduit Lender declines to make a proposed Advance, the Borrower may cancel the Borrowing Notice or, in the absence of such a cancellation, the Advance will be made by the Alternate Lenders. On the date of each Advance, upon satisfaction of the applicable conditions precedent set forth in Article VI (except as provided below), the Conduit Lender or the Alternate Lenders, as applicable, shall wire to the account of the Borrower specified in the Borrowing Notice, in immediately available funds, no later than 2:00 p.m. (Chicago time), an amount equal to (i) in the case of the Conduit Lender, the principal amount of the requested Advance or (ii) in the case of an Alternate Lender, such Alternate Lender's Pro Rata Share of the principal amount of the requested Advance; provided, however, that if, after giving effect to such Advance, the Reserve Account Balance would be less

than the Reserve Account Requirement on such date, the applicable Lender(s) shall transfer a portion of the principal amount of the requested Advance to the Reserve Account in an amount sufficient to cause the resulting Reserve Account Balance to equal the Reserve Account Requirement and the remainder of the principal amount of such Advance to the Borrower in accordance herewith.

Section 1.3 Aggregate Reductions. The Borrower may repay the Aggregate Principal in part at any time in accordance with the provisions of this Section 1.3. Except as provided in Section 1.5, the Borrower shall provide the Agent with at least two (2) Business Days' prior written notice (a "Reduction Notice") of any proposed partial reduction of Aggregate Principal. Such Reduction Notice shall designate (i) the date (the "Proposed Reduction Date") upon which any such reduction of Aggregate Principal shall occur, and (ii) the amount of Aggregate Principal to be reduced which shall be applied ratably to the Advances of the Conduit Lender and the Alternate Lenders in accordance with the amount of principal (if any) owing to the Conduit Lender, on the one hand, and the amount of principal (if any) owing to the Alternate Lenders (ratably, based on their respective Pro Rata Shares), on the other hand (the "Aggregate Reduction"). Only one (1) Reduction Notice shall be outstanding at any time.

Section 1.4 Final Repayment. The Borrower may repay the Aggregate Principal in whole and terminate the Commitments of the Alternate Lenders at any time in accordance with the provisions of this Section 1.4. The Borrower shall provide the Agent with at least two (2) Business Days' prior written notice (a "Final Repayment Notice") of any such proposed repayment of Aggregate Principal. Such Final Repayment Notice shall designate the date (the "Proposed Final Repayment Date") upon which any such repayment of Aggregate Principal shall occur and shall be irrevocable. On the Proposed Final Repayment Date, the Commitments of the Alternate Lender shall terminate and the Borrower shall pay to the Agent for the benefit of the Secured Parties the Aggregate Principal, all accrued and unpaid fees, CP Costs and Interest and all other Obligations owing hereunder. If, at any time, during the period commencing on the Closing Date and ending on the Amortization Date, the Borrower shall elect for any reason other than a CP Cost Event to repay the Aggregate Principal and terminate the Commitments of the Alternate Lenders pursuant hereto, the Borrower shall pay the Exit Fee to the Agent on the Proposed Final Repayment Date, together with all other amounts required to be paid by the Borrower on such date pursuant to this Section 1.4.

Section 1.5 Borrowing Limit. The Borrower shall ensure that the Aggregate Principal at no time exceeds the Borrowing Limit. If, at any time, the Aggregate Principal exceeds the Borrowing Limit at such time, the Borrower shall pay to the Agent within one (1) Business Day an amount to be applied to reduce the Aggregate Principal (as allocated by the Agent), such that after giving effect to such payment, the Aggregate Principal is less than or equal to the Borrowing Limit at such time.

Section 1.6 Payment Requirements. All amounts to be paid or deposited by any Transaction Party pursuant to any provision of this Agreement or any other Transaction Document shall be paid or deposited in accordance with the terms hereof no later than 12:00 p.m. (Chicago time) on the day when due in immediately available funds, and if not received before 12:00 p.m. (Chicago time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to a Lender they shall be paid to the Agent's Account, for the

account of such Lender, at 1 Bank One Plaza, Chicago, Illinois 60670 until otherwise notified by the Agent. All computations of CP Costs, Interest, per annum fees calculated as part of any CP Costs, per annum fees hereunder and per annum fees under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days elapsed. If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

Section 1.7 Ratable Advances; Funding Mechanics; Liquidity Fundings.

(a) Each Borrowing hereunder shall consist of one or more Advances made by the Conduit Lender and/or the Alternate Lenders.

(b) Each Lender funding any Advance shall wire transfer the principal amount of its Advance to the Agent in immediately available funds not later than 12:00 noon (Chicago time) on the applicable Borrowing Date and, subject to its receipt of such Advance proceeds, the Agent shall wire transfer such funds to the account specified by the Borrower in its Borrowing Notice not later than 2:00 p.m. (Chicago time) on such Borrowing Date.

(c) The parties acknowledge that the Conduit Lender may put all or any portion of its Advances to the Alternate Lenders at any time pursuant to the Liquidity Agreement to finance or refinance the necessary portion of its Advances through a Liquidity Funding to the extent available. The Agent shall give the Borrower immediate notice of any Advance put to the Alternate Lenders by the Conduit Lender. The Liquidity Fundings may be Alternate Base Rate Advances or LIBO Rate Advances, or a combination thereof, selected by the Borrower in accordance with Article IV. Regardless of whether a Liquidity Funding constitutes the direct funding of an Advance, an assignment of an Advance made by the Conduit Lender or the sale of one or more participations in an Advance made by the Conduit Lender, each Alternate Lender participating in a Liquidity Funding shall have the rights and obligations of a "Lender" hereunder with the same force and effect as if it had directly made an Advance to the Borrower in the amount of its Liquidity Funding.

(d) Nothing herein shall be deemed to commit the Conduit Lender to make Advances.

Section 1.8 Extension of Scheduled Termination Date. The Borrower may, no more frequently than once each year (commencing in the year 2006) by delivering written notice to the Agent, request the Alternate Lenders to extend the Scheduled Termination Date for an additional 364 days past the then current Scheduled Termination Date. Any such request shall be subject to the following conditions: (i) at no time will any Commitment have a term of more than 364 days and, if any such request would result in a term of more than 364 days, such request shall be deemed to have been made for such number of days so that, after giving effect to such extension on the date requested, such term will not exceed 364 days, (ii) none of the Alternate Lenders will have any obligation to extend any Commitment, (iii) any such extension of the Scheduled Termination Date will be effective only upon the written agreement of the Alternate Lenders and the Borrower and (iv) any request for such extension shall be made not more than ninety (90) nor less than sixty (60) days prior to the then current Scheduled Termination Date. Each Alternate Lender will respond to any such request no earlier than forty-five (45) days prior to the

then current Scheduled Termination Date, provided, that any Alternate Lender's failure to respond within such period shall be deemed to be a rejection of the requested extension. In the event that at least one Alternate Lender agrees to extend the Scheduled Termination Date, the Transaction Parties, the Agent and such extending Alternate Lenders shall enter into such documents as such extending Alternate Lenders may deem necessary or appropriate to reflect such extension, and all reasonable costs and expenses incurred by such Alternate Lenders and the Agent (including reasonable attorney's fees) shall be paid by the Borrower. In the event that any Alternate Lender declines the request to extend the Scheduled Termination Date (each such Alternate Lender being referred to herein as a "Non-Renewing Alternate Lender"), and the Commitment of such Non-Renewing Alternate Lender is not assigned to another Person in accordance with the terms of Article XII prior to the then current Scheduled Termination Date, the Borrowing Limit shall be reduced by an amount equal to each such Non-Renewing Alternate Lender's Commitment on the then current Scheduled Termination Date.

ARTICLE II PAYMENTS AND AVAILABLE COLLECTIONS

Section 2.1 Payments. The Borrower hereby promises to pay:

(a) the Aggregate Principal on each date and in such amounts required to be distributed out of Available Collections pursuant to Section 4.01 of the Servicing Agreement and any Aggregate Principal required to be repaid pursuant to Section 1.5;

(b) the fees set forth in the Fee Letter on the dates specified therein;

(c) all accrued and unpaid Interest on the Alternate Base Rate Advances and the LIBO Rate Advances on each Settlement Date applicable thereto;

(d) all accrued and unpaid CP Costs on the CP Rate Advances on each Settlement Date; and

(e) all Broken Funding Costs and Indemnified Amounts upon demand.

The Borrower agrees to pay Interest at the Default Rate on all amounts which are past due through the date of payment, provided, that in no event shall such rate exceed the maximum rate permitted by applicable law.

Section 2.2 Collection Account; Settlement Procedures.

(a) On or prior to the Closing Date, the Agent shall establish and shall thereafter maintain with JPMorgan Chase a segregated trust account in the name of the Agent for the benefit of the Lenders (the "Collection Account"). Any funds on deposit from time to time in the Collection Account shall be deemed held in trust for the benefit of the Lenders. The Collection Account shall be under the sole dominion and control of the Agent for the benefit of the Lenders. The Borrower, the Agent and JPMorgan Chase (in its capacity as the holder of the Collection Account) agree that the Agent shall have exclusive dominion and control over the Collection Account and that JPMorgan Chase will comply with instructions originated by the Agent directing disposition of the funds in the Collection Account without further consent by the

Borrower or the Servicer; provided, that until the Agent provides such instructions to JPMorgan Chase, JPMorgan Chase shall be entitled to comply with instructions originated by the Servicer directing disposition of the funds in the Collection Account without further consent by the Borrower. The taxpayer identification number associated with the Collection Account shall be that of the Borrower and the Borrower will report for Federal, state and local income taxes, the income, if any, represented by the Collection Account. This agreement shall constitute an "authenticated record" for purposes of Section 9-104 (and similar related provisions) of the UCC.

(b) Funds on deposit in the Collection Account shall be invested in Eligible Investments in the name of the Agent for the benefit of the Lenders, as directed in writing by the Servicer (which may be a standing direction), that will mature or otherwise be available for withdrawal without penalty on each Settlement Date, with all realized interest and other investment earnings (net of losses and investment expenses) to remain a part of the Collection Account. In the event that the Agent has not received written directions from the Servicer, the Agent shall invest any cash amounts in the Collection Account in Eligible Investments set forth in clause (iv) of the definition thereof. Any funds in the Collection Account not so invested must be deposited with an Eligible Institution and insured by the FDIC to the limits established by the FDIC. The Agent shall not be liable for any loss incurred in connection with any investment in the Collection Account, except for losses in respect of investments issued or guaranteed by the Agent.

(c) On each Settlement Date, the Servicer (or from and after the occurrence of an Amortization Event, the Agent or its designee) shall apply all funds on deposit in the Collection Account that have not been previously applied hereunder (including, without limitation, any investment earnings received with respect to such funds) in the following order of priority:

(i) first, on a pro rata basis, to the Agent and the Lenders an amount equal to the accrued and unpaid CP Costs, Interest and Fees due and payable on such Settlement Date, together with any accrued and unpaid CP Costs, Interest and Fees from prior Monthly Periods, such amount to be allocated among the Agent and the Lenders ratably in accordance with the proportion of such amounts owing to each such Person;

(ii) second, to the Servicer in payment of the accrued and unpaid Servicing Fee due and payable on such Settlement Date, together with any accrued and unpaid Servicing Fee from prior Monthly Periods;

(iii) third, so long as the Amortization Date has not occurred, to reduce the aggregate outstanding Advances of all Terminating Alternate Lenders to zero, applied ratably to each Terminating Alternate Lender according to its respective Termination Percentage;

(iv) fourth, on a pro rata basis, to each Lender, the following amounts:

(A) if the Amortization Date shall not have occurred, an amount equal to the excess (if any) existing on such Settlement Date of the Aggregate Principal over the Borrowing Limit; and

(B) if the Amortization Date shall have occurred, to the Aggregate Principal until the Aggregate Principal is reduced to zero;

(v) fifth, if the Amortization Date shall not have occurred, to the Reserve Account, an amount such that after giving effect to such deposit, the Reserve Account Balance equals the Reserve Account Requirement;

(vi) sixth, if any Obligations (other than amounts already paid pursuant to clauses (i) through (iv) inclusive above) are then due and payable by the Borrower to any Person entitled thereto, pay to each such Person (ratably in accordance with the amounts owing to each) the Obligations so due and payable;

(vii) seventh, to make any voluntary prepayments of the Aggregate Principal pursuant to Section 1.3 or Section 1.4 at the direction of the Borrower; and

(viii) eighth, after giving effect to the application of the amounts described in clauses (i) through (vii) above, any remaining Collections on deposit in the Collection Account shall be remitted to the Borrower.

Section 2.3 Payment Recission. No payment of any of the Obligations shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. The Borrower shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the Agent (for application to the Person or Persons who suffered such recission, return or refund) the full amount thereof, plus Interest on such amount at the Default Rate from the date of any such recission, return or refunding.

Section 2.4 Reserve Account.

(a) On or prior to the Closing Date, the Borrower shall establish the Reserve Account (the "Reserve Account") which shall be funded with the proceeds of the initial Borrowing as described in Section 1.2. in an amount equal to the Reserve Account Requirement. Thereafter, the Reserve Account shall be funded pursuant to the collection allocation provisions of Section 2.2(c)(iv). The Reserve Account will be in the name of the Agent and under the sole dominion and control of the Agent, as agent for the benefit of the Lenders. The Agent, as agent for the benefit of the Lenders, shall possess all right, title and interest in and to all funds from time to time on deposit in the Reserve Account. Notwithstanding the foregoing, the Agent shall not withdraw any funds from, or otherwise deal with or exercise control over, any funds on deposit in the Reserve Account except as provided in this Agreement. The taxpayer identification number associated with the Reserve Account shall be that of the Borrower and the Borrower will report for Federal, state and local income tax purposes the income, if any, represented by the Reserve Account. The Borrower may not assign, transfer or otherwise convey its rights to receive any amounts from the Reserve Account. Funds on deposit in the Reserve

Account shall be invested in Eligible Investments, as shall be specified by the Servicer in writing to the Agent, and which shall mature not later than the Business Day preceding the next Settlement Date and shall be held to maturity. Each investment instruction by the Servicer, which may be a standing instruction, shall designate specific types of Eligible Investments (and the terms thereof) and shall certify or require that the investments so specified constitute Eligible Investments, will mature at the time required and are otherwise permitted hereby. The Agent shall not be liable for any loss incurred in connection with any investment in the Reserve Account, except for losses in respect of investments in any investment issued or guaranteed by the Agent.

(b) Except as provided in the clause (i) or (ii) below, all investments of funds in the Reserve Account shall be made in the name of the Agent, as agent for the Lenders and held in the possession of the Agent or its nominee for the benefit of the Lenders.

(i) With respect to each investment of funds in the Reserve Account that constitutes investment property (other than as described in clause (ii) below), the Agent may hold such investment through a securities intermediary, which securities intermediary shall agree with the Agent that (A) such investment property shall at all times be credited to a securities account of the Agent, (B) such securities intermediary shall comply with entitlement orders originated by the Agent without the further consent of any other person or entity, (C) all property credited to such securities account shall be treated as a financial asset, (D) such securities intermediary shall waive any lien on, security interest in, or right of set-off with respect to any property credited to such securities account, and (E) such agreement shall be governed by the laws of the State of New York; and

(ii) With respect to each investment of funds in the Reserve Account that constitutes an uncertificated security, such investment shall be registered in the name of the Agent by the issuer thereof and identified by the Agent as held for the benefit of the Secured Parties.

(c) The parties hereto agree that the Reserve Account shall be a securities account of the Agent, and hereby further agree that each item of property (including without limitation investment property, securities, instruments and money) credited to the Reserve Account or to any other securities account of the Agent or its nominee held as a part of the Reserve Account shall be treated as a "financial asset" within the meaning of Section 8-102 of the New York UCC, to the fullest extent permitted thereunder. Any out-of-pocket costs and expenses of the Agent incurred in connection with the Reserve Account shall be paid by the Borrower pursuant to Section 2.2(c)(v).

(d) On each Settlement Date prior to the Amortization Date, if any amounts set forth in Section 2.2(c)(i) remain unpaid after allocation of all Collections, (i) the funds in the Reserve Account shall be allocated in accordance with Section 2.2(c)(i) to the extent of such unpaid amounts and (ii) if, after giving effect to all transactions occurring on a Settlement Date, the Reserve Account Balance exceeds the Reserve Account Requirement, such excess shall be remitted from the Reserve Account to the Collection Account. On each Settlement Date after the Amortization Date, the funds on deposit in the Reserve Account shall be allocated by the Agent

to one or more of the items described in Section 2.2(c) in its sole discretion. On the Final Payout Date, the Servicer shall direct the Agent to, and the Agent shall, withdraw all funds then on deposit in the Reserve Account and distribute such funds to the Borrower.

Section 2.5 Terminating Alternate Lenders. Each Terminating Alternate Lender shall be allocated a ratable portion of Collections from the date of its becoming a Terminating Alternate Lender (the "Termination Date") until such Terminating Alternate Lender's aggregate outstanding Advances shall be paid in full. This ratable portion shall be calculated on the Termination Date of each Terminating Alternate Lender as a percentage equal to (i) the aggregate outstanding Advances of such Terminating Alternate Lender on its Termination Date, divided by (ii) the Aggregate Principal on such Termination Date (the "Termination Percentage"). Each Terminating Alternate Lender's Termination Percentage shall remain constant prior to the Amortization Date. On and after the Amortization Date, each Termination Percentage shall be disregarded and each Terminating Alternate Lender's outstanding Advances shall be reduced ratably with all Lenders in accordance with Section 2.2.

ARTICLE III CONDUIT LENDER FUNDING

Section 3.1 CP Costs. The Borrower shall pay CP Costs with respect to the principal balance of the Conduit Lender's Advances from time to time outstanding. Each Advance of the Conduit Lender that is funded substantially with Pooled Commercial Paper will accrue CP Costs each day on a pro rata basis, based upon the percentage share that the principal in respect of such Advance represents in relation to all assets held by the Conduit Lender and funded substantially with related Pooled Commercial Paper.

Section 3.2 Calculation of CP Costs. Not later than the Business Day immediately preceding each Settlement Date, the Conduit Lender shall calculate the aggregate amount of CP Costs applicable to its CP Rate Loans for the Monthly Period preceding the Monthly Period during which such Settlement Date occurs and shall notify the Borrower and the Servicer of such aggregate amount.

Section 3.3 Payments of CP Costs. On each Settlement Date, the Borrower shall pay to the Agent (for the benefit of the Conduit Lender) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the principal associated with all CP Rate Advances for the Monthly Period preceding the Monthly Period during which such Settlement Date occurs in accordance with Article II.

Section 3.4 Default Rate. From and after the occurrence of an Amortization Event, at the Agent's option upon three Business Days' prior written notice to the Borrower, and at all times after the Amortization Date, all Loans of the Conduit Lender shall cease to be CP Rate Advances and shall accrue Interest at the Default Rate.

ARTICLE IV ALTERNATE LENDER FUNDING

Section 4.1 Alternate Lender Funding. Prior to the occurrence of an Amortization Event, the outstanding principal balance of each Liquidity Funding shall accrue interest for each

day during its Interest Period at either the LIBO Rate or the Alternate Base Rate in accordance with the terms and conditions hereof. Until the Borrower gives notice to the Agent of another Interest Rate in accordance with Section 4.4, the initial Interest Rate for any Advance transferred to the Alternate Lenders by the Conduit Lender pursuant to the Liquidity Agreement shall be the Alternate Base Rate (unless the Default Rate is then applicable, in which case, the Interest Rate shall be the Default Rate). If the Alternate Lenders acquire by assignment from the Conduit Lender any Advance pursuant to the Liquidity Agreement, each Loan so assigned shall each be deemed to have an Interest Period commencing on the date of any such assignment.

Section 4.2 Interest Payments. On the Settlement Date for each Liquidity Funding, the Borrower shall pay to the Agent (for the benefit of the Alternate Lenders) an aggregate amount equal to the accrued and unpaid Interest for the entire Interest Period of each such Liquidity Funding in accordance with Article II.

Section 4.3 Selection and Continuation of Interest Periods.

(a) Prior to the occurrence and during the continuance of an Amortization Event, the Borrower shall from time to time select Interest Periods for the Liquidity Fundings, provided, that (i) all Interest Periods shall end on a Settlement Date and (ii) following the occurrence and during the continuance of an Amortization Event, all Interest Periods for Liquidity Fundings shall be selected by the Borrower with consultation from (and approval by) the Agent.

(b) The Borrower or the Agent, upon notice to and consent by the other received at least three (3) Business Days prior to the end of an Interest Period (the "Terminating Tranche") for any Liquidity Funding, may, effective on the last day of the Terminating Tranche: (i) divide any such Liquidity Funding into multiple Liquidity Fundings, (ii) combine any such Liquidity Funding with one or more other Liquidity Fundings that have a Terminating Tranche ending on the same day as such Terminating Tranche or (iii) combine any such Liquidity Funding with a new Liquidity Funding to be made by the Alternate Lenders on the day such Terminating Tranche ends.

Section 4.4 Alternate Lender Interest Rates. The Borrower may select the LIBO Rate or the Alternate Base Rate for each Liquidity Funding. The Borrower shall by 12:00 p.m. (Chicago time): (i) at least three (3) Business Days prior to the expiration of any Terminating Tranche with respect to which the LIBO Rate is being requested as a new Interest Rate and (ii) at least one (1) Business Day prior to the expiration of any Terminating Tranche with respect to which the Alternate Base Rate is being requested as a new Interest Rate, give the Agent irrevocable notice of the new Interest Rate for the Liquidity Funding associated with such Terminating Tranche. Until the Borrower gives notice to the Agent of another Interest Rate, the initial Interest Rate for any Advance transferred to the Alternate Lenders pursuant to the Liquidity Agreement shall be the Alternate Base Rate (unless the Default Rate is then applicable, in which case the Interest Rate shall be the Default Rate).

Section 4.5 Suspension of the LIBO Rate.

(a) If any Alternate Lender notifies the Agent that it has determined that funding its Pro Rata Share of the Liquidity Fundings at the LIBO Rate would violate any applicable law, rule, regulation, or directive of any governmental or regulatory authority, whether or not having the force of law, or that (i) deposits of a type and maturity appropriate to match fund its Liquidity Funding at such LIBO Rate are not available or (ii) such LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Liquidity Funding at such LIBO Rate, then the Agent shall suspend the availability of such LIBO Rate and require the Borrower to select the Alternate Base Rate for any Liquidity Funding accruing Interest at such LIBO Rate.

(b) If less than all of the Alternate Lenders give a notice to the Agent pursuant to Section 4.5(a), each Alternate Lender which gave such a notice shall be obliged, at the request of the Borrower, the Conduit Lender or the Agent, to assign all of its rights and obligations hereunder to (i) another Alternate Lender or (ii) another funding entity nominated by the Borrower or the Agent that is acceptable to the Conduit Lender and the Borrower (such acceptance not to be unreasonably withheld, delayed or conditioned) and willing to participate in this Agreement through the Scheduled Termination Date in the place of such notifying Alternate Lender; provided, that (i) the notifying Alternate Lender receives payment in full, pursuant to an Assignment Agreement, of all Obligations owing to it (whether due or accrued), and (ii) the replacement Alternate Lender otherwise satisfies the requirements of Section 12.1(b).

Section 4.6 Default Rate. From and after the occurrence of an Amortization Event, at the Agent's option upon three Business Days' prior written notice to the Borrower, and at all times after the Amortization Date, all Liquidity Fundings shall accrue Interest at the Default Rate.

ARTICLE V
PRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of the Transaction Parties. Each Transaction Party hereby represents and warrants to the Agent and the Lenders, as to itself, as of the Closing Date, as of the date of each Advance, as of each Transfer Date and as of each Settlement Date that:

(a) Existence and Power. Such Transaction Party's jurisdiction of organization is correctly set forth in the preamble to this Agreement. Such Transaction Party is duly organized under the laws of that jurisdiction and no other state or jurisdiction. Such Transaction Party is validly existing and in good standing under the laws of its state of organization. Such Transaction Party is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by such Transaction Party of this Agreement and each other Transaction

Document to which it is a party, and the performance of its obligations hereunder and thereunder and, in the case of the Borrower, the Borrower's use of the proceeds of Advances made hereunder, are within its corporate or partnership powers, as applicable, and authority and have been duly authorized by all necessary corporate or partnership action, as applicable, on its part. This Agreement and each other Transaction Document to which such Transaction Party is a party has been duly executed and delivered by such Transaction Party.

(c) No Conflict. The execution and delivery by such Transaction Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its certificate or articles of incorporation or by-laws or certificate or articles of limited partnership or limited partnership agreement (or equivalent organizational documents), as applicable, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Lien on assets of such Transaction Party or its Subsidiaries (except as created hereunder); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Transaction Party of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of such Transaction Party's knowledge, threatened, against or affecting such Transaction Party, or any of its properties, in or before any court, arbitrator or other body, which, solely in the case of actions, suits or proceedings with respect to PMC, if adversely determined against PMC could reasonably be expected to have a Material Adverse Effect; it being understood that an Obligor's assertion of a defense against a Transaction Party in a proceeding initiated by a Transaction Party to enforce such Pool Loan to which the Borrower is a party shall not be deemed a breach of this representation unless such proceeding could reasonably be expected to have a Material Adverse Effect. Such Transaction Party is not in default with respect to any order of any court, arbitrator or governmental body.

(f) Binding Effect. This Agreement and each other Transaction Document to which such Transaction Party is a party constitute the legal, valid and binding obligations of such Transaction Party enforceable against such Transaction Party in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. All information heretofore furnished by such Transaction Party or any of its Affiliates to the Agent or the Lenders for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction

contemplated hereby or thereby is, and all such information (including any Monthly Report, certificate or other report) hereafter furnished by such Transaction Party or any of its Affiliates to the Agent or the Lenders will be, true and accurate in every material respect on the date such information is stated or certified and does not and will not contain any material misstatement of fact or be otherwise misleading in light of the circumstances under which such information was furnished.

(h) Use of Proceeds. The Borrower represents and warrants that no proceeds of any Advance hereunder will be used (i) for a purpose that violates, or would be inconsistent with, (A) Section 7.2(d) of this Agreement or (B) Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.

(i) Good Title. The Borrower is the legal and beneficial owner of the Pool Loans and other Collateral, free and clear of any Lien, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Borrower's ownership interest in each Pool Loan and the other Collateral.

(j) Perfection. This Agreement is effective to create in favor of the Agent for the benefit of the Secured Parties, and on the date of the initial Advance the Agent shall have, a valid security interest in the Collateral to secure payment of the Obligations, free and clear of any Lien except as created by the Transactions Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (on behalf of the Secured Parties) security interest in the Collateral.

(k) Places of Business and Locations of Records. The principal places of business and chief executive office of such Transaction Party and the offices where it keeps all of its Records are located at the address(es) listed on Exhibit III or such other locations of which the Agent has been notified in accordance with Section 7.2(a) in jurisdictions where all action required by Section 14.4(a) has been taken and completed. The Borrower's Federal Employer Identification Number and state organizational identification number are correctly set forth on Exhibit III.

(l) Financial Statements. The consolidated balance sheet of the Servicer and its consolidated subsidiaries as of December 31, 2003 and the related consolidated statements of income and cash flows for the fiscal year then ended reported on by PricewaterhouseCoopers L.L.P., a copy of which the Servicer has delivered on or before the Closing Date, fairly present, in conformity with GAAP, the consolidated financial position of the Servicer and its consolidated subsidiaries of such date and their consolidated results of operations and cash flows for such fiscal year.

(m) Material Adverse Effect. The initial Servicer represents and warrants that since December 31, 2003, no event has occurred that would have a Material Adverse Effect. The

Borrower represents and warrants that since the date of this Agreement, no event has occurred that would have a Material Adverse Effect.

(n) Names. The name in which the Borrower has executed this Agreement is identical to the name of the Borrower as indicated on the public record of its state of organization which shows the Borrower to have been organized. Since the date of its organization, the Borrower has not used any names, trade names or assumed names other than the name in which it has executed this Agreement.

(o) Ownership of Borrower. The General Partner owns 100% of the issued and outstanding general partnership interests of the Borrower, free and clear of any Lien and PMC owns 100% of the issued and outstanding limited partnership interest of the Borrower. All such general partnership interests are validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire any equity interests of the Borrower.

(p) Not a Holding Company or an Investment Company. The Borrower is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(q) Compliance with Law. Such Transaction Party has complied in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except, in the case of the Servicer, where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

(r) Compliance with Credit and Collection Policy. Such Transaction Party has complied in all material respects with the Credit and Collection Policy with regard to each Loan and the related Loan Documents, and has not made any change to such Credit and Collection Policy other than as permitted under Section 7.2(b) and in compliance with the notification requirements in Section 7.1(a)(vii).

(s) Payments to PMC. The Purchase Agreement is the only agreement pursuant to which the Borrower has acquired Loans. With respect to each Pool Loan transferred to the Borrower under the Purchase Agreement, the Borrower has given reasonably equivalent value to PMC in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by PMC of any Pool Loan under the Purchase Agreement is or may be voidable under any section of the Federal Bankruptcy Code.

(t) Borrowing Limit. Immediately after giving effect to each Advance and each settlement on any Settlement Date hereunder, the Aggregate Principal is less than or equal to the Borrowing Limit as of such date.

(u) Collection Information. The Borrower or the Servicer on its behalf has instructed all Obligor with respect to each Pool Loan, not later than one Business Day after the Borrower has acquired such Loan pursuant to the Purchase Agreement, to remit all Collections with respect to such Pool Loans to the Lockbox Account. The Lockbox Account is the only account to which Obligor have been instructed to remit Collections with respect to the Pool

Loans. The Borrower has not granted any Person, other than the Agent, "control" (within the meaning of Section 9-102 of any applicable enactment of the UCC) of the Lockbox Account or the right to take control of the Lockbox Account at a future time or upon the occurrence of a future event. The conditions and requirements set forth in Article III of the Servicing Agreement have at all times been satisfied and duly performed.

(v) Accounting. Such Transaction Party accounts for the transactions contemplated by the Purchase Agreement as a sale from PMC to the Borrower except to the extent that such sales are not recognized under GAAP due to consolidated financial reporting.

(w) Solvency. The Borrower: (i) is not "insolvent" (as such term is defined in Section 101(32)(A) of the Federal Bankruptcy Code), (ii) is able to pay its debts as they come due; and (iii) does not have unreasonably small capital for the business in which it is engaged or for any business or transactions in which it is about to engage.

(x) Limited Business. The Borrower has not conducted any business and engages in no transaction except as expressly contemplated herein.

(y) No Withholding. The Borrower is not subject to backup withholding, either because (i) it has not been notified that it is subject to backup withholding, or (ii) the Internal Revenue Service has notified the Borrower that it is no longer subject to backup withholding.

Section 5.2 Alternate Lender Representations and Warranties. Each Alternate Lender hereby represents and warrants to the Agent and the Conduit Lender that:

(a) Existence and Power. Such Alternate Lender is a banking association duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has all organizational power to perform its obligations hereunder and under the Liquidity Agreement.

(b) No Conflict. The execution and delivery by such Alternate Lender of this Agreement and the Liquidity Agreement and the performance of its obligations hereunder and thereunder are within its corporate powers, have been duly authorized by all necessary corporate action, do not contravene or violate (i) its certificate or articles of incorporation or association or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Lien on its assets. This Agreement and the Liquidity Agreement have been duly authorized, executed and delivered by such Alternate Lender.

(c) Governmental Authorization. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Alternate Lender of this Agreement or the Liquidity Agreement and the performance of its obligations hereunder or thereunder.

(d) Binding Effect. Each of this Agreement and the Liquidity Agreement constitutes the legal, valid and binding obligation of such Alternate Lender enforceable against such Alternate Lender in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law).

ARTICLE VI
CONDITIONS OF ADVANCES

Section 6.1 Conditions Precedent to Initial Advance. The initial Advance under this Agreement is subject to the conditions precedent that (a) the Agent shall have received on or before the date of such Advance those documents listed on Schedule B to this Agreement and (b) the Agent shall have received all fees and expenses required to be paid on such date pursuant to the terms of this Agreement and the Fee Letter.

Section 6.2 Conditions Precedent to All Advances. Each Advance (including the initial Advance) and each rollover or continuation of any Advance shall be subject to the further conditions precedent that

(a) (i) the Borrower or the Servicer on its behalf shall have delivered to the Agent on or prior to the date thereof, in form and substance satisfactory to the Agent, a Borrowing Notice, together with a schedule of Loans to be pledged hereunder and a calculation of the Borrowing Base after giving effect to the related Borrowing and (ii) the Servicer shall have delivered to the Agent on or prior to the date thereof, in form and substance satisfactory to the Agent, all Monthly Reports as and when due under the Servicing Agreement;

(b) the Amortization Date shall not have occurred;

(c) PMC shall, as custodian and bailee for the benefit of the Agent, be in possession of the Loan Files relating to all Pool Loans (including, without limitation, Loan Files relating to Loans that will become Pool Loans after giving effect to such Advance);

(d) the Reserve Account Balance shall be equal to or greater than the Reserve Account Requirement;

(e) the Agent shall have received such other approvals, opinions or documents as it may reasonably request; and

(f) on the date thereof, the following statements shall be true (and acceptance of the proceeds of such Advance shall be deemed a representation and warranty by the Borrower that such statements are then true):

(i) the representations and warranties set forth in Section 5.1 are true and correct on and as of the date of such Advance as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such Advance (or the continuation thereof), that will constitute an Amortization Event, and no

event has occurred and is continuing, or would result from such Advance (or the continuation thereof), that would constitute an Unmatured Amortization Event; and

(iii) after giving effect to such Advance (or the continuation thereof), the Aggregate Principal will not exceed the Borrowing Limit as of such date.

ARTICLE VII COVENANTS

Section 7.1 Affirmative Covenants of the Transaction Parties. Until the Final Payout date, each Transaction Party hereby covenants, as to itself, as set forth below:

(a) Reporting. Such Transaction Party will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish or cause to be furnished to the Agent:

(i) Annual Reporting. Within 90 days after the close of each of its respective fiscal years, audited, unqualified financial statements (which shall include balance sheets, statements of income and retained earnings and a statement of cash flows) of PMC for such fiscal year certified in a manner acceptable to the Agent by independent public accountants of recognized national standing;

(ii) Quarterly Reporting. Within 45 days after the close of the first three (3) quarterly periods of each of its respective fiscal years, balance sheets of PMC as at the close of each such period and statements of income and a statement of cash flows for each such Person for the period from the beginning of such fiscal year to the end of such quarter, all certified by its Chief Financial Officer;

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit IV signed by PMC's Authorized Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be;

(iv) Statements and Reports. Promptly upon the furnishing thereof to the shareholders or partners of PMC, copies of all financial statements, reports and proxy statements so furnished;

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports and reports on Forms 10-K, 10-Q or 8-K which any Transaction Party files with the Securities and Exchange Commission;

(vi) Copies of Notices. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than the Agent or any Lender, copies of the same;

(vii) Change in Credit and Collection Policy. At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such change or amendment, and (B) if such proposed change or amendment would be reasonably likely to materially and adversely affect the collectibility of the Pool Loans or materially decrease the credit quality of any newly created Pool Loans, requesting the Agent's consent thereto;

(viii) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Pool Loans, the Records or the condition or operations, financial or otherwise, of such Transaction Party as the Agent may from time to time reasonably request in order to protect the interests of the Agent and the Lenders under or as contemplated by this Agreement; and

(ix) Locations of Records. At least thirty (30) days prior to the relocation of any of its Records, such Transaction Party shall deliver to the Agent an updated Schedule III which shall list the addresses of all offices where Records will be kept as of such date.

(b) Notices. Such Transaction Party will notify the Agent in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Amortization Events or Unmatured Amortization Events. The occurrence of each Amortization Event and each Unmatured Amortization Event, by a statement of an Authorized Officer of such Transaction Party;

(ii) Judgments and Proceedings. (A) (1) The entry of any judgment or decree against the Servicer or any of its Subsidiaries if the aggregate amount of all judgments and decrees then outstanding against the Servicer and its Subsidiaries could reasonably be expected to have a Material Adverse Effect, and (2) the institution of any litigation, arbitration proceeding or governmental proceeding against the Servicer which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; and (B) the entry of any judgment or decree or the institution of any litigation, arbitration proceeding or governmental proceeding against Borrower;

(iii) Material Adverse Effect. The occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect;

(iv) Defaults Under Other Agreements. The occurrence of a default or an event of default under any other financing arrangement for borrowed money pursuant to which such Transaction Party or any Subsidiary thereof is a debtor or an obligor that could reasonably be expected to have a Material Adverse Effect;

(v) Notices under Purchase Agreement. Copies of all notices delivered under the Purchase Agreement; and

(vi) Downgrade. Any downgrade in the rating of any Indebtedness of PMC or any Subsidiary thereof by Moody's or S&P, setting forth the Indebtedness affected and the nature of such change.

(c) Compliance with Laws and Preservation of Existence. Such Transaction Party will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Such Transaction Party will preserve and maintain its corporate or partnership existence, rights, franchises and privileges in the jurisdiction of its incorporation or organization, and qualify and remain qualified in good standing as a foreign entity in each jurisdiction where its business is conducted, except where the failure to so preserve and maintain or qualify could not reasonably be expected to have a Material Adverse Effect.

(d) Audits. Such Transaction Party will furnish to the Agent from time to time such information with respect to it and the Pool Loans as the Agent may reasonably request. Such Transaction Party will, from time to time during regular business hours as requested by the Agent upon reasonable notice and at the sole cost of such Transaction Party, permit the Agent, or its agents or representatives (and shall cause each Originator to permit the Agent or its agents or representatives): (i) to examine and make copies of and abstracts from all Records in the possession or under the control of such Person relating to the Pool Loans and the other Collateral, including, without limitation, the related Loan Documents, and (ii) to visit the offices and properties of such Transaction Party for the purpose of examining the materials described in clause (i) above, and to discuss matters relating to such Transaction Party's financial condition or the Collateral or any Transaction Party's performance under any of the Transaction Documents or any Transaction Party's performance under the Loan Documents and, in each case, with any of the officers or employees of such Transaction Party having knowledge of such matters; provided, that prior to the occurrence of an Amortization Event, the Transaction Parties shall be obligated to pay the cost of only one audit of the Transaction Parties during any 12-month period beginning on the date hereof or any anniversary of the date hereof.

(e) Keeping and Marking of Records and Books.

(i) Such Transaction Party will (and will cause each Originator to) maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing the Pool Loans in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Pool Loans (including, without limitation, records adequate to permit the immediate identification of all Available Collections of and adjustments to each Pool Loan). The Servicer will (and will cause each Originator to) give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Such Transaction Party will (and will cause each Originator to) within two (2) Business Days after the Closing Date, mark its master data processing

records and other books and records relating to the Pool Loans with a legend, acceptable to the Agent, describing the Agent's security interest in the Collateral.

(f) Compliance with Loan Documents and Credit and Collection Policy. Such Transaction Party will (and will cause each Originator to) timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Loan Documents related to the Pool Loans, and (ii) comply in all respects with the Credit and Collection Policy in regard to each Pool Loan and the related Loan Documents.

(g) Rights Under Purchase Agreement. From and after the Termination Date, the Borrower will direct, instruct, or request any lawful action under the Purchase Agreement, including without limitation, in connection with enforcement of its rights thereunder, as instructed by the Agent; provided, however, that both before and after the Amortization Date, the Borrower shall deliver any lawful notice as directed by the Agent, the delivery of which is a condition precedent to any "Purchase Termination Event" under (and as defined in) the Purchase Agreement.

(h) Performance and Enforcement of Purchase Agreement. The Borrower will, and will require PMC to, perform each of their respective obligations and undertakings under and pursuant to the Purchase Agreement, will purchase the Pool Loans thereunder in strict compliance with the terms thereof and will vigorously enforce the rights and remedies accorded to the Borrower under the Purchase Agreement. The Borrower will take all actions to perfect and enforce its rights and interests (and the rights and interests of the Agent and the Lenders as assignees of Borrower) under the Purchase Agreement as the Agent may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Purchase Agreement.

(i) Location of Records. Such Transaction Party will keep its chief place of business and chief executive office and the offices where it keeps the Records at (i) the address(es) of the Borrower referred to on Exhibit III or (ii) upon 30 days' prior written notice to the Agent, at any other location in the United States where all actions reasonably requested by the Agent to protect and perfect the interests of the Agent and the Lenders in the Pool Loans and the other Collateral have been taken and completed.

(j) Ownership. The Borrower will (or will cause PMC to) take all necessary action to (i) vest legal and equitable title to the Collateral purchased under the Purchase Agreement irrevocably in the Borrower, free and clear of any Liens (other than Liens in favor of the Agent, for the benefit of the Secured Parties) including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Borrower's interest in such Collateral and such other action to perfect, protect or more fully evidence the interest of the Borrower therein as the Agent may reasonably request), and (ii) establish and maintain, in favor of the Agent, for the benefit of the Secured Parties, a valid and perfected first priority security interest in all Collateral, free and clear of any Liens, including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (for the benefit of the Secured Parties) security interest in the Collateral and such other action to perfect, protect or

more fully evidence the interest of the Agent for the benefit of the Secured Parties as the Agent may reasonably request. The Borrower authorizes the Agent to file UCC financing or continuation statements, and amendments thereto and assignments thereof, relating to the Pool Loans and the other Collateral without the signature of the Borrower. A photocopy or other reproduction of this Agreement shall be sufficient as a financing statement where permitted by law.

(k) Lenders' Reliance. The Borrower acknowledges that the Lenders are entering into the transactions contemplated by this Agreement in reliance upon the Borrower's identity as a legal entity that is separate from PMC and the Servicer. Therefore, from and after the date of execution and delivery of this Agreement, each Transaction Party shall take all reasonable steps, including, without limitation, all steps that the Agent or any Lender may from time to time reasonably request, to maintain the Borrower's identity as a separate legal entity and to make it manifest to third parties that each of the Borrower and the General Partner is an entity with assets and liabilities distinct from those of PMC, the Servicer or any other Affiliates thereof (other than the Borrower and the General Partner, collectively, the "PMC Entities") and not just a division of any PMC Entity. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, each of the Borrower and the General Partner will:

(A) conduct its own business in its own name and require that all of its full-time employees, if any, identify themselves as such and not as employees of any PMC Entity (including, without limitation, by means of providing appropriate employees with business or identification cards identifying such employees as the Borrower's employees);

(B) compensate all employees, consultants and agents from its own funds, for services provided to it by such employees, consultants and agents and, to the extent any such employee, consultant or agent is also an employee, consultant or agent of any PMC Entity, allocate the compensation of such employee, consultant or agent between it and such PMC Entity, on a basis that reflects the services rendered to it and such PMC Entity;

(C) if its office is located in the offices of any PMC Entity, the Borrower and/or the General Partner, if applicable, shall lease such office at a fair market rent;

(D) have separate stationery and any checks in its own name;

(E) conduct all transactions with each PMC Entity (including, without limitation, any delegation of its obligations hereunder as Servicer) strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between it and such PMC Entity on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;

(F) cause the General Partner to at all times have a Board of Managers consisting of three members, at least one member of which is an Independent Manager;

(G) observe all partnership or limited liability company formalities as a distinct entity, and ensure that all actions of the General Partner relating to (A) the selection, maintenance or replacement of the Independent Manager, (B) the dissolution or liquidation of the Borrower or (C) the initiation of, participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving the Borrower, are duly authorized by unanimous vote of the Board of Managers (including the Independent Manager) of the General Partner;

(H) maintain its books and records separate from those of each PMC Entity and otherwise readily identifiable as its own assets rather than assets of any PMC Entity;

(I) except as herein specifically otherwise provided, maintain its funds or other assets separate from, and not commingled with, those of any PMC Entity and only maintain bank accounts or other depository accounts to which it alone is the account party, into which it alone makes deposits and from which it alone (or the Agent hereunder) has the power to make withdrawals;

(J) pay all of its operating expenses from its own assets (except for certain payments by any PMC Entity or other Persons pursuant to allocation arrangements that comply with the requirements of this Section 7.1(i));

(K) operate its business and activities such that: it does not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking, other than the transactions contemplated and authorized by this Agreement, the Servicing Agreement and the Purchase Agreement as in effect on the Closing Date (a copy of which has been furnished to the Agent); and does not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (1) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (2) the incurrence of obligations under this Agreement, (3) the incurrence of obligations, as expressly contemplated in the Purchase Agreement, to make payment to PMC thereunder for the purchase of Loans from PMC under the Purchase Agreement, and (4) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated by this Agreement;

(L) maintain its limited partnership or limited liability company existence in conformity with this Agreement, such that it does not amend, restate, supplement or otherwise modify its limited partnership agreement or limited liability company agreement, as applicable, in any respect that would impair its

ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, Section 7.1(i) of this Agreement;

(M) maintain the effectiveness of, and continue to perform under the Purchase Agreement, such that it does not amend, restate, supplement, cancel, terminate or otherwise modify the Purchase Agreement, or give any consent, waiver, directive or approval thereunder or waive any default, action, omission or breach under the Purchase Agreement or otherwise grant any indulgence thereunder, without (in each case) the prior written consent of the Agent;

(N) maintain its separate existence such that it does not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, and except as otherwise contemplated and/or permitted herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person, nor at any time create, have, acquire, maintain or hold any interest in any Subsidiary; and

(O) take such other actions as are necessary on its part to ensure that the facts and assumptions set forth in the opinion issued by Locke Liddell & Sapp LLP, as counsel for the Borrower, in connection with the closing or initial Advance under this Agreement and relating to substantive consolidation issues, and in the certificates accompanying such opinion, remain true and correct in all material respects at all times.

(l) Collections. Such Transaction Party will cause all Obligors to remit all Collections in respect of the Pool Loans by check, wire transfer or electronic funds transfer to the Lockbox Account. In the event that any Transaction Party shall receive any Collections relating to a Pool Loan, such Transaction Party shall receive such funds in trust for the Agent and shall deposit such funds in the Lockbox Account no later than the second Business Day following the date such Transaction Party obtains knowledge of such receipt. Such Transaction Party will take all steps necessary to comply with the requirements of Section 3.3 of the Servicing Agreement such Transaction Party shall cause the Lockbox Account to be subject to the Lockbox Agreement at all times.

(m) Taxes. The Borrower will file all tax returns and reports required by law to be filed by it and will promptly pay all taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. The Servicer will file all material tax returns and reports required by law to be filed by it and will promptly pay all material taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. The Borrower will pay when due any taxes payable in connection with the Pool Loans, exclusive of taxes on or measured by income or gross receipts of the Agent or any Lender. Neither the Borrower nor the General

Partner will make any election to be taxed as a "taxable REIT subsidiary" under the Tax Code. The Borrower will be a "qualified REIT subsidiary" within the meaning of Section 856(i)(2) of the Tax Code or an entity that is disregarded as an entity separate from its beneficial owner for federal income tax purposes.

(n) Payment to PMC. With respect to any Loan purchased by the Borrower from PMC, such sale shall be effected under, and in strict compliance with the terms of, the Purchase Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to PMC in respect of the purchase price for such Loan.

Section 7.2 Negative Covenants of the Transaction Parties. Until the Final Payout Date, each Transaction Party hereby covenants, as to itself, that:

(a) Name Change, Offices and Records. Such Transaction Party will not change its name, identity, jurisdiction or form of organization or relocate its chief executive office at any time while the location of its chief executive office is relevant to perfection of the Agent's security interest, for the benefit of the Secured Parties, in the Collateral unless it shall have: (i) given the Agent at least thirty (30) days' prior written notice thereof and (ii) delivered to the Agent all financing statements, instruments and other documents requested by the Agent in connection with such change or relocation.

(b) Modifications to Loan Documents and Credit and Collection Policy. Such Transaction Party will not, and will not permit any Originator to, make any change to the Credit and Collection Policy that could materially and adversely affect the collectibility of the Pool Loans or materially decrease the credit quality of any newly created Pool Loans. Except as provided in the Servicing Agreement, the Servicer will not, and will not permit any Originator to, extend, amend or otherwise modify the terms of any Pool Loan or any Loan Documents related thereto other than in accordance with the Credit and Collection Policy.

(c) Change in Business. Neither the Borrower nor the General Partner will make any change in the character of its business.

(d) Sales, Liens. Except as otherwise provided in Section 8.7, the Borrower will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Lien upon (including, without limitation, the filing of any financing statement) or with respect to, any of the Collateral, or assign any right to receive income with respect thereto (other than, in each case, the creation of a security interest therein in favor of the Agent as provided for herein), and the Borrower will defend the right, title and interest of the Secured Parties in, to and under any of the foregoing property, against all claims of third parties claiming through or under Borrower or any Originator. The General Partner will not create or suffer to exist any Lien upon its assets or properties.

(e) Use of Proceeds. The Borrower will not use the proceeds of the Advances for any purpose other than (i) paying for Loans and the other Collateral under and in accordance with the Purchase Agreement, (ii) paying its ordinary and necessary operating expenses when and as due, and (iii) making Restricted Junior Payments to the extent permitted under this Agreement.

(f) Restricted Junior Payments. The Borrower will not make any Restricted Junior Payment; provided, that prior to the Amortization Date, the Borrower may make Restricted Junior Payments out of Collections released pursuant to Section 2.2(c)(vii) hereof so long as (i) no Amortization Event or Unmatured Amortization Event shall then exist or would result therefrom and (ii) such Restricted Junior Payments have been approved by all necessary action on the part of the General Partner and in compliance with all applicable laws.

(g) Indebtedness. Neither the Borrower nor the General Partner will incur or permit to exist any Indebtedness or liability on account of deposits except: (i) the Obligations and (ii) other current accounts payable arising in the ordinary course of business and not overdue.

(h) Guarantees. Neither the Borrower nor the General Partner will guarantee, endorse or otherwise be or become contingently liable (including by agreement to maintain balance sheet tests) in connection with the obligations of any other Person, except endorsements of negotiable instruments for collection in the ordinary course of business and reimbursement and indemnification obligations in favor of the Agent, any Lender or any Indemnified Party as provided for under this Agreement.

(i) Merger, Consolidation. Neither the Borrower nor the General Partner will sell any equity interest to any Person (other than the Persons holding such equity interests on the Closing Date) or consolidate with or merge into or with any Person, or purchase or otherwise acquire all or substantially all of the assets or capital stock, or other ownership interest of, any Person or from any Subsidiary, or sell, transfer, lease or otherwise dispose of all or substantially all of its assets to any Person, except as expressly provided or permitted under the terms of this Agreement or as consented to by the Agent.

(j) Limitations on Transactions with Affiliates. Neither the Borrower nor the General Partner will enter into, or be a party to any transaction with any Affiliate of the Borrower, except for:

(i) the transactions contemplated hereby, by the Purchase Agreement and by the other Transaction Documents; and

(ii) to the extent not otherwise prohibited under this Agreement, other transactions in the nature of employment contracts and directors' or manager's fees, upon fair and reasonable terms materially no less favorable to the Borrower than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate.

(k) Limitation on Investments. The Borrower will not make or suffer to exist any loans or advances to, or extend any credit to, or make any investments (by way of transfer of property, contributions to capital, purchase of stock or securities or evidences of indebtedness, acquisition of the business or assets, or otherwise) in, any Affiliate or any other Person except for Eligible Investments and the purchase and receipt of capital contributions of Loans and related assets pursuant to the terms of the Purchase Agreement.

(l) Prohibition on Additional Negative Pledges. The Borrower will not enter into or assume any agreement (other than this Agreement and the other Transaction Documents)

prohibiting the creation or assumption of any Lien upon the Collateral except as contemplated by the Transaction Documents, or otherwise prohibiting or restricting any transaction contemplated hereby or by the other Transaction Documents.

(m) Transaction Documents. The Borrower will not terminate, amend or otherwise modify the Purchase Agreement or any other Transaction Document, or grant any waiver or consent thereunder.

(n) Organizational Documents. Neither the Borrower nor the General Partner will change, amend, alter or otherwise modify its certificate of limited partnership or limited partnership agreement or its certificate of formation or limited liability company agreement, as applicable, except for amendments of its limited partnership agreement or limited liability company agreement, as the case may be, permitted by Section 7.1(k)(L) hereof and with respect to which the Agent has been given prior written notice.

(o) Change in Payment Instructions to Obligors. Such Transaction Party will not make any change in its instructions to Obligors regarding making Collections in respect of the Pool Loans by check, wire transfer or electronic funds transfer to the Lockbox Account.

(p) Treatment as Sales. The Borrower will not account for or treat (whether in financial statements or otherwise) the transactions contemplated by the Purchase Agreement in any manner other than as the sale and/or absolute conveyance of the Pool Loans by PMC to the Borrower.

ARTICLE VIII THE POOL LOANS

Section 8.1 Loan Documents.

(a) On or prior to each Transfer Date, and at all times thereafter (except as provided herein) the Borrower shall cause PMC to prepare and hold in trust, as custodian and bailee for the Agent, each of the following documents and instruments with respect to each Loan to be purchased by the Borrower on such date:

(i) the original Underlying Note, endorsed in blank, with all intervening endorsements showing a complete chain of title from the Originator of such Pool Loan to the Borrower, or a copy of such original Underlying Note with an accompanying Lost Note Affidavit;

(ii) the original Mortgage (or to the extent the original Mortgage is not available, a certified copy or duplicate original), with evidence of recording thereon; provided that if the original Mortgage has been delivered for recording to the appropriate public recording office of the jurisdiction in which the Mortgaged Property is located but has not yet been returned to the Originator by such recording office, the Borrower shall cause the Originator to prepare and hold in trust as custodian and bailee for the Agent (or, if an Amortization Event has occurred, deliver to the Agent) a true copy of such original Mortgage certified by PMC, together (if an Amortization Event has occurred) with a certificate of PMC certifying that such original Mortgage has been so delivered to such

recording office; in all such instances, the Borrower shall cause PMC to set aside and hold in trust as custodian and bailee for the Agent (or, if an Amortization Event has occurred, deliver to the Agent) the original recorded mortgage promptly upon receipt thereof;

(iii) the original attorney's opinion of title or the original policy of title insurance (or to the extent not available, a certified copy thereof); provided that if any such original policy of title insurance has not yet been received by the Originator, the Borrower shall cause PMC to set aside and hold in trust as custodian and bailee for the Agent (or, if an Amortization Event has occurred and is continuing, deliver to the Agent) a copy of such policy or a title insurance binder or commitment for the issuance of such policy;

(iv) an original Assignment of Mortgage, with evidence of recording thereon, evidencing a complete chain of title of the applicable Mortgage from the Originator to the Borrower, provided that if such original Assignment of Mortgage has been delivered for recording to the appropriate public recording office of the jurisdiction in which the Mortgaged Property is located but has not yet been returned to the Originator by such recording office, the Borrower shall cause PMC to deliver to the Agent a true copy of such original Assignment of Mortgage certified by PMC, together with a certificate of PMC certifying that such original Assignment of Mortgage has been so delivered to such recording office; in all such instances, the Borrower shall cause PMC deliver to the Agent any such original Assignments of Mortgage promptly upon receipt thereof; and

(v) originals of all assumption and modification agreements, if any.

(b) The Borrower hereby represents and warrants that PMC is in possession of all Loan Documents with respect to the Pool Loans and all such Loan Documents are included in the related Loan File. Prior to the occurrence of an Amortization Event, PMC shall, as custodian and bailee for the benefit of the Agent, be entitled to maintain possession of the Loan Files relating to the Pool Loans. In the event, however, that possession of any such Loan Files is required by any Person (including the Agent) acting as Servicer pursuant to this Agreement in order to carry out the duties of the Servicer hereunder, then such successor Servicer shall be entitled to request delivery, at the expense of PMC, of such Loan Files and to retain such Loan Files for servicing purposes.

(c) The Borrower hereby represents and warrants to the Agent that PMC has made the appropriate entries in its general accounting records, to indicate that the Pool Loans have been transferred to the Borrower and constitute part of the Collateral in accordance with the terms of this Agreement.

(d) Not later than ten (10) Business Days after the occurrence and during the continuance of an Amortization Event, the Borrower shall cause PMC to deliver to the Agent with respect to each Pool Loan, all Loan Files (including the documents referred to in Section 8.2(a) above) in such manner as the Agent may reasonably request.

In the event any such Loan File relating to one or more Pool Loans is not so delivered to the Agent within such ten (10) Business Day period, the Borrower shall cause PMC to repurchase such Pool Loan at the related Purchase Price in accordance with Section 8.3.

(e) If at any time Servicer or the Agent finds any document constituting a part of the Loan File not to have been executed or received or to be unrelated to the Pool Loans identified in the Loan Schedule or, if in the course of its review, the Servicer or the Agent determines that such Loan File does not include any of the documents required to be included therein pursuant to this Section 8.01 or is otherwise defective in any material respect, the Servicer or the Agent, as the case may be, shall notify the other parties hereto, and the Borrower shall have a period of fifteen (15) Business Days after such notice (subject to Section 8.2) within which to cause PMC to either (i) correct or cure any such defect or (ii) to purchase such Pool Loan at the related Purchase Price in accordance with Section 8.3 or substitute an Eligible Substitute Loan therefor in accordance with Section 8.5; provided, that if the Borrower is diligently attempting to cure such defect and such defect is reasonably capable of being cured, then Borrower shall have an additional five (5) Business Days to effect such cure or purchase. Notwithstanding anything herein to the contrary, it is understood and agreed that the Agent shall have no responsibility for reviewing any Loan File.

(f) Not later than fifteen (15) Business Days after the occurrence and during the continuance of an Amortization Event, the Borrower shall, with respect to each Pool Loan, at its expense, prepare and record an Assignment of Mortgage in favor of the Agent (which may be a blanket assignment if permitted by applicable law) in the appropriate real property or other records. The Agent is hereby appointed as the attorney-in-fact of the Borrower with the power to prepare, execute and record Assignments of Mortgages and endorsements to the Underlying Notes in the event that the Borrower fails to do so on a timely basis as provided in this paragraph.

Section 8.2 Document Defects. If the Borrower is given notice of an omission or defect under Section 8.1 and if PMC or the Borrower does not correct or cure such omission or defect within the fifteen (15) or twenty (20) Business Day period provided by Section 8.1(e), whichever is applicable, the Borrower shall cause the Originator to either (i) purchase the related Pool Loan from the Borrower at the Purchase Price in accordance with Section 8.3 and the Purchase Agreement or (ii) substitute an Eligible Substitute Loan for such Pool Loan in accordance with Section 8.5 and the Purchase Agreement.

Section 8.3 Repurchase of Pool Loans. The Purchase Price for any Pool Loan which is purchased by PMC pursuant to this Article VIII shall be deposited in the Collection Account no later than the earlier of (x) the Business Day prior to the Settlement Date immediately following the date such obligation arises and (y) the Business Day prior to the Borrowing Date immediately following the date such obligation arises. Upon receipt by the Agent of an Officer's Certificate of the Servicer confirming that such Purchase Price has been so remitted or deposited, the related Loan File shall be released to PMC and the Agent shall execute and deliver such instruments of release, prepared by and at the expense of the Borrower, in each case without recourse, representation or warranty, as shall be necessary to release the Agent's security interest therein. The Servicer, promptly following the transfer of (i) a Defective Loan from the Borrower in accordance with this Section 8.3 or of a Defaulted Loan in accordance with Section 8.5 of this

Agreement or (ii) a Substitute Loan or Additional Loan to the Borrower pursuant to Section 8.5 or Section 8.6, as the case may be, shall amend the Loan Schedule in accordance with such Section and deliver a copy of such amended Schedule to the Agent and make (and cause PMC to make) appropriate entries in its general account records to reflect such transfer and the addition of any Substitute Loan or Additional Loan, if applicable.

Section 8.4 Representations and Warranties Regarding the Loans.

(a) The Borrower hereby represents and warrants to the Agent and the Lenders as of the Closing Date, each Borrowing Date, each Settlement Date and each Transfer Date that each of the representations and warranties set forth in the Eligibility Criteria are true and correct (i) with respect to each Pool Loan included in the Borrowing Base as an Eligible Loan on such date and (ii) in the case of any Transfer Date, with respect to each Loan being transferred to the Borrower on such date.

(b) With respect to the representations and warranties set forth in the Eligibility Criteria that are made to the best of any Transaction Party's knowledge or as to which the Transaction Parties have no knowledge, if it is discovered by any Transaction Party, any Lender or the Agent that the substance of such representation and warranty is inaccurate then, notwithstanding the lack of knowledge by any Transaction Party with respect to the substance of such representation and warranty being inaccurate at the time the representation or warranty was made, such inaccuracy shall be deemed a breach of the applicable representation or warranty for purposes of this Section 8.4.

(c) It is understood and agreed that the representations and warranties set forth in the Eligibility Criteria shall survive the contribution of the Pool Loans to the Borrower, the grant of a security interest in the Pool Loans to the Agent and the delivery of the respective Loan Files pursuant to Section 8.1.

(d) Upon discovery by any Transaction Party, any Lender or the Agent of a breach of any of the representations and warranties set forth in the Eligibility Criteria, without regard to any limitation set forth therein concerning the knowledge of any Transaction Party as to the facts stated therein, the party discovering such breach shall give prompt written notice to the other parties. Not later than fifteen (15) Business Days after its discovery or its receipt of notice of any material breach, the Borrower shall cause PMC to either (i) cure such breach or (ii) purchase such Pool Loan from the Borrower at the applicable Purchase Price in accordance with Section 8.3 and the Purchase Agreement or substitute an Eligible Substitute Loan for such Loan in accordance with Section 8.5 and the Purchase Agreement; provided, that if the Borrower is diligently attempting to cure such defect and such defect is reasonably capable of being cured, then Borrower shall have an additional five (5) Business Days to effect such cure or purchase.

Section 8.5 Substitution of Loans.

(a) On or before the date on which the Borrower would otherwise be required to cause PMC to repurchase a Defective Loan under Section 8.2 or 8.4, so long as no Amortization Event has occurred and is continuing, the Borrower may cause PMC to transfer and assign to the Borrower, in accordance with the Purchase Agreement and this Section 8.5, one

or more Eligible Substitute Loans in substitution for any one or more of such Defective Loans. In addition, so long as no Amortization Event has occurred and is continuing, subject to the limitation set forth in Section 8.5(c) below, the Borrower may in its sole discretion cause PMC to transfer and assign to the Borrower, in accordance with the Purchase Agreement and this Section 8.5, one or more Eligible Substitute Loans in substitution for any one or more Defaulted Loans. In connection with any such substitution for a Defective Loan or Defaulted Loan, the Servicer shall calculate the Substitution Adjustment, if any, and shall cause PMC to deposit such amount to the Collection Account on or before the applicable Substitution Date. Notwithstanding anything herein to the contrary, no substitution may be made pursuant to this Section 8.5 or the Purchase Agreement at any time on or after the Amortization Date.

(b) The Borrower shall provide the Servicer and the Agent with not less than five Business Days' prior written notice of its intention to effect a substitution under this Section 8.5. On the date such substitution is to occur (the "Substitution Date"), the Servicer shall (i) cause PMC to transfer and assign to the Borrower in accordance with the Purchase Agreement the Eligible Substitute Loans to be substituted for the Deleted Loans, (ii) deliver to the Agent a list of the Deleted Loans to be substituted for by such Eligible Substitute Loans, (iii) deliver to the Agent an Officer's Certificate of the Servicer (A) stating that no Amortization Event shall have occurred and be continuing, (B) stating that the aggregate Principal Balance (determined as of the applicable Substitution Date) of all Eligible Substitute Loans that have been substituted for Defaulted Loans since the date of the most recent Term Securitization, or, if no Term Securitization has occurred, since the Closing Date (including the Eligible Substitute Loans being substituted on such Substitution Date but excluding Eligible Substitute Loans substituted for Defective Loans pursuant to Section 8.5(a) above), does not exceed an amount equal to 15% of the highest Pool Principal Balance since the date of the most recent Term Securitization, or, if no Term Securitization has occurred, since the Closing Date, (C) stating that each Loan being substituted on that Substitution Date is an Eligible Substitute Loan and that all conditions precedent to such substitution specified in this Section 8.5 and in the Purchase Agreement have been satisfied and attaching as an exhibit a supplemental Loan Schedule (a "Supplemental Loan Schedule") setting forth for each Substitute Loan the same type of information as appears on the Loan Schedule and representing and warranting that such information is true and correct and (D) stating that the representations and warranties contained in the Eligibility Criteria are true and correct with respect to the Substitute Loans on and as of such Substitution Date, and (iv) deliver to the Agent a certificate stating that cash in the amount of the related Substitution Adjustment, if any, has been remitted to the Servicer or deposited to the Collection Account, as applicable. Upon receipt of the foregoing and confirmation of the contents thereof, the Agent shall, at the expense of the Borrower, release its security interest in such Deleted Loans without recourse, representation or warranty.

(c) Concurrently with the satisfaction of the conditions set forth in Sections 8.5(a) and (b) above and the transfer of such Substitute Loans to the Borrower in accordance with this Section 8.5, Schedule C to this Agreement shall be deemed to be amended to exclude all Deleted Loans being replaced by such Substitute Loans and to include the information set forth on the Supplemental Loan Schedule with respect to such Substitute Loans, and all references in this Agreement and the other Transaction Documents to Loans shall include such Substitute Loans.

Section 8.6 Addition of Loans.

(a) So long as no Amortization Event has occurred and is continuing, Borrower may purchase additional Eligible Loans from PMC pursuant to and in accordance with the terms of the Purchase Agreement and this Section 8.6. Notwithstanding anything herein to the contrary, no such purchase may be made by the Borrower at any time on or after the Amortization Date.

(b) In the event the Borrower elects to purchase a Loan under the Purchase Agreement at any time after the Closing Date, the Borrower shall provide the Servicer and the Agent with not less than two Business Days' prior written notice of such purchase. On the date such purchase is to occur (the "Addition Date"), the Borrower shall deliver to the Agent an Officer's Certificate of the Borrower (i) stating that no Amortization Event shall have occurred and be continuing, (ii) stating that each Loan being purchased by the Borrower on that Addition Date is an Eligible Loan, that all conditions precedent to such purchase specified in the Purchase Agreement and this Section 8.6 have been satisfied and that the purchase price for such Loan has been (or will be by the close of business on the applicable Addition Date) paid in full in accordance with the terms of the Purchase Agreement out of funds of the Borrower available for such purpose on such date, (iii) attaching as an exhibit a Supplemental Loan Schedule setting forth for each Additional Loan the same type of information as appears on the Loan Schedule and representing and warranting that such information is true and correct and (iv) stating that the representations and warranties contained in the Eligibility Criteria are true and correct with respect to the Loans to be purchased by the Borrower on and as of such Addition Date.

(c) Concurrently with the transfer of any Additional Loans to the Borrower pursuant to the Purchase Agreement, Schedule C to this Agreement shall be deemed to be amended to include the information set forth on the Supplemental Loan Schedule with respect to such Additional Loans, and all references in this Agreement and the other Transaction Documents to Loans shall include such Additional Loans.

Section 8.7 Term Securitizations. The Borrower may from time to time enter into one or more transactions (each a, "Term Securitization") pursuant to which the Borrower sells some or all of the Pool Loans as of a specified cut-off date if (i) the net proceeds payable to the Borrower in connection with any Term Securitization are equal to or greater than the Required Takeout Price on the date of such sale and (ii) the Borrower has directed the buyer of the Pool Loans subject to such Term Securitization in writing (with a copy to the Agent) to remit such net proceeds of the Pool Loans directly to the Collection Account. Upon receipt by the Agent of confirmation that the net proceeds of the purchase price for the Pool Loans that are subject to a Term Securitization have been credited to the Collection Account, (x) the Agent shall apply such net proceeds to reduce the Aggregate Principal ratably among all Lenders and to pay any other Obligations included in the calculation of the Required Takeout Price and (y) the related Loan Files shall be released to the buyer thereof and the Agent shall execute and deliver such instruments of release, prepared by and at the expense of the Borrower, in each case without recourse, representation or warranty, as shall be necessary to release the Agent's security interest therein. Promptly following a sale of Pool Loans by the Borrower in connection with any Term Securitization, the Servicer shall amend the Loan Schedule and deliver a copy of such amended

Schedule to the Agent and make appropriate entries in its general accounting records to reflect such sale.

ARTICLE IX
AMORTIZATION EVENTS

Section 9.1 Amortization Events. The occurrence of any one or more of the following events shall constitute an Amortization Event:

(a) Any Transaction Party or PMC shall fail (i) to make any payment or deposit of any amount consisting of Aggregate Principal, Interest or CP Costs required hereunder when due and such failure shall continue unremedied for one (1) Business Day or (ii) to make any payment or deposit of any other amount required to be made by it under the Transaction Documents when due and such failure shall continue unremedied for two (2) Business Days; or

(b) Any representation, warranty, certification or statement made by any Transaction Party or PMC in any Transaction Document to which it is a party or in any other document delivered pursuant thereto shall prove to have been incorrect when made or deemed made; provided, that a breach of any representation or warranty made by the Borrower with respect to one or more Loans pursuant to Section 8.4 shall not constitute an Amortization Event hereunder if the Borrower causes PMC to comply with Section 8.4 by either (i) curing such breach, (ii) purchasing such Pool Loan from the Borrower at the applicable Purchase Price in accordance with Section 8.3 or (iii) substituting an Eligible Substitute Loan for such Loan in accordance with Section 8.5; or

(c) Any Transaction Party or PMC shall fail to perform or observe any covenant or agreement (i) set forth in Section 7.1(a)(iv), 7.1(a)(vi), 7.1(a)(viii), 7.1(c), 7.1(e) or 7.1(m) and such failure shall continue for thirty (30) consecutive days or (ii) under any Transaction Document (other than as referred to in clause (i) of this paragraph (c) or Section 9.1(a)) and such failure shall continue unremedied for five (5) Business Days; or

(d) Failure of the Borrower to pay any Indebtedness (other than the Obligations) when due or the default by the Borrower in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of Borrower shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof; or

(e) (i) PMC fails to make any payment in respect of any Indebtedness of PMC when due, (ii) any default or other event or condition occurs or exists beyond the applicable grace or cure period, the effect of which is to permit any holder of Indebtedness of PMC to cause (whether or not it elects to cause) any of such Indebtedness to become due before its stated maturity or regularly scheduled payment dates, or (iii) any of such Indebtedness is declared to be due and payable or required to be prepaid by PMC before its stated maturity; or

(f) An Event of Bankruptcy shall occur with respect to any Transaction Party or PMC; or

(g) A Change of Control shall occur with respect to any Transaction Party or PMC; or

(h) (i) One or more final judgments for the payment of money shall be entered against Borrower or (ii) PMC fails, within 10 days after entry, to pay, bond, or otherwise discharge any one or more judgments or orders for the payment of money (not paid or fully covered by insurance) in excess of \$1,000,000 (individually or collectively) or the equivalent thereof in another currency or currencies, or any warrant of attachment, sequestration, or similar proceeding against PMC's assets having a value (individually or collectively) of \$1,000,000 or the equivalent thereof in another currency or currencies, which is not either (a) stayed on appeals; (b) being diligently contested in good faith by appropriate proceedings with adequate reserves having been set aside on the books of PMC in accordance with GAAP, or (c) dismissed by a court of competent jurisdiction; or

(i) This Agreement or any other Transaction Document shall terminate in whole or in part (except in accordance with its terms), or shall cease to be effective or to be the legally valid, binding and enforceable obligation of the Borrower, the Servicer or PMC, or any of the Borrower, the Servicer or PMC shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability thereof; or

(j) The Agent for the benefit of the Lenders shall cease to have a valid and perfected first priority security interest in the Collateral; or

(k) A "Purchase Termination Event" shall occur under the Purchase Agreement; or

(l) The Borrower shall fail to comply with Section 1.5; or

(m) The Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Tax Code with regard to any of the Collateral and such lien shall not have been released within fifteen (15) Business Days after the Borrower obtains notice thereof, or the PBGC shall file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the Collateral; or

(n) Any event shall occur which has, or could be reasonably expected to have a Material Adverse Effect; or

(o) As of any Reporting Date, (i) the average of the Serviced Pool Delinquency Ratios as of the end of the Monthly Period that is two Monthly Periods preceding the Monthly Period in which such Reporting Date occurs and the two preceding Monthly Periods shall exceed 2.00% or (ii) if the average of the Serviced Pool Delinquency Ratios as of the end of the Monthly Period that is two Monthly Periods preceding the Monthly Period in which such Reporting Date occurs and the preceding Monthly Period shall exceed 2.00%, the average of the Serviced Pool Delinquency Ratios as of the end of the Monthly Period that is one Monthly Period preceding the Monthly Period in which such Reporting Date occurs and the two preceding Monthly Periods shall exceed 2.00%; or

(p) As of the end of any Monthly Period, (i) the average of the Delinquency Ratios as of the end of such Monthly Period and the two preceding Monthly Periods shall exceed 5.00% and (ii) the average of the aggregate Principal Balances of all Pool Loans that are Delinquent Loans as of the end of such Monthly Period and the two preceding Monthly Periods shall exceed \$4,000,000; or

(q) As of the end of any Monthly Period, the average of the Non-Performing Pool Loan Balances as of the end of such Monthly Period and the two preceding Monthly Periods shall exceed \$5,000,000; or

(r) As of the close of business on any Settlement Date, the Reserve Account Balance is less than the Reserve Account Requirement (determined after giving effect to all deposits, distributions and Advances pursuant to this Agreement) and the Reserve Account Balance shall remain less than the Reserve Account Requirement as of the close of business on the next succeeding Settlement Date (determined after giving effect to all deposits, distributions and Advances pursuant to this Agreement); or

(s) The Borrower shall fail to consummate at least one Term Securitization during the eighteen (18) month period following the Closing Date; or

(t) the Excess Spread Percentage for any Settlement Date is less than 2.00%; or

(u) PMC shall fail to comply with any of the covenants set forth on Schedule F hereto.

Section 9.2 Remedies. Upon the occurrence and during the continuation of an Amortization Event, the Agent may, or upon the direction of the Required Alternate Lenders shall, take any of the following actions: (i) replace the Person then acting as Servicer if the Agent has not already done so, (ii) exercise its right to take exclusive control of the Lockbox and Lockbox Account and (iii) declare the Amortization Date to have occurred, whereupon the Aggregate Commitment shall immediately terminate and the Amortization Date shall forthwith occur, all without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Transaction Party; provided, however, that upon the occurrence of an Event of Bankruptcy with respect to any Transaction Party or PMC, the Amortization Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Transaction Party, (iii) sell the Pool Loans, (iv) exercise all rights and remedies of a secured party upon default under the UCC and other applicable laws, and (v) notify the related Obligors of the Agent's security interest in the Pool Loans and other Collateral. The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Agent and the Lenders otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

Section 9.3 Responsibilities of Borrower. Anything herein to the contrary notwithstanding, the exercise by the Agent and the Lenders of their rights hereunder shall not

release the Servicer, PMC or the Borrower from any of their duties or obligations with respect to any Pool Loans or under the related Loan Documents. The Lenders shall have no obligation or liability with respect to any Pool Loans or related Loan Documents, nor shall any of them be obligated to perform the obligations of the Borrower.

ARTICLE X INDEMNIFICATION

Section 10.1 Indemnities by the Borrower. Without limiting any other rights that the Agent or any Lender may have hereunder or under applicable law, the Borrower hereby agrees to indemnify (and pay upon demand to) the Agent, the Conduit Lender, each of the Alternate Lenders and each of the respective assigns, officers, directors, agents and employees of the foregoing (each, an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or any other Transaction Document or the acquisition, either directly or indirectly, by a Lender of an interest in the Loans, excluding, however, in all of the foregoing instances:

(a) Indemnified Amounts to the extent such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(b) Indemnified Amounts to the extent the same includes losses in respect of Pool Loans that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(c) franchise taxes and taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with the characterization for income tax purposes of the acquisition by the Lenders of Loans as a loan or loans by the Lenders to Borrower secured by the Collateral;

provided, however, that nothing contained in this sentence shall limit the liability of the Borrower or limit the recourse of the Lenders to the Borrower for amounts otherwise specifically provided to be paid by such Transaction Party under the terms of this Agreement or the Servicing Agreement. Without limiting the generality of the foregoing indemnification, Borrower shall indemnify the Agent and the Lenders for Indemnified Amounts (including, without limitation, losses in respect of uncollectible Pool Loans, regardless of whether reimbursement therefor would constitute recourse to Borrower) relating to or resulting from:

(i) any representation or warranty made by any Transaction Party or PMC (or any officers of any such Person) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(ii) the failure by the Borrower, the Servicer or PMC to comply with any applicable law, rule or regulation with respect to any Pool Loan or Loan Document related thereto, or the nonconformity of any Pool Loan or Loan Document included therein with any such applicable law, rule or regulation or any failure of the Borrower, the Servicer or PMC to keep or perform any of its obligations, express or implied, with respect to any Loan Document;

(iii) any failure of the Borrower, the Servicer or PMC to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Pool Loan (including, without limitation, a defense based on such Pool Loan or the related Loan Document not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms);

(v) the commingling of any collections of Pool Loans at any time with other funds;

(vi) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the use of the proceeds of any Advance, the Collateral or any other investigation, litigation or proceeding relating to the Borrower, the Servicer or PMC in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(vii) any inability to litigate any claim against any Obligor in respect of any Pool Loan as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(viii) any Amortization Event;

(ix) any failure of the Borrower to acquire and maintain legal and equitable title to, and ownership of any of the Collateral from PMC, free and clear of any Lien (other than as created hereunder); or any failure of the Borrower to give reasonably equivalent value to PMC under the Purchase Agreement in consideration of the transfer by PMC of any Pool Loan, or any attempt by any Person to void such transfer under statutory provisions or common law or equitable action;

(x) any failure to vest and maintain vested in the Agent for the benefit of the Lenders, or to transfer to the Agent for the benefit of the Secured Parties, a valid first priority perfected security interests in the Collateral, free and clear of any Lien (except as created by the Transaction Documents);

(xi) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction

or other applicable laws with respect to any Collateral, and the proceeds thereof, whether at the time of any Advance or at any subsequent time;

(xii) any action or omission by any Transaction Party which reduces or impairs the rights of the Agent or the Lenders with respect to any Collateral or the value of any Collateral;

(xiii) any attempt by any Person to void any Advance or the Agent's security interest in the Collateral under statutory provisions or common law or equitable action;

(xiv) the failure of any Pool Loan included in the calculation of the Borrowing Base as an Eligible Loan to be an Eligible Loan at the time so included; and

(xv) any environmental claim or liability relating to or arising out of any Mortgaged Property or REO Property.

Section 10.2 Indemnities by the Servicer. Without limiting any other rights that an Indemnified Party may have hereunder or under applicable law, the Servicer hereby agrees to indemnify each Indemnified Party from and against any and all Indemnified Amounts that may be imposed on, incurred by or asserted against an Indemnified Party in any way arising out of or relating to:

(a) any representation or warranty made by the Servicer (or any officers of Servicer) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by the Servicer pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(b) the failure by the Servicer to comply with any applicable law, rule or regulation with respect to any Pool Loan or Loan Document related thereto;

(c) any failure of Servicer to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(d) the commingling of any collections of the Pool Loans at any time with other funds;

(e) any action or omission by Servicer which reduces or impairs the rights of the Agent or the Lenders with respect to any Collateral or the value of any Collateral; and

(f) any inaccuracy in any report delivered by the Servicer.

Section 10.3 Increased Cost and Reduced Return. If after the Closing Date, any Funding Source shall be charged any fee, expense or increased cost on account of the adoption of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy), any accounting principles or any change in any of the foregoing, or any change in the interpretation or administration thereof by any governmental authority, the Financial Accounting Standards Board ("FASB"), any central bank or any comparable agency

charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority or agency (a "Regulatory Change"): (i) that subjects any Funding Source to any charge or withholding on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Loans, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except for changes in the rate of tax on the overall net income of a Funding Source or taxes excluded by Section 10.1) or (ii) that imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (iii) that imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, within fifteen (15) days after demand by the Agent (which demand shall be accompanied by a certificate setting forth, in reasonable detail, the basis of such demand and the methodology for calculating, and the calculation of, the amounts claimed by the Funding Source), the Borrower shall pay to the Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or such amounts to otherwise compensate such Funding Source for such increased cost or such reduction. If less than all of the Funding Sources claim reimbursement from the Seller under this Section 10.3, each Funding Source claiming reimbursement shall be obligated, at the request of the Borrower, to assign all of its rights and obligations hereunder to (a) an Alternate Lender if such Alternate Lender accepts such assignment or (b) another financial institution nominated by the Borrower that is acceptable to the Agent and the Conduit Lender and is willing to participate in this Agreement through the then current Scheduled Termination Date in place of such Funding Source; provided, that (i) the Funding Source that is being replaced receive payment in full, pursuant to an assignment agreement, of an amount equal to all accrued and unpaid amounts owing to such Funding Source in connection with the transactions contemplated by this Agreement, including, without limitation, all principal, interest, fees, costs and expenses and (ii) the replacement Funding Source proposed by the Borrower otherwise satisfies the requirements of Section 12.1(b).

Section 10.4 Other Costs and Expenses. The Borrower shall pay to the Agent and the Conduit Lender on demand all reasonable costs and out-of-pocket expenses in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including without limitation, the cost of the Conduit Lender's auditors auditing the books, records and procedures of Borrower, reasonable fees and out-of-pocket expenses of legal counsel for the Conduit Lender and the Agent with respect thereto and with respect to advising the Conduit Lender and the Agent as to their respective rights and remedies under this Agreement. The Borrower shall pay to the Agent on demand any and all costs and expenses of the Agent and the Lenders, if any, including reasonable counsel fees and expenses in connection with any amendment to this Agreement or any other Transaction Document, the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following an Amortization Event.

ARTICLE XI
THE AGENT

Section 11.1 Authorization and Action. Each Lender hereby designates and appoints JPMorgan Chase to act as its agent under the Transaction Documents and under the Liquidity Agreement, and authorizes the Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Agent by the terms of the Liquidity Agreement or the Transaction Documents, together with such powers as are reasonably incidental thereto. The Agent shall not have any duties or responsibilities, except those expressly set forth in the Liquidity Agreement or in any Transaction Document, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Agent shall be read into the Liquidity Agreement or any Transaction Document or otherwise exist for the Agent. In performing its functions and duties under the Liquidity Agreement and the Transaction Documents, the Agent shall act solely as agent for the Lenders and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for any Transaction Party or any of such Transaction Party's successors or assigns. The Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to the Liquidity Agreement or any Transaction Document or applicable law. The appointment and authority of the Agent hereunder shall terminate upon the indefeasible payment in full of all Obligations.

Section 11.2 Delegation of Duties. The Agent may execute any of its duties under the Liquidity Agreement and each Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 11.3 Exculpatory Provisions. Neither the Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with the Liquidity Agreement or any Transaction Document (except for its, their or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Transaction Party contained in the Liquidity Agreement, any Transaction Document or any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, any Transaction Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of the Liquidity Agreement or any Transaction Document or any other document furnished in connection therewith, or for any failure of any Transaction Party to perform its obligations under any Transaction Document, or for the satisfaction of any condition specified in Article VI, or for the perfection, priority, condition, value or sufficiency of any collateral pledged in connection herewith. The Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, any Transaction Document, or to inspect the properties, books or records of the Transaction Parties. The Agent shall not be deemed to have knowledge of any Amortization Event or Unmatured Amortization Event unless the Agent has received notice from a Transaction Party or a Lender.

Section 11.4 Reliance by Agent. The Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Agent. The Agent shall in all cases be fully justified in failing or refusing to take any action under the Liquidity Agreement or any Transaction Document unless it shall first receive such advice or concurrence of the Conduit Lender or the Required Alternate Lenders or all of the Lenders, as applicable, as it deems appropriate and it shall first be indemnified to its satisfaction by the Lenders, provided, that unless and until the Agent shall have received such advice, the Agent may take or refrain from taking any action, as the Agent shall deem advisable and in the best interests of the Lenders. The Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of the Conduit Lender or the Required Alternate Lenders or all of the Lenders, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

Section 11.5 Non-Reliance on Agent and Other Lenders. Each Lender expressly acknowledges that neither the Agent, nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including, without limitation, any review of the affairs of any Transaction Party, shall be deemed to constitute any representation or warranty by the Agent. Each Lender represents and warrants to the Agent that it has and will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Borrower and made its own decision to enter into the Liquidity Agreement, the Transaction Documents and all other documents related thereto.

Section 11.6 Reimbursement and Indemnification. The Alternate Lenders agree to reimburse and indemnify the Agent and its officers, directors, employees, representatives and agents ratably according to their Pro Rata Shares, to the extent not paid or reimbursed by the Transaction Parties (i) for any amounts for which the Agent, acting in its capacity as Agent, is entitled to reimbursement by the Transaction Parties hereunder and (ii) for any other expenses incurred by the Agent, in its capacity as Agent and acting on behalf of the Lenders, in connection with the administration and enforcement of the Liquidity Agreement and the Transaction Documents.

Section 11.7 Agent in its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as though the Agent were not the Agent hereunder. With respect to the making of Loans pursuant to this Agreement, the Agent shall have the same rights and powers under the Liquidity Agreement and this Agreement in its individual capacity as any Lender and may exercise the same as though it were not the Agent, and the terms "Alternate Lender," "Lender," "Alternate Lenders" and "Lenders" shall include the Agent in its individual capacity.

Section 11.8 Successor Agent. The Agent may, upon five (5) days' notice to the Transaction Parties and the Lenders, and the Agent will upon the direction of all the Lenders (other than the Agent, in its individual capacity), resign as Agent. If the Agent shall resign, then the Required Alternate Lenders during such five-day period shall appoint, from among the remaining Alternate Lenders, a successor Agent, whereupon such successor Agent shall succeed to the rights, powers and duties of the Agent and the term "Agent" shall mean such successor agent, effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. If for any reason no successor Agent is appointed by the Required Alternate Lenders during such five-day period, then effective upon the termination of such five day period, the Lenders shall perform all of the duties of the Agent hereunder and under the other Transaction Documents and the Borrower and the Servicer (as applicable) shall make all payments in respect of the Obligations directly to the applicable Lenders and for all purposes shall deal directly with the Lenders. Upon resignation or replacement of any Agent in accordance with this Section 11.8, the retiring Agent shall execute such UCC-3 assignments and amendments, and assignments and amendments of the Liquidity Agreement and the Transaction Documents, as may be necessary to give effect to its replacement by a successor Agent. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article XI and Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

ARTICLE XII
ASSIGNMENTS; PARTICIPATIONS

Section 12.1 Assignments.

(a) Each of the Agent, the Transaction Parties and the Alternate Lenders hereby agrees and consents to the complete or partial assignment by the Conduit Lender of all or any portion of its rights under, interest in, title to and obligations under this Agreement to the Alternate Lenders pursuant to the Liquidity Agreement.

(b) Any Alternate Lender may at any time and from time to time assign to one or more Persons (each, a "Purchasing Alternate Lender") all or any part of its rights and obligations under this Agreement pursuant to an assignment agreement substantially in the form set forth in Exhibit V hereto (an "Assignment Agreement") executed by such Purchasing Alternate Lender and such selling Alternate Lender; provided, however, that any assignment of an Alternate Lender's rights and obligations hereunder shall include a pro rata assignment of its rights and obligations under the Liquidity Agreement. The consent of the Conduit Lender and of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required prior to the effectiveness of any such assignment. Each assignee of an Alternate Lender must (i) have a short-term debt rating of P-1 by Moody's and A-1 or better by S&P and (ii) agree to deliver to the Agent, promptly following any request therefor by the Agent or the Conduit Lender, an enforceability opinion in form and substance satisfactory to the Agent and Conduit Lender. Upon delivery of an executed Assignment Agreement to the Agent, such selling Alternate Lender shall be released from its obligations hereunder and under the Liquidity Agreement to the extent of such assignment. Thereafter the Purchasing Alternate Lender shall for all purposes be an Alternate Lender party to this Agreement and the Liquidity Agreement and shall have all the

rights and obligations of an Alternate Lender hereunder and thereunder to the same extent as if it were an original party hereto and thereto and no further consent or action by the Borrower, the Lenders or the Agent shall be required.

(c) Each of the Alternate Lenders agrees that in the event that it shall suffer a Downgrading Event, such Downgraded Alternate Lender shall be obliged, at the request of the Conduit Lender or the Agent, to assign all of its rights and obligations hereunder and under the Liquidity Agreement to (x) another Alternate Lender or (y) another funding entity nominated by the Agent or a Transaction Party and acceptable to the Conduit Lender and willing to participate in this Agreement and the Liquidity Agreement through the Scheduled Termination Date in the place of such Downgraded Alternate Lender; provided, that the Downgraded Alternate Lender receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such Alternate Lender's Pro Rata Share of the Obligations owing to the Alternate Lenders.

(d) No Transaction Party may assign any of its rights or obligations under this Agreement without the prior written consent of the Agent and each of the Lenders.

(e) Any Downgraded Alternate Lender or Non-Renewing Alternate Lender which has not assigned its rights and obligations hereunder if requested pursuant to this Article XII shall be a "Terminating Alternate Lender" for purposes of this Agreement as of the then current Scheduled Termination Date (or, in the case of any Downgraded Alternate Lender, such earlier date as declared by the Agent. The Commitment of any Alternate Lender shall terminate on the date it becomes a Terminating Alternate Lender. Upon reduction to zero of all Obligations owing to a Terminating Alternate Lender (after application of Collections thereto pursuant to Section 2.2) all rights and obligations of such Termination Alternate Lender shall be terminated and such Terminating Alternate Lender shall no longer be an "Alternate Lender" hereunder; provided, however, that the provisions of Article X shall continue in effect for its benefit with respect to Advances or the Commitment held by such Terminating Alternate Lender prior to its termination as an Alternate Lender.

Section 12.2 Participations. Any Alternate Lender may, in the ordinary course of its business at any time sell to one or more Persons (each, a "Participant") participating interests in its Pro Rata Share of the Aggregate Commitment, its Advances, its Liquidity Commitment or any other interest of such Alternate Lender hereunder or under the Liquidity Agreement. Notwithstanding any such sale by an Alternate Lender of a participating interest to a Participant, such Alternate Lender's rights and obligations under this Agreement and the Liquidity Agreement shall remain unchanged, such Alternate Lender shall remain solely responsible for the performance of its obligations hereunder and under the Liquidity Agreement, and the Transaction Parties, the Conduit Lender and the Agent shall continue to deal solely and directly with such Alternate Lender in connection with such Alternate Lender's rights and obligations under this Agreement and the Liquidity Agreement. Each Alternate Lender agrees that any agreement between such Alternate Lender and any such Participant in respect of such participating interest shall not restrict such Alternate Lender's right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification described in Section 14.1(b)(i).

ARTICLE XIII
SECURITY INTEREST

Section 13.1 Grant of Security Interest. To secure the due and punctual payment of the Obligations, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, without limitation, all Indemnified Amounts, in each case pro rata according to the respective amounts thereof, the Borrower hereby grants to the Agent, for the benefit of the Secured Parties, a security interest in, all of the Borrower's right, title and interest, whether now owned and existing or hereafter arising in and to the following (collectively, the "Collateral"):

(i) all Pool Loans;

(ii) all payments in respect of interest and principal received, collected or otherwise recovered on or after the Cut-Off Date (or, in the case of a Pool Loan in which the Borrower acquires an interest after the Closing Date, on or after the applicable Transfer Date) and all other proceeds received (including Insurance Proceeds) with respect to each Pool Loan on or after the Cut-Off Date (or, in the case of a Pool Loan in which the Borrower acquires an interest after the Closing Date, on or after the applicable Transfer Date);

(iii) all Loan Documents and other Records;

(iv) any REO Property, including all escrow, deposits, income, interest, profit or other payments paid or payable with respect thereto and any and all insurance policies relating thereto;

(v) all guaranties, letters of credit, letter-of-credit rights, supporting obligations and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Pool Loan whether pursuant to the Loan Documents related to such Pool Loan or otherwise;

(vi) any insurance policies that relate to any Pool Loan or Mortgaged Property related thereto;

(vii) the Purchase Agreement (including, without limitation, (a) all rights to indemnification arising thereunder and (b) all UCC financing statements filed pursuant thereto);

(viii) all other rights and payments relating to the Pool Loans;

(ix) the Collection Account and the Reserve Account and all cash, instruments, investment property, financial assets or other property that are held or required to be deposited in such accounts; and

(x) all proceeds (including, without limitation, "proceeds" as defined in Article 9 of the UCC as in effect in the State of New York) of any of the foregoing.

Section 13.2 Assignment of Purchase Agreement. The Borrower hereby assigns to the Agent, for the benefit of the Secured Parties hereunder, all of the Borrower's right, title and interest in, to and under the Purchase Agreement. Such assignment shall include, without limitation, (a) all monies due and to become due to the Borrower from PMC under or in connection with the Purchase Agreement, whether as Pool Loans or fees, expenses, costs, indemnities, damages for the breach of either Purchase Agreement or otherwise and (b) all rights, remedies, powers, privileges and claims against PMC under or with respect to the Purchase Agreement or otherwise available at law or in equity. The Agent shall have the sole right to enforce the Borrower's rights and remedies under the Purchase Agreement for the benefit of the Secured Parties (including, without limitation (x) the right at any time to enforce the Purchase Agreement and the obligations of PMC thereunder and (y) the right, at any time, to give or withhold any and all consents, requests, notices, directions, approvals, demands, extensions, amendments, modifications or waivers under or with respect to the Purchase Agreement). All amounts paid by PMC under the Purchase Agreement shall constitute Collections hereunder, and shall be applied pursuant to the terms of Section 4.01 of the Servicing Agreement.

Section 13.3 Termination after Final Payout Date. Each of the Secured Parties hereby authorizes the Agent, and the Agent hereby agrees, promptly after the Final Payout Date to deliver to the Borrower such UCC termination statements as may be necessary to terminate the Agent's security interest in and Lien upon the Collateral, all at the Borrower's expense. Upon the Final Payout Date, all right, title and interest of the Agent and the other Secured Parties in and to the Collateral shall terminate.

ARTICLE XIV
MISCELLANEOUS

Section 14.1 Waivers and Amendments.

(a) No failure or delay on the part of the Agent or any Lender in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 14.1(b). The Conduit Lender, the Borrower, the Servicer and the Agent, at the direction of the Required Alternate Lenders, may enter into written modifications or waivers of any provisions of this Agreement; provided, however, that no such modification or waiver shall:

(i) without the consent of each affected Lender, (A) extend the Scheduled Termination Date or the date of any payment or deposit of Available Collections by the Borrower or the Servicer, (B) reduce the rate or extend the time of payment of Interest or any CP Costs (or any component of Interest or CP Costs), (C) reduce any fee payable to the Agent for the benefit of the Lenders, (D) except pursuant to

Article XII hereof, change the amount of the principal of any Lender, any Alternate Lender's Pro Rata Share or any Alternate Lender's Commitment, (E) amend, modify or waive any provision of the definition of Required Alternate Lenders or this Section 14.1(b), (F) consent to or permit the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, (G) change the definition of "Eligible Loan," or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner that would circumvent the intention of the restrictions set forth in such clauses; or

(ii) without the written consent of the then Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of such Agent.

Notwithstanding the foregoing, (i) without the consent of the Alternate Lenders, but with the consent of the Borrower, the Agent may amend this Agreement solely to add additional Persons as Alternate Lenders hereunder and (ii) the Agent, the Required Alternate Lenders and Conduit Lender may enter into amendments to modify any of the terms or provisions of Article XI, Article XII, Section 14.13 or any other provision of this Agreement without the consent of Borrower, provided, that such amendment has no negative impact upon the Borrower or any other Transaction Party. Any modification or waiver made in accordance with this Section 14.1 shall apply to each of the Lenders equally and shall be binding upon the Borrower, the Lenders and the Agent.

Section 14.2 Notices. Except as provided in this Section 14.2, all communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by telecopy, upon the receipt thereof, or (ii) if given by any other means, when received at the address specified in this Section 14.2. The Borrower hereby authorizes the Agent to effect Advances and Interest Period and Interest Rate selections based on telephonic notices made by any Person whom the Agent in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an authorized officer of the Borrower; provided, however, the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by the Agent, the records of the Agent shall govern absent manifest error.

Section 14.3 Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it with respect to any portion of the Obligations owing to such Lender (other than payments received pursuant to Section 10.2 or 10.3) in a greater proportion than that received by any other Lender entitled to receive a ratable share of such Obligations, such Lender agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of such Obligations held by the other Lenders so that after such purchase each Lender will hold its ratable proportion of such Obligations; provided, that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 14.4 Protection of Agent's Security Interest.

(a) The Borrower agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that the Agent may reasonably request, to perfect, protect, defend or more fully evidence the Agent's security interest in the Collateral, or to enable the Agent or the Lenders to exercise and enforce their rights and remedies hereunder or under the Servicing Agreement (including, without limitation, to enforce any of the Pool Loans or the Purchase Agreement). At any time after the occurrence and during the continuance of an Amortization Event, the Agent may, or the Agent may direct the Borrower or the Servicer to, notify the Obligors of Pool Loans, at the Borrower's expense, of the ownership or security interests of the Lenders under this Agreement and may also direct that payments of all amounts due or that become due under any or all Loans be made directly to the Agent or its designee. The Borrower or the Servicer (as applicable) shall, at any Lender's request, withhold the identity of such Lender in any such notification.

(b) If any Transaction Party fails to perform any of its obligations hereunder, the Agent or any Lender may (but shall not be required to) perform, or cause performance of, such obligations, and the Agent's or such Lender's costs and expenses incurred in connection therewith shall be payable by the Borrower as provided in Section 10.3. Each Transaction Party irrevocably authorizes the Agent at any time and from time to time in the sole discretion of the Agent, and appoints the Agent as its attorney-in-fact, to act on behalf of such Transaction Party (i) to file financing statements necessary or desirable in the Agent's sole reasonable discretion to perfect and to maintain the perfection and priority of the interest of the Lenders in the Pool Loans and other Collateral and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Pool Loans as a financing statement in such offices as the Agent in its sole reasonable discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Agent's security interest in the Collateral, for the benefit of the Secured Parties. This appointment is coupled with an interest and is irrevocable. Each of the Transaction Parties hereby authorizes the Agent to file financing statements and other filing or recording documents with respect to the Pool Loans and other Collateral (including any amendments thereto, or continuation or termination statements thereof), without the signature or other authorization of such Transaction Party, in such form and in such offices as the Agent reasonably determines appropriate to perfect or maintain the perfection of the security interest of the Agent hereunder. Each of the Transaction Parties acknowledges and agrees that it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Pool Loans or other Collateral (including any amendments thereto, or continuation or termination statements thereof), without the express prior written approval by the Agent, consenting to the form and substance of such filing or recording document. Each of the Transaction Parties approves, authorizes and ratifies any filings or recordings made by or on behalf of the Agent in connection with the perfection of the security interests in favor of the Borrower or the Agent.

Section 14.5 Confidentiality.

(a) Each Transaction Party and each Lender shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other

confidential or proprietary information with respect to the Agent and the Conduit Lender and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that such Transaction Party and such Lender and its officers and employees may disclose such information to such Transaction Party's and such Lender's external accountants and attorneys (it being understood that such parties to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential) and as required by any applicable law or order of any judicial or administrative proceeding. Anything herein to the contrary notwithstanding, each Transaction Party and any successor or assign of any of the foregoing (and each employee, representative or other agent of any of the foregoing) may disclose to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated herein and all materials of any kind (including opinions or other tax analyses) that are or have been provided to any of the foregoing relating to such tax treatment or tax structure, and it is hereby confirmed that each of the foregoing have been so authorized since the commencement of discussions regarding the transactions.

(b) Anything herein to the contrary notwithstanding, each Transaction Party hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Agent, the Alternate Lenders or the Conduit Lender by each other, (ii) by the Agent or the Lenders to any prospective or actual assignee or participant of any of them (it being understood that such parties to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential) and (iii) by the Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to the Conduit Lender or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which JPMorgan Chase acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing. In addition, the Lenders and the Agent may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Section 14.6 Bankruptcy Petition. The Borrower, the Servicer, the Agent and each Alternate Lender hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding unsubordinated indebtedness of the Conduit Lender, it will not institute against, or join any other Person in instituting against, the Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 14.7 Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of the Conduit Lender, the Agent or any Alternate Lender, no claim may be made by any Transaction Party or any other Person against the Conduit Lender, the Agent or any Alternate Lender or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each Transaction Party hereby waives, releases, and agrees not to sue

upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 14.8 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW (EXCEPT IN THE CASE OF THE OTHER TRANSACTION DOCUMENTS, TO THE EXTENT OTHERWISE EXPRESSLY STATED THEREIN) AND EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE OWNERSHIP INTEREST OF THE BORROWER OR THE SECURITY INTEREST OF THE AGENT, FOR THE BENEFIT OF THE SECURED PARTIES, IN ANY OF THE COLLATERAL IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

Section 14.9 CONSENT TO JURISDICTION. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT, AND EACH SUCH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST ANY TRANSACTION PARTY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY TRANSACTION PARTY AGAINST THE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH TRANSACTION PARTY PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

Section 14.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ANY TRANSACTION PARTY PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 14.11 Integration; Binding Effect; Survival of Terms.

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject

matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any trustee in bankruptcy). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by any Transaction Party pursuant to Article V, (ii) the indemnification and payment provisions of Article X, and Sections 14.5 and 14.6 shall be continuing and shall survive any termination of this Agreement.

Section 14.12 Counterparts; Severability; Section References. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of a signature page to this Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

Section 14.13 JPMorgan Chase Roles. Each of the Alternate Lenders acknowledges that JPMorgan Chase acts, or may in the future act: (i) as administrative agent for the Conduit Lender or any Alternate Lender, (ii) as an issuing and paying agent for the Commercial Paper, (iii) to provide credit or liquidity enhancement for the timely payment for the Commercial Paper, and/or (iv) to provide other services from time to time for the Conduit Lender or any Alternate Lender (collectively, the "JPMorgan Chase Roles"). Without limiting the generality of this Section 14.13, each Alternate Lender hereby acknowledges and consents to any and all JPMorgan Chase Roles and agrees that in connection with any JPMorgan Chase Role, JPMorgan Chase may take, or refrain from taking, any action that it, in its discretion, deems appropriate, including, without limitation, in its role as administrative agent for the Conduit Lender, and the giving of notice of a mandatory purchase pursuant to the Liquidity Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

PMC CONDUIT, L.P.,
as Borrower

By: PMC Conduit, LLC,
its General Partner

By: /s/ JAN F. SALIT

Name: Jan F. Salit
Title: Executive Vice President

Address:

17950 Preston Road, Suite 600
Dallas, Texas 75252
Attention: General Counsel
Fax: (972) 349-3265

Signature Page to Credit and Security Agreement

PMC CONDUIT, LLC

By: /s/ JAN F. SALIT

Name: Jan F. Salit
Title: Executive Vice President

Address:

17950 Preston Road, Suite 600
Dallas, Texas 75252
Attention: General Counsel
Fax: (972) 349-3265

PMC COMMERCIAL TRUST,
as Servicer

By: /s/ JAN F. SALIT

Name: Jan F. Salit
Title: Executive Vice President

Address:

17950 Preston Road, Suite 600
Dallas, Texas 75252
Attention: General Counsel
Fax: (972) 349-3265

Signature Page to Credit and Security Agreement

JUPITER SECURITIZATION CORPORATION,
as Conduit Lender

By: /s/ MAUREEN E. MARCON

Name: Maureen E. Marcon
Title: Authorized signatory

Address:
c/o JPMorgan Chase Bank,
as Agent
Asset Backed Finance
Suite IL1-0612
1 Bank One Plaza
Chicago, Illinois 60670-0079
Fax: (312) 732-1844

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION
as an Alternate Lender and as Agent

By: /s/ MAUREEN E. MARCON

Name: Maureen E. Marcon
Title: Vice President

Address:
c/o JPMorgan Chase Bank,
as Agent
Asset Backed Finance
Suite IL1-0612
1 Bank One Plaza
Chicago, Illinois 60670-0079
Fax: (312) 732-1844

Signature Page to Credit and Security Agreement

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Addition Date" has the meaning specified in Section 8.6.

"Additional Loan" means any Loan purchased by the Borrower from PMC after the Closing Date (excluding any Substitute Loan).

"Advance" means any advance made by a Lender to the Borrower pursuant to this Agreement (including, without limitation, any Liquidity Funding). Each Advance shall either be a CP Rate Advance, an Alternate Base Rate Advance or a LIBO Rate Advance, selected in accordance with the terms of this Agreement.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" has the meaning set forth in the preamble to this Agreement.

"Aggregate Commitment" means, on any date of determination, the aggregate amount of the Alternate Lenders' Commitments to make Loans hereunder. As of the Closing Date, the Aggregate Commitment is \$100,000,000.

"Aggregate Principal" means, on any date of determination, the aggregate outstanding principal amount of all Advances outstanding on such date.

"Aggregate Reduction" has the meaning specified in Section 1.3.

"Agreement" means this Credit and Security Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Alternate Base Rate" means for any day, the rate per annum equal to the corporate base rate, prime rate or base rate of interest, as applicable, announced by JPMorgan Chase from time to time changing when and as such rate changes.

"Alternate Base Rate Advance" means an Advance which bears interest at the Alternate Base Rate or the Default Rate.

"Alternate Lenders" has the meaning set forth in the preamble in this Agreement.

"Amortization Date" means the earliest to occur of (i) February 7, 2008, (ii) the Scheduled Termination Date, (iii) the date the Aggregate Principal is repaid in whole pursuant to Section 1.4, (iv) the Business Day immediately prior to the occurrence of an Event of Bankruptcy with respect to any Transaction Party, (v) the date on which the Agent declares the Amortization Date to have occurred pursuant to Section 9.2, and (vi) the date which is three (3) Business Days after the Agent's receipt of written notice from Borrower that it wishes to terminate the facility evidenced by this Agreement.

"Amortization Event" has the meaning specified in Article IX.

"Appraised Value" means, with respect to any Mortgaged Property, the appraisal made by or for the Originator at the origination date of the related Loan.

"Approved Franchisee" means any Obligor which is operating a Mortgaged Property under a franchise agreement with one of the Persons identified on Schedule E, as such schedule may be modified from time to time with the prior written consent of the Agent.

"Assignment Agreement" has the meaning set forth in Section 12.1(b).

"Authorized Officer" means, with respect to any Person, its president, executive vice president, general counsel, corporate controller, treasurer or chief financial officer.

"Base Rate" means, with respect to a Settlement Date, the annualized percentage equivalent of a fraction, the numerator of which is equal to the sum of the amounts due and payable pursuant to Section 2.2(c)(i) and (ii) hereof on such Settlement Date and the denominator of which is equal to the average daily Aggregate Principal outstanding during the period commencing on the close of business on the prior Settlement Date (or in the case of the initial Settlement Date, the Closing Date) and ending on such Settlement Date.

"Borrower" has the meaning set forth in the preamble to this Agreement.

"Borrowing" means a borrowing hereunder consisting of the aggregate amount of the several Advances made on the same Borrowing Date.

"Borrowing Base" means, on any date, an amount equal to:

(a) the aggregate Principal Balance of all Pool Loans that are Eligible Loans on such date; plus

(b) the sum of the Purchase Prices then on deposit in the Collection Account with respect to any Pool Loans repurchased by PMC in accordance with Section 8.3; minus

(c) the greater of (i) the product of (A) 10% and (B) the amount described in clause (a) and (ii) the lesser of (A) the product of (x) 3 and (y) the largest Principal

Balance of any Pool Loan on such date and (B) the sum of the Principal Balances of the Pool Loans with the four largest Principal Balances on such date; minus

(d) the Excess Concentration Amount.

"Borrowing Date" means a Business Day on which an Advance is made hereunder.

"Borrowing Limit" has the meaning set forth in Section 1.1.

"Borrowing Notice" has the meaning set forth in Section 1.2.

"Broken Funding Costs" means for any Advance which: (a) has its principal reduced without compliance by Borrower with the notice requirements hereunder, (b) does not become subject to an Aggregate Reduction or repayment following the delivery of any Reduction Notice or Final Repayment Notice, or (c) is assigned under the Liquidity Agreement or terminated or reduced prior to the last day of its Interest Period or tranche period for Commercial Paper determined by the Agent to relate to such Advance, an amount equal to the excess, if any, of (i) the CP Costs or Interest (as applicable) that would have accrued during the remainder of the Interest Periods or the tranche periods for Commercial Paper determined by the Agent to relate to such Advance (as applicable) subsequent to the date of such reduction, repayment, assignment or termination (or in respect of clause (b) above, the date such Aggregate Reduction or repayment was designated to occur pursuant to the Reduction Notice or Final Repayment Notice) of the principal of such Advance if such reduction, assignment or termination had not occurred or such Reduction Notice or Final Repayment Notice had not been delivered, over (ii) the sum of (x) to the extent all or a portion of such principal is allocated to another Advance, the amount of CP Costs or Interest actually accrued during the remainder of such period on such principal for the new Advance, and (y) to the extent such principal is not allocated to another Advance, the income, if any, actually received during the remainder of such period by the holder of such Advance from investing the portion of such principal not so allocated. In the event that the amount referred to in clause (ii) exceeds the amount referred to in clause (i), the relevant Lender or Lenders agree to pay to Borrower the amount of such excess.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York, Dallas, Texas or Chicago, Illinois, and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

"Change of Control" means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of voting stock of PMC, (ii) PMC's failure to own, directly or indirectly, 100% of the issued and outstanding membership interests of the General Partner or (iii) the General Partner's failure to own, directly or indirectly, 100% of the issued and outstanding general partnership interests of the Borrower.

"Closing Date" means February 7, 2005.

"Collateral" has the meaning set forth in Section 13.1.

"Collection Account" has the meaning set forth in Section 2.2.

"Commercial Paper" means promissory notes of the Conduit Lender issued by the Conduit Lender in the commercial paper market.

"Commitment" means, for each Alternate Lender, the commitment of such Alternate Lender to make Advances to Borrower hereunder in the event the Conduit Lender elects not to fund any Advance in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Alternate Lender's name on Schedule A to this Agreement.

"Conduit Lender" has the meaning set forth in the preamble to this Agreement.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

"Conveyance Papers" has the meaning set forth in the Purchase Agreement.

"CP Cost Event" means the Borrower shall have been notified by the Agent that the Usage Fee Percentage will be increased from the then current percentage by 20% or more in connection with an extension of the Scheduled Termination Date.

"CP Costs" means, for each day, the sum of (i) discount or interest accrued on Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase facilities which are funded by Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase or financing facilities funded substantially with Pooled Commercial Paper, minus (v) any payment received on such day net of expenses in respect of Broken Funding Costs (or similar costs) related to the prepayment of any investment of the Conduit Lender pursuant to the terms of any receivable purchase or financing facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if the Borrower shall request any Advance during any period of time determined by the Agent in its sole discretion to result in incrementally higher CP Costs applicable to such Advance, the principal associated with any such Advance shall, during such period, be deemed to be funded by the Conduit Lender in a special pool (which may include capital associated with other receivable purchase or financing facilities) for purposes of determining such additional CP Costs applicable only to such special pool and charged each day during such period against such principal.

"CP Rate Advance" means, each Advance of the Conduit Lender prior to the time, if any, when (i) it is refinanced with a Liquidity Funding pursuant to the Liquidity Agreement, or (ii) the occurrence of an Amortization Event and the commencement of the accrual of Interest thereon at the Default Rate.

"Credit and Collection Policy" means PMC's origination, underwriting, lending and collection policies and practices relating to Loans existing on the Closing Date, a copy of which is attached hereto as Exhibit VI, as amended, restated, supplemented or otherwise modified from time to time in accordance with this Agreement.

"Cut-Off Date" means February 4, 2005.

"Debt Service Coverage Ratio" means, with respect to any Obligor at the time the related Loan becomes a Pool Loan, the ratio of (i) such Obligor's earnings before interest, taxes, depreciation and other applicable non-cash adjustments to income to (ii) the required principal and interest due on the related Loan and is calculated using the most current financial information provided to the Originator by the Obligor, which for recently-originated Loans, may include actual, projections, pro forma or interim financial information.

"Default Rate" means a rate per annum equal to the sum of (i) the Alternate Base Rate (changing when and as the Alternate Base Rate changes) plus (ii) 3.00%.

"Defaulted Loan" means any Pool Loan: (i) as to which any Obligor thereunder has suffered an Event of Bankruptcy; (ii) which, consistent with the Credit and Collection Policy, would be written off PMC's or the Borrower's books as uncollectible; or (iii) as to which any payment, or part thereof, remains unpaid for 91 days or more from the original due date for such payment.

"Defective Loan" means any Pool Loan subject to repurchase or substitution by PMC pursuant to Article VIII.

"Deleted Loan" means either of the following: (i) a Defective Loan or (ii) a Defaulted Loan which is to be replaced by an Eligible Substitute Loan pursuant to Section 8.5.

"Delinquent Loan" means a Loan as to which a default has occurred as to the payment of any installment of principal or interest or another monetary default has occurred under any Loan Document related thereto and such default has not been cured for more than thirty but less than sixty-one (61) days.

"Delinquency Ratio" means, at any time, a percentage equal to (i) the aggregate Principal Balances of all Pool Loans that are Delinquent Loans at such time divided by (ii) the Pool Principal Balance at such time.

"Downgraded Alternate Lender" means an Alternate Lender which has been the subject of a Downgrading Event.

"Downgrading Event" with respect to any Person means the lowering of the rating with regard to the short-term securities of such Person to below (i) P-1 by Moody's or (ii) A-1 by S&P .

"Due Period" means, with respect to any Settlement Date, the calendar month preceding the month in which such Settlement Date occurs.

"Eligibility Criteria" means the criteria set forth on Schedule D.

"Eligible Institution" shall mean a depository institution (which may be the Administration Agent) organized under the laws of the United States or any one of the states thereof, including, the District of Columbia (or any U.S. branch of a foreign depository institution), which is a member of the FDIC, and which either (i) at all times has a short-term unsecured debt rating of at least "P-1" by Moody's and at least "A-1" by S&P or (ii) has corporate trust powers with accounts subject to regulations regarding fiduciary funds on deposit substantially similar to 12 C.F.R. Section 9.10(b) and which maintains any Account provided hereunder as a fully segregated trust account with the trust department of such institution.

"Eligible Investments" shall mean:

(i) direct obligations of, or guaranteed as to the full and timely payment of principal and interest by, the United States or obligations of any agency or instrumentality thereof, if such obligations are backed by the full faith and credit of the United States;

(ii) federal funds, certificates of deposit, time deposits and bankers' acceptances (which shall each have an original maturity of not more than 90 days and, in the case of bankers' acceptances, shall in no event have an original maturity of more than 365 days) of any United States depository institution or trust company organized under the laws of the United States or any state and subject to examination and supervision by federal or state financial institutions regulatory authorities; provided, however, that the short-term obligations of such depository institution or trust company are rated "P-1" by Moody's and "A-1+" by S&P;

(iii) commercial paper (having original maturities of not more than 30 days) of any corporation incorporated under the laws of the United States or any state thereof which on the date of the acquisition are rated "P-1" by Moody's and "A-1+" by S&P;

(iv) securities of money market funds rated "Aa" or better by Moody's and "Aam" or better by S&P; and

(v) any other investment approved in writing by the Agent.

Any such Eligible Investment may be purchased by or through the Agent or any of its Affiliates.

"Eligible Loan" means as of any date, a Loan that (i) satisfied the Eligibility Criteria as of the Closing Date (or, in the case of a Loan added to the Collateral after the Closing

Date, as of the applicable Transfer Date) and (ii) continues to satisfy the Eligibility Criteria as of the date of determination.

"Eligible Substitute Loan" means a Loan substituted by PMC for a Deleted Loan in accordance with the Purchase Agreement and Section 8.5, which Loan must, on the date of such substitution, (i) unless a Substitution Adjustment is being paid on such date, have an outstanding Principal Balance (or in the case of a substitution of more than one Loan for a Deleted Loan, an aggregate Principal Balance), not less than the Principal Balance of the Deleted Loan; (ii) have a Loan Rate not less than the Loan Rate of the Deleted Loan and not more than 1% in excess of the Loan Rate of such Deleted Loan; (iii) have a Mortgage of the same or higher level of priority as the Mortgage relating to the Deleted Loan; (iv) comply with each of the representations and warranties set forth in the Eligibility Criteria (which representations and warranties shall be deemed to be made as of the date of substitution); (v) have an original Loan-to-Value Ratio not greater than that of the Deleted Loan; and (vi) have Mortgaged Property which is of the same type as the Deleted Loan. More than one Eligible Substitute Loan may be substituted for a Deleted Loan if such Eligible Substitute Loans meet the foregoing attributes in the aggregate.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Event of Bankruptcy" shall be deemed to have occurred with respect to a Person if either:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismitted, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(b) such Person shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

"Excess Concentration Amount" means, at any time, the sum of (a) the amount by which the aggregate Principal Balance of the Pool Loans made to Obligor who are not Approved Franchisees exceeds 25% of the Pool Principal Balance and (b) the amount by which the aggregate Principal Balance of all Pool Loans with Obligor having Debt Service Coverage Ratios of less than 1.0 to 1.0 exceeds the lesser of (i) 10% of the Pool Principal Balance and (ii) \$6,000,000.

"Excess Spread Percentage" means, for any Settlement Date, the amount, if any, by which the Pool Yield with respect to the immediately preceding Monthly Period exceeds the Base Rate for such Settlement Date.

"Exit Fee" means a one-time nonrefundable fully earned fee payable by the Borrower to the Agent on the Proposed Final Repayment Date pursuant to Section 1.4 in an amount equal to (a) the product of (i) 0.45% per annum and (ii) the highest Aggregate Principal during the nine month period ending on such Proposed Final Repayment Date minus (b) the amount, if any, by which accrued Interest for all periods from and after the Amortization Date exceeds the amount of Interest which would have accrued during such periods at the Alternate Base Rate.

"FDIC" shall mean the Federal Deposit Insurance Corporation, or its successors and assigns.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as amended and any successor statute thereto.

"Fee Letter" means that certain letter agreement dated as of the Closing Date among the Borrower, the Conduit Lender and the Agent, as it may be amended or modified and in effect from time to time.

"Fees" has the meaning set forth in the Fee Letter.

"Final Payout Date" means the date on which all Obligations have been paid in full and the Aggregate Commitment has been terminated.

"Final Repayment Notice" has the meaning set forth in Section 1.4.

"Finance Charge Collections" means, for any Monthly Period, the aggregate amount of Collections (other than Principal Collections) received during such Monthly Period, including, without limitation, all amounts paid by or on behalf of Obligor with respect to interest, finance charges, late fees and any other amounts due under the Underlying Notes and Mortgages relating to the Pool Loans (other than with respect to the unpaid Principal Balances thereof).

"Funding Agreement" means (i) this Agreement, (ii) the Liquidity Agreement and (iii) any other agreement or instrument executed by any Funding Source with or for the benefit of Conduit Lender.

"Funding Source" means (i) any Alternate Lender or (ii) any insurance company, bank or other funding entity providing liquidity, credit enhancement or back-up purchase support or facilities to the Conduit Lender.

"GAAP" means generally accepted accounting principles in effect in the United States of America as of the date of this Agreement.

"General Partner" is defined in the preamble.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"Independent Manager" shall mean (i) a natural person and (ii) a Person who (A) shall not have been at the time of such Person's appointment, and may not have been at any time during the preceding five years and shall not be as long as such Person is an Independent Manager of the General Partner (1) a director, member, officer, manager, partner, shareholder or employee of PMC or any of its directors, members, partners, subsidiaries, shareholders or Affiliates other than the General Partner (collectively, the "Independent Parties"), (2) a supplier to any of the Independent Parties, (3) a person controlling or under common control with any directors, members, partners, shareholder or supplier of any of the Independent Parties or (4) a member of the immediate family of any director, member, partner, shareholder, officer, manager, employee or supplier of the Independent Parties, (B) has prior experience as an independent director for a corporation or limited liability company whose charter documents required the unanimous consent of all independent directors thereof before such corporation or limited liability company could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy and (C) has at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structured finance instruments, agreements or securities; provided, that the indirect or beneficial ownership of stock of PMC through a mutual fund or similar diversified investment vehicle with respect to which the owner does not have discretion or control over the investments held by such diversified investment vehicle shall not preclude such owner from being an Independent Manager.

"Interest" means for each respective Interest Period relating to the Advances of the Alternate Lenders, an amount equal to the product of the applicable Interest Rate for each Advance multiplied by the principal of such Advance for each day elapsed during such Interest Period, annualized on a 360 day basis.

"Interest Period" means, with respect to any Advance held by an Alternate Lender:

(a) if Interest for such Advance is calculated on the basis of the LIBO Rate, a period of one, two or three months, or such other period as may be mutually agreeable to the Agent and the Borrower, commencing on a Business Day selected by the Borrower or the Agent pursuant to this Agreement and ending on a Settlement Date; or

(b) if Interest for such Advance is calculated on the basis of the Alternate Base Rate, a period commencing on a Business Day selected by Borrower and agreed to by the Agent and ending on a Settlement Date, provided that no such period shall exceed one month.

In the case of any Interest Period for any Advance which commences before the Amortization Date and would otherwise end on a date occurring after the Amortization Date, such Interest Period shall end on the Amortization Date. The duration of each Interest Period which commences after the Amortization Date shall be of such duration as selected by the Agent.

"Interest Rate" means, with respect to each Loan of the Alternate Lenders and any Advance of the Conduit Lender on and after the occurrence of an Amortization Event, the LIBO Rate, the Alternate Base Rate or the Default Rate, as applicable.

"JPMorgan Chase" has the meaning set forth in the preamble.

"Lender" means the Conduit Lender and each Alternate Lender.

"LIBO Rate" means the rate per annum equal to the sum of (i) (a) the rate appearing on Page 3750 of the Dow Jones Market Service (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of the relevant Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period; provided, that in the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, divided by (b) one minus the maximum aggregate reserve requirement (including all basic, supplemental, marginal or other reserves) which is imposed against the Agent in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time (expressed as a decimal), applicable to such Interest Period plus (ii) 2.00% per annum. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"LIBO Rate Advance" means an Advance which bears interest at the LIBO Rate.

"Lien" means a lien, security interest, financing statement, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person.

"Liquidity Agreement" means that certain Asset Purchase Agreement, of even date herewith by and among the Conduit Lender, the Agent, as funding agent and the several financial institutions from time to time party thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Liquidity Commitment" means, as to each Alternate Lender, its commitment under the Liquidity Agreement (which shall equal 102% of its Commitment hereunder).

"Liquidity Funding" means (a) a purchase made by any Alternate Lender pursuant to its Liquidity Commitment of all or any portion of, or any undivided interest in, an Advance originally funded by the Conduit Lender, or (b) any Advance made by an Alternate Lender in lieu of the Conduit Lender pursuant to Section 1.1.

"Loan" means a loan originated by an Originator or PMC Capital, Inc. to a Person to finance or refinance the acquisition, construction, development or renovation of real or personal property by such Person, which loan is evidenced by an Underlying Note and a Mortgage.

"Loan Documents" means the instruments and documents listed in Section 8.1 pertaining to a particular Loan and any additional instruments or documents required to be added to the Loan File pursuant to this Agreement or the Servicing Agreement.

"Loan File" means the Loan Documents either (i) set aside and held in trust by PMC as custodian and bailee for the Agent or (ii) delivered to the Agent, in either case pursuant to Section 8.1.

"Loan Rate" means, with respect to any Loan as of any date of determination, the per annum rate of interest applicable under the related Underlying Note to the calculation of interest for such date on the Principal Balance thereof.

"Loan Schedule" means, as of any date, the schedule of Pool Loans set forth herein as Schedule C (as amended from time to time in accordance with the terms hereof), which schedule shall set forth for each Pool Loan: (i) the Principal Balance as of the Cut-Off Date or, for any Loans in which the Borrower acquires an interest after the Closing Date, as of the applicable Transfer Date, (ii) the account number, (iii) the original principal amount, (iv) the name of each Obligor, (v) the Loan Rate, (vi) lien position, (vii) property state, (viii) property zip code, (ix) property type and (x) Loan-to-Value Ratio. The Loan Schedule may be amended from time to time pursuant to Article VIII to reflect (a) the purchase by PMC or the Servicer of, or the substitution of one or more Eligible Substitute Loans for, a Deleted Loan and (b) the addition of one or more Additional Loans.

"Loan-to-Value" or "LTV" means, with respect to a Loan, the original principal balance of such Loan as of the date of origination divided by the lesser of (i) the Appraised Value of the related Mortgaged Property plus the value of any other collateral securing such

Loan and (ii) the purchase price for the related Mortgaged Property plus the value of any other collateral securing such Loan.

"Lockbox" has the meaning assigned to the term "Lock-Box" in the Lockbox Agreement.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition or operations of any Transaction Party and its Subsidiaries taken as a whole, (ii) the ability of any Transaction Party to perform its obligations under this Agreement or the Servicing Agreement, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document, (iv) the Agent's security interest, for the benefit of the Secured Parties, in the Pool Loans or any other material Collateral, or (v) the collectibility of the Pool Loans generally or of any material portion of the Pool Loans.

"Monthly Period" means with respect to any Settlement Date, the period from and including the first day of the preceding calendar month to and including the last day of such calendar month.

"Moody's" means Moody's Investors Service, Inc.

"Mortgage" means a mortgage, deed of trust, security agreement, assignment of leases and rents or other instruments given as security for an Underlying Note, together with any and all riders, addenda, amendments, supplements or other modifications thereto.

"Mortgaged Property" means the real property and improvements thereon securing a Loan.

"Non-Performing Pool Loan Balance" means, as of close of business on the last day of any Monthly Period, the sum of (a) the Principal Balances of all Pool Loans at such time with respect to which a default has occurred as to the payment of any installment of principal or interest or another monetary default has occurred under any Loan Document related thereto and such default has not been cured for more than sixty (60) days, (b) the Principal Balances of all Pool Loans in Litigation at such time, (c) the Principal Balances of all Pool Loans in Liquidation at such time, and (d) the aggregate Principal Balances of all Pool Loans which were written off during such Monthly Period as uncollectible.

"Obligations" means, at any time, any and all obligations of the Borrower to any of the Secured Parties arising under or in connection with the Transaction Documents, whether now existing or hereafter arising, due or accrued, absolute or contingent, including, without limitation, obligations in respect of Aggregate Principal, CP Costs, Interest, fees under the Fee Letter, Broken Funding Costs and Indemnified Amounts and all fees, costs and expenses arising in connection with the Collection Account and the Reserve Account.

"Obligor" means the obligor or obligors under an Underlying Note.

"Originator" means PMC and each other Subsidiary of PMC as to which the Originator Addition Criteria has been satisfied.

"Originator Addition Criteria" means, with respect to any Subsidiary of PMC, (i) such Subsidiary has been approved by the Agent in its sole and absolute discretion, (ii) such Subsidiary has become party to the Transfer Agreement by executing a joinder agreement in form and substance acceptable to the Agent, (iii) such Subsidiary has obtained all necessary authorizations and approvals from, and has made all necessary notifications and filings with, each governmental authority or regulatory body that is required in order for such Subsidiary to execute the Transfer Agreement and consummate the transactions contemplated thereby, (iii) such Subsidiary has delivered to the Agent, each agreement, document, lien search report, financing statement, opinion and certificate requested by the Agent, in each case, in form and substance acceptable to the Agent, including, without limitation, opinions of counsel as to general corporate matters, UCC matters and "true sale" and substantive consolidation matters. As of the Closing Date, for purposes of clause (i) above, PMC Investment Corporation and Western Financial Capital Corporation have been approved by the Agent.

"Participant" has the meaning set forth in Section 12.2.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PMC" has the meaning set forth in the preamble to this Agreement.

"PMC Entities" has the meaning set forth in Section 7.1(i).

"Pool Loan" means, as of any date, the Loans that have been (or are to be) transferred and assigned to the Borrower pursuant to the Purchase Agreement and the other Conveyance Papers (whether by way of substitution or otherwise), together with the related Loan Documents, exclusive of Loans that have been repurchased by PMC or the Servicer on or prior to such date in accordance with the terms of this Agreement, the Servicing Agreement and the Purchase Agreement. The Pool Loans included in the Collateral at any time shall be identified on the Loan Schedule.

"Pool Loan in Liquidation" means a Pool Loan with respect to which the related Obligor has failed to respond to the Servicer's demand and acceleration letters and as to which the Servicer has determined that the best course of action is to liquidate such Pool Loan in order to foreclose on the collateral securing the same and has commenced such foreclosure action and such foreclosure action is then continuing.

"Pool Loan in Litigation" means a Pool Loan with respect to which the related Obligor has ceased making regularly scheduled payments and is not responding to the Servicer's collection efforts, thereby requiring legal action to collect such Pool Loan, which legal action has been commenced and is then continuing.

"Pool Principal Balance" means, at any time, the aggregate Principal Balances of all Pool Loans at such time.

"Pool Yield" means, with respect to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is equal to (a) the amount of Finance Charge Collections for the Settlement Date with respect to such Monthly Period minus the aggregate principal balances of all Pool Loans which became Defaulted Loans during such Monthly Period and the denominator of which is the Pool Principal Balance as of the last day of the preceding Monthly Period; provided, that with respect to the initial Settlement Date the annualized percentage shall be adjusted based on the actual number of days from the Closing Date to the last day of the Monthly Period preceding the initial Settlement Date.

"Pooled Commercial Paper" means Commercial Paper notes of the Conduit Lender subject to any particular pooling arrangement by the Conduit Lender, but excluding Commercial Paper issued by the Conduit Lender for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by the Conduit Lender.

"Principal Balance" means, with respect to any Loan and any day, the related Principal Balance as of the Cut-Off Date (or, in the case of a Loan in which the Borrower acquires an interest after the Closing Date, as of the applicable Transfer Date), minus all collections or other proceeds applied to reduce the principal balance of such Loan in accordance with the terms of the Servicing Agreement.

"Principal Collections" means, for any Monthly Period, the aggregate amount of Collections with respect to the Principal Balances due under the Pool Loans received during such Monthly Period.

"Proposed Reduction Date" has the meaning set forth in Section 1.3.

"Proposed Final Repayment Date" has the meaning set forth in Section 1.4.

"Pro Rata Share" means, for each Alternate Lender at any time, a percentage equal to the Commitment of such Alternate Lender at such time, divided by the Aggregate Commitment at such time.

"Purchase Agreement" means that certain Purchase and Contribution Agreement, dated as of even date herewith between PMC, as seller, and the Borrower, as purchaser, as amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Purchase Price" means, as to any Pool Loan to be purchased from the Borrower by any Person on any date pursuant to Article VIII of this Agreement or Section 2.4 of the Purchase Agreement, an amount equal to the sum of (i) the unpaid Principal Balance thereof as of the date of purchase, (ii) the greater of (a) all unpaid accrued interest thereon to the end of the Due Period preceding the Settlement Date on which such Purchase Price is included in Available Collections and (b) 30 days' interest thereon, computed at the applicable Loan Rate and (iii) expenses reasonably incurred or to be incurred by the Servicer or the Agent in respect of any breach or defect giving rise to such purchase.

"Purchasing Alternate Lender" has the meaning set forth in Section 12.1(b).

"Records" means, with respect to any Loan, all Loan Documents and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Loan, any other Collateral and the related Obligor.

"Reduction Notice" has the meaning set forth in Section 1.3.

"Regulatory Change" has the meaning set forth in Section 10.3.

"Required Alternate Lenders" means, at any time, Alternate Lenders with Commitments in excess of 66-2/3% of the Aggregate Commitment.

"Required Takeout Price" means, with respect to any Term Securitization, an amount equal to the sum of (i) the portion of the Aggregate Principal required to be reduced at the time of such Term Securitization such that after giving effect to the sale of the related Pool Loans, the Aggregate Principal will not exceed the Borrowing Base, plus (ii) all accrued and unpaid CP Costs, Interest and Fees at the time of such Term Securitization, plus (ii) if any other Obligations are then due and payable at the time of such Term Securitizations, the aggregate amount of such other Obligations.

"Reserve Account" has the meaning set forth in Section 2.4.

"Reserve Account Balance" means, on any Settlement Date, an amount equal to the balance in the Reserve Account on such date after giving effect to any withdrawals from or deposits to the Reserve Account on such date, including any income from investment of funds in the Reserve Account (including accrued discount realized on liquidation of any Eligible Investment purchased at a discount).

"Reserve Account Requirement" means, as of any date of determination, an amount equal to the product of (i) 2.00% and (ii) the Aggregate Principal, each determined on such date (after giving effect to any Advance on such date or any reduction in the Aggregate Principal on such date).

"Restricted Junior Payment" means (i) any dividend or other distribution, direct or indirect, on account of the general or limited partnership interests of the Borrower now or hereafter outstanding, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any general or limited partnership interests of the Borrower now or hereafter outstanding, (iii) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire any general or limited partnership interests of the Borrower now or hereafter outstanding, and (iv) any payment of management fees by the Borrower (except for reasonable management fees to the General Partner or PMC or its Affiliates in reimbursement of actual management services performed).

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"Scheduled Termination Date" means February 6, 2006, as such date is extended pursuant to Section 1.8 from time to time.

"Secured Parties" means the Indemnified Parties.

"Serviced Pool Delinquency Ratio" means, at any time, a percentage equal to (i) the aggregate Principal Balances of all Loans serviced by PMC at such time that are Delinquent Loans at such time divided by (ii) the aggregate Principal Balances of all Loans serviced by PMC at such time.

"Servicer" means, initially, PMC, or at any time such other Person (which may be the Agent) then authorized pursuant to the Servicing Agreement to service, administer and collect the Pool Loans.

"Servicing Agreement" means that certain Servicing Agreement of even date herewith among the Borrower, PMC and the Agent, as such agreement may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Settlement Date" means the 10th day of each month, or if such day is not a Business Day, the next succeeding Business Day; provided, that the first Settlement Date shall not occur until March 10, 2005.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, limited liability company, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

"Substitute Loan" means a Loan substituted by PMC for a Defective Loan or a Defaulted Loan.

"Substitution Adjustment" means, as to any date on which a substitution occurs pursuant to Section 8.5, the sum of (a) the excess, if any, of (i) the aggregate Principal Balances of all Deleted Loans to be replaced by Eligible Substitute Loans (after application of principal payments received on or before the date of substitution of any Eligible Substitute Loans as of the date of substitution) over (ii) the Principal Balance of such Eligible Substitute Loans and (b) the accrued and unpaid interest (accruing at the Loan Rate for such Deleted Loan) on such excess through the Due Period relating to the Settlement Date for which such Substitution Adjustment will be included as part of Available Collections.

"Substitution Date" has the meaning specified in Section 8.5(b).

"Supplemental Loan Schedule" has the meaning specified in Section 8.5(b).

"Tax Code" means the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Term Securitization" has the meaning set forth in Section 8.7.

"Terminating Alternate Lender" has the meaning set forth in Section 12.1(e).

"Terminating Tranche" has the meaning set forth in Section 4.3(b).

"Termination Date" has the meaning set forth in Section 2.5.

"Termination Percentage" has the meaning set forth in Section 2.5.

"Transaction Documents" means, collectively, this Agreement, each Borrowing Notice, the Purchase Agreement, the Servicing Agreement, the Fee Letter, the Lockbox Agreement, the Transfer Agreement and all other instruments, documents and agreements executed and delivered in connection herewith.

"Transaction Parties" has the meaning set forth in the preamble to this Agreement.

"Transfer Agreement" means a transfer agreement among one or more Subsidiaries of PMC, as sellers and PMC, as buyer pursuant to which PMC purchases Loans from such sellers, in form and substance acceptable to the Agent.

"Transfer Date" means, with respect to any Loan, the date such Loan is sold to the Borrower under the Purchase Agreement or substituted for a Deleted Loan under Article VIII hereof.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"Underlying Note" means, with respect to a Loan, the note or other evidence of indebtedness of the related Obligor in respect of such Loan.

"Unmatured Amortization Event" means an event which, with the passage of time or the giving of notice, or both, would constitute an Amortization Event.

"Usage Fee Percentage" has the meaning set forth in the Fee Letter.

Capitalized terms used and not otherwise defined herein have the meanings specified in the Servicing Agreement. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

FORM OF BORROWING NOTICE

PMC CONDUIT, L.P.

BORROWING NOTICE

dated _____, 20__
for Borrowing on _____, 20__

JPMorgan Chase Bank
National Association, as Agent
1 Bank One Plaza, 21st Floor
Asset-Backed Finance
Chicago, Illinois 60670-0596

Attention: [____]

Ladies and Gentlemen:

Reference is made to the Credit and Security Agreement dated as of February 7, 2005 by and among PMC Conduit, L.P., as Borrower, PMC Conduit, LLC, PMC Commercial Trust, as Servicer, Jupiter Securitization Corporation, JPMorgan Chase Bank, National Association, as Agent, and the Alternate Lenders party thereto (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"). Capitalized terms defined in the Credit Agreement are used herein with the same meanings.

1. The Borrower hereby certifies, represents and warrants to the Agent and the Lenders that on and as of the Borrowing Date (as hereinafter defined):

(a) all applicable conditions precedent set forth in Article VI of the Credit Agreement have been satisfied;

(b) each of its representations and warranties contained in Section 5.1 of the Credit Agreement will be true and correct, in all material respects, as if made on and as of the Borrowing Date;

(c) no event will have occurred and is continuing, or would result from the requested Advance, that constitutes an Amortization Event or Unmatured Amortization Event;

(d) the Amortization Date has not occurred; and

(e) after giving effect to the Advance requested below, the Aggregate Principal will not exceed the Borrowing Limit.

2. The Borrower hereby requests that the Conduit Lender (or its respective Alternate Lenders) make an Advance on _____, 20__ (the "Borrowing Date") as follows:

(a) Aggregate Amount of Advance: \$_____

(b) If the Advance is not funded by the Conduit Lender, the Borrower requests that the Alternate Lenders make an Alternate Base Rate Advance that converts into LIBO Rate Advance with an Interest Period of _____ months on the [__] Business Day after the Borrowing Date).

3. Please disburse the proceeds of the Advance as follows:

[Apply \$_____ to payment of principal and interest of existing Loans due on the Borrowing Date]. [Apply \$_____ to payment of fees due on the Borrowing Date]. [Wire transfer \$_____ to account no. _____ at _____ Bank, in [city, state], ABA No. _____, Reference: _____].

4. The Borrower hereby represents and warrants that the foregoing information and the information contained in the Loan Schedule attached hereto as Schedule I and the calculation of the Borrowing Base attached hereto as Schedule II, is true and accurate in accordance with Section 5.1(g) of the Credit Agreement.

IN WITNESS WHEREOF, the Borrower has caused this Borrowing Notice to be executed and delivered as of this ___ day of _____, _____.

PMC CONDUIT, L.P., as Borrower

By: _____
Name:
Title:

FORM OF COMPLIANCE CERTIFICATE

To: JPMorgan Chase Bank, National Association, as Agent

This Compliance Certificate is furnished pursuant to that certain Credit and Security Agreement dated as of February 7, 2005 among PMC Conduit, L.P. (the "Borrower"), PMC Conduit, LLC, PMC Commercial Trust (the "Servicer"), JPMorgan Chase Bank, National Association as agent and the "Alternate Lenders" from time to time party thereto (the "Agreement").

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of the Servicer.

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Servicer and its Subsidiaries during the accounting period covered by the attached financial statements.

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Amortization Event or Unmatured Amortization Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate [, except as set forth in paragraph 4 below].

[4. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Servicer has taken, is taking, or proposes to take with respect to each such condition or event:
_____]

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered as of _____, 20__.

PMC COMMERCIAL TRUST

By: _____
Name:
Title:

FORM OF ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (this "Assignment Agreement") is entered into as of the ___ day of _____, _____, by and between _____ ("Assignor") and _____ ("Assignee").

PRELIMINARY STATEMENTS

A. This Assignment Agreement is being executed and delivered in accordance with Section 12.1(b) of that certain Credit and Security Agreement dated as of February 7, 2005 by and among PMC Conduit, L.P., as Borrower, PMC Conduit, LLC, PMC Commercial Trust, as Servicer, Jupiter Securitization Corporation, JPMorgan Chase Bank, National Association as Agent, and the Alternate Lenders party thereto (as amended, modified or restated from time to time, the "Credit and Security Agreement") and that certain Asset Purchase Agreement dated as of February 7, 2005 by and among Jupiter Securitization Corporation, the Alternate Lenders from time to time party thereto and JPMorgan Chase Bank, National Association, as Agent (as amended, modified or restated from time to time, the "Liquidity Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings set forth or incorporated by reference in the Credit and Security Agreement.

B. Assignor is an Alternate Lender party to the Credit and Security Agreement and the Liquidity Agreement, and Assignee wishes to become an Alternate Lender thereunder; and

C. Assignor is selling and assigning to Assignee an undivided _____% (the "Transferred Percentage") interest in all of Assignor's rights and obligations under the Transaction Documents and the Liquidity Agreement, including, without limitation, Assignor's Commitment, Assignor's Liquidity Commitment and (if applicable) Assignor's Loans as set forth herein.

AGREEMENT

The parties hereto hereby agree as follows:

1. The sale, transfer and assignment effected by this Assignment Agreement shall become effective (the "Effective Date") two (2) Business Days (or such other date selected by the Agent in its sole discretion) following the date on which a notice substantially in the form of Schedule II to this Assignment Agreement ("Effective Notice") is delivered by the Agent to Conduit Lender, Assignor and Assignee. From and after the Effective Date, Assignee shall be an Alternate Lender party to the Credit and Security Agreement for all purposes thereof as if Assignee were an original party thereto and Assignee agrees to be bound by all of the terms and provisions contained therein.

2. If Assignor has no outstanding principal under the Credit and Security Agreement or the Liquidity Agreement, on the Effective Date, Assignor shall be deemed to have hereby transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and the Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment and Liquidity Commitment and all rights and obligations associated therewith under the terms of the Credit and Security Agreement and the Liquidity Agreement, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under the Credit and Security Agreement and the Liquidity Agreement.

3. If Assignor has any outstanding principal under the Credit and Security Agreement and Liquidity Agreement, at or before 12:00 noon, local time of Assignor, on the Effective Date Assignee shall pay to Assignor, in immediately available funds, an amount equal to the sum of (i) the Transferred Percentage of the outstanding principal of Assignor's Advances and, without duplication, Assignor's Percentage Interests (as defined in the Liquidity Agreement) (such amount, being hereinafter referred to as the "Assignee's Principal"); (ii) all accrued but unpaid (whether or not then due) Interest attributable to Assignee's Principal; and (iii) accruing but unpaid fees and other costs and expenses payable in respect of Assignee's Principal for the period commencing upon each date such unpaid amounts commence accruing, to and including the Effective Date (the "Assignee's Acquisition Cost"); whereupon, Assignor shall be deemed to have sold, transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment, Liquidity Commitment, Advances (if applicable) and Percentage Interests (if applicable) and all related rights and obligations under the Transaction Documents and the Liquidity Agreement, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under the Credit and Security Agreement and the Liquidity Agreement.

4. Concurrently with the execution and delivery hereof, Assignor will provide to Assignee copies of all documents requested by Assignee which were delivered to Assignor pursuant to the Credit and Security Agreement or the Liquidity Agreement.

5. Each of the parties to this Assignment Agreement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment Agreement.

6. By executing and delivering this Assignment Agreement, Assignor and Assignee confirm to and agree with each other, the Agent and the Alternate Lenders as follows: (a) other than the representation and warranty that it has not created any Lien upon any interest being transferred hereunder, Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made by any other Person in or in connection with any of the Transaction Documents or the Liquidity Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of Assignee, the Credit and Security Agreement, the Liquidity Agreement or any other instrument or document furnished pursuant thereto or the perfection, priority, condition, value or sufficiency of any Collateral; (b) Assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, any Obligor, any Affiliate of the Borrower or the performance or observance by the Borrower, any Obligor, any Affiliate of the Borrower of any of their respective obligations under the Transaction Documents or any other instrument or document furnished pursuant thereto or in connection therewith; (c) Assignee confirms that it has received a copy of each of the Transaction Documents and the Liquidity Agreement, and other documents and information as it has requested and deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement; (d) Assignee will, independently and without reliance upon the Agent, Conduit Lender, the Borrower or any other Alternate Lender or Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Transaction Documents and the Liquidity Agreement; (e) Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Transaction Documents and the Liquidity Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (f) Assignee agrees that it will perform in accordance with their terms all of the obligations which, by the terms of the Liquidity Agreement, the Credit and Security Agreement and the other Transaction Documents, are required to be performed by it as an Alternate Lender or, when applicable, as a Lender.

7. Each party hereto represents and warrants to and agrees with the Agent that it is aware of and will comply with the provisions of the Credit and Security Agreement, including, without limitation, Sections 14.5 and 14.6 thereof.

8. Schedule I hereto sets forth the revised Commitment and Liquidity Commitment of Assignor and the Commitment and Liquidity Commitment of Assignee, as well as administrative information with respect to Assignee.

9. THIS ASSIGNMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

10. Assignee hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all senior indebtedness for borrowed money of Conduit Lender, it will not institute against, or join any other Person in instituting against, Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement to be executed by their respective duly authorized officers of the date hereof.

[ASSIGNOR]

By: _____
Title:

[ASSIGNEE]

By: _____
Title:

SCHEDULE A

COMMITMENTS OF ALTERNATE LENDERS

Alternate Lender	Commitment
JPMorgan Chase Bank, National Association	\$100,000,000

ELIGIBILITY CRITERIA

1. Such Loan is denominated and payable only in United States dollars in the United States of America and the related Mortgaged Property is located in a state within the United States of America or within the District of Columbia.

2. The related Obligor is not located (within the meaning of Section 9-307 of any applicable enactment of the UCC) in any jurisdiction outside of the United States and its not (i) an Affiliate of any Transaction Party or (ii) the United States of America or any state, agency, department or instrumentality of the United States of America or any state thereof.

3. Such Loan was originated by the applicable Originator in the United States, in a state where such Originator is qualified to transact such business in the ordinary course of its business, except to the extent that any failure to be so qualified would not materially and adversely affect such Loan or the related Mortgage or the transfer thereof or the enforceability of the Obligor's obligations thereunder. Such Loan was not originated in, nor is such Loan subject to the laws of, any jurisdiction under which the transfer and assignment of such Loan to PMC and the Borrower would be unlawful, void or voidable. If such Loan was originated by an Originator other than PMC, such Originator transferred such Loan to PMC pursuant to the Transfer Agreement.

4. Immediately prior to transfer of such Loan to the Borrower, each of the Originator and PMC had good title to, and was the sole owner of, the Loan free and clear of all Liens, other than Liens for which the Originator and/or PMC obtained an executed release of Lien. Immediately upon the transfer thereof to the Borrower pursuant to the Purchase Agreement, the Borrower will have good title to such Loan, free and clear of all Liens and no Person other than the Borrower will have any interest in such Loan, whether as mortgagee, assignee, pledgee or otherwise.

5. The information set forth in the Loan Schedule with respect to such Loan is true and correct in all material respects.

6. The related Loan File with respect to such Loan is complete.

7. The terms of the related Underlying Note and the Mortgage have not been impaired, waived, altered or modified in any respect, whether for credit reasons or otherwise, except by written instruments, executed in accordance with the Credit and Collection Policy.

8. The Underlying Note and the related Mortgage by their respective terms are not subject to any right of rescission, setoff, abatement, diminution, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of the Underlying Note or the Mortgage, or the exercise of any right thereunder in accordance with the terms thereof, render the Mortgage unenforceable, in whole or in part, or subject to any right of rescission, setoff, abatement, diminution, counterclaim or defense, including the defense of usury, and no such right of rescission, setoff, abatement, diminution, counterclaim or defense has been asserted with respect thereto.

9. The related Mortgage has not been satisfied, canceled or subordinated, in whole or in part, or rescinded, and the related Mortgaged Property has not been released from the lien of the Mortgage, in whole or in part, nor has any instrument been executed that would effect any such release, cancellation, subordination or rescission.

10. The related Underlying Note and the Mortgage delivered to the Borrower, or its designee, are genuine originals (or with respect to the Mortgage, a certified copy thereof) and each is the legal, valid and binding obligation of the maker thereof, enforceable in accordance with its terms.

11. Such Loan and the related Loan Documents are freely assignable by the Originator and its assigns without the consent, authorization, approval or notice to the related Obligor and such Loan Documents do not contain a confidentiality provision that purports to restrict the ability of the Agent or any Lender to exercise its rights under the Agreement, including, without limitation, its right to review such Loan Documents.

12. According to its terms, the related Underlying Note provides that the amount payable thereunder will be due not more than 252 months following the origination date of the Loan and as of the Cut-Off Date (or, in the case of a Loan in which the Borrower acquires an interest after the Closing Date, as of the applicable Transfer Date), the remaining term to maturity of such Loan is less than or equal to 240 months.

13. The related Underlying Note provides for level monthly payments (except for the effects of periodic interest rate resets) and no balloon or bullet payments at maturity.

14. The Loan-to-Value Ratio of such Loan does not exceed 85%.

15. There has been no fraud, dishonesty, misrepresentation or negligence on the part of the Borrower or, to the Borrower's and Servicer's knowledge, the Originator, PMC or the Obligor in connection with the origination of such Loan or in connection with the transfer and contribution of such Loan to the Borrower.

16. There is no material default, breach, violation or event of acceleration existing under the related Mortgage or the Underlying Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute such a default, breach, violation or event of acceleration, and since the Cut-Off Date (or, in the case of a Loan in which the Borrower acquires an interest after the Closing Date, since the applicable Transfer Date) the Borrower has not waived any default, breach, violation or event of acceleration.

17. The related Underlying Note and the Mortgage comply with all requirements of applicable federal, state and local laws and regulations. The origination and servicing of the such Loan and the sale or contribution of such Loan comply with any and all applicable requirements of any applicable federal, state or local law, including, without limitation, usury, truth-in-lending, real estate settlement procedures, consumer credit protection, equal credit opportunity and disclosure laws. To the Borrower's and Servicer's knowledge, the related Mortgaged Property is in compliance in all material respects with all applicable laws, zoning ordinances, rules, covenants and restrictions affecting the construction, occupancy, use, and operation of such Mortgaged Property. To the Borrower's and Servicer's knowledge, all

inspections, licenses and certificates required, including certificates of occupancy, whether by law, ordinance, regulation or insurance standards to be made or issued with regard to the related Mortgaged Property, have been obtained and are in full force and effect.

18. Such Loan was originated by the Originator in the ordinary course of its business in accordance with, and has been serviced since the date of origination in compliance with the Credit and Collection Policy.

19. Such Loan was not originated to enable the related Obligor to fund delinquent payables of the related Obligor.

20. Such Loan was not selected by the Borrower or the Originator for inclusion in the Collateral on any basis intended to adversely affect the Borrower, the Agent or the Lenders.

21. As of the Cut-Off Date (or, in the case of a Loan in which the Borrower acquires an interest after the Closing Date, as of the applicable Transfer Date), such Loan is not 31 or more days contractually past due.

22. As of the date of determination, such Loan is not and has never been a Defaulted Loan.

23. Such Loan bears interest at a floating rate of interest, payable monthly in arrears.

24. None of the Originator, PMC nor the Borrower has advanced funds or induced, solicited or knowingly received any advance of funds from a party other than the owner of the Mortgaged Property subject to the Mortgage, directly or indirectly, for the payment of any amount required by such Loan.

25. There are no delinquent taxes, ground rents, water charges, sewer rents, assessments (including assessments payable in future installments) or other outstanding charges affecting the related Mortgaged Property.

26. The related Mortgaged Property is located in the state indicated on the Loan Schedule and, except as reflected on the Loan Schedule, consists of a single parcel of real property. The related Mortgaged Property is in good repair, is free of damage and waste that would materially and adversely affect its value and such Mortgaged Property has not been materially damaged by fire, wind or other cause, which damage has not been fully repaired or for which insurance proceeds have not been received or are not expected to be received in an amount sufficient to pay for such repairs.

27. The related Mortgage is a valid, subsisting and enforceable first priority Lien (or second priority lien provided the Loan secured by the first lien Mortgage is a Pool Loan) on the Mortgaged Property, including all buildings on the Mortgaged Property and all fixtures related thereto, and all additions, alterations and replacements made at any time with respect to the foregoing, subject only to (i) Liens for current real property taxes and assessments not yet due and payable, (ii) covenants, conditions and restrictions, rights-of-way, easements and other matters of the public record as of the date of recording, none of which individually or in the aggregate materially interfere with the benefits of the security intended to be provided by the

Mortgage or the operation and use of the related Mortgaged Property, and (iii) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided by the Mortgage or the use, enjoyment, value or marketability of the related Mortgaged Property. Any security agreement, chattel mortgage or equivalent document related to and delivered in connection with the Loan establishes and creates a valid, subsisting and enforceable first priority Lien on the property described therein, except as reflected on the Loan Schedule. The related Underlying Note is not secured by any collateral except the Lien of the corresponding Mortgage and the security interest of any applicable security agreement or chattel mortgage referred to in this paragraph.

28. None of the Originator, PMC or the Borrower has any knowledge of any mechanics' or similar liens or claims which have been filed for work, labor or material (or any rights outstanding that under applicable law could give rise to such lien) affecting the related Mortgaged Property which are or may be Liens prior to, or equal or on parity with, the Lien of the Mortgage.

29. The proceeds of such Loan have been fully disbursed and there is no requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds therefor have been complied with.

30. The related Mortgage contains provisions for the acceleration of the payment of the unpaid principal balance of such Loan in the event the related Mortgaged Property is sold without the prior consent of the Originator.

31. As of the date of determination, there is no proceeding pending for the total or partial condemnation of the related Mortgaged Property other than (a) in connection with a curb cut or street widening or (b) a proceeding which could not, in the reasonable business judgment of PMC, be expected to (i) materially decrease the value of the related Mortgaged Property or (ii) materially interfere with the current use or operation of the Mortgaged Property.

32. Such Loan is not secured by a ground lease.

33. The related Mortgage contains customary provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the related Mortgaged Property of the benefits of the security provided thereby, including, (i) in the case of a Mortgage designated as a deed of trust, by trustee's sale and (ii) otherwise by judicial foreclosure or power of sale. To the Borrower's knowledge, there is no homestead or other exemption available to the Obligor which would interfere with the right to sell the related Mortgaged Property at a trustee's sale or the right to foreclose the Mortgage.

34. In the event the related Mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by the Partnership or its assignees to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Obligor.

35. The form of endorsement of the related Underlying Note satisfies the requirement, if any, of endorsing in order to transfer all right, title and interest of the party so endorsing, as noteholder or assignee thereof, in and to such Underlying Note, and each form of assignment will be in recordable form and will be sufficient to effect the assignment of and to transfer to the assignee thereof, all right, title and interest under the related Mortgage to which that assignment relates.

36. A Phase I environmental report was prepared with respect to such Mortgaged Property. The related Mortgaged Property was, as of its date of origination of the related Underlying Note and as of the Transfer Date, in material compliance with all applicable environmental laws and regulations.

37. All escrow deposits, if any, and other payments relating to such Loan have been delivered to the Servicer or its agent, and all amounts required to be deposited by the Originator, PMC or the related Obligor have been deposited and there are no deficiencies with regard thereto.

38. The related Obligor has good title to the Mortgaged Property.

39. The Lien of the related Mortgage is insured by an ALTA lender's title insurance policy (or a binding commitment) or its equivalent, as adopted in the applicable jurisdiction. The policy (or such binding commitment) insures the Originator, its successors and assigns, as to the first-priority Lien of the related Mortgage in the original principal amount after all advances of principal, subject only to permitted encumbrances, none of which, individually or in the aggregate should interfere with the current use of the related Mortgaged Property or materially detract from the benefit of the first-priority (except as reflected on the Loan Schedule) Lien of the Mortgage. The Originator (including its successors and assigns) is the sole named insured of the policy (or such binding commitment), and the policy (or such binding commitment) is assignable to the Agent without the consent of or any notification to the insurer. No claims have been made under such policy (or such binding commitment), and the Borrower has no knowledge of any matter that would impair or diminish the coverage of such policy.

40. The related Mortgaged Property is covered by insurance policies providing (i) coverage against loss or damage sustained by fire and extended perils included within the classification "All Risk of Physical Loss" in an amount sufficient to prevent the related Obligor from being deemed a co-insurer, and to provide coverage of replacement or actual cost, consistent with industry standards; and the policies contain a standard mortgagee clause naming the mortgagee and its successors as loss payees; (ii) flood insurance (if any portion of the Mortgaged Property is located in an area identified by the Federal Emergency Management Agency as having special hazards); and (iii) comprehensive general liability insurance in amounts as are generally required by commercial mortgage lenders. The insurance policies contain clauses providing they are not terminable and may not be reduced without ten (10) days prior written notice to the mortgagee, and all premiums due and payable through the Closing Date have been made. No notice of termination or cancellation with respect to any such policies has been received by the Originator or the Borrower which remains effective. The related Mortgage obligates the related Obligor to maintain all such insurance at its cost and expense, and

on the Obligor's failure to do so, authorizes the holder of such Mortgage to maintain such insurance and to obtain reimbursement therefor from such Obligor.

41. To the best of the Originator's, PMC's and the Borrower's knowledge, the related Mortgaged Property was not, as of the Cut-Off Date (or the Transfer Date, in the case of a Loan added to the Collateral after the Closing Date) located within a one-mile radius of any site listed in the National Priorities List as defined under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or on any similar state list of hazardous waste sites which are known to contain any hazardous substance or hazardous waste.

42. To the best of the Originator's, PMC's and the Borrower's knowledge, no improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning law or regulation.

43. The Agent, in its sole and absolute discretion, has not notified PMC or the Borrower that such Loan is not acceptable for any reason.

44. Such Loan is not a Loan that was rejected for inclusion in any Term Securitization (other than by reason of such Loan being originated after the applicable cut-off date for such Term Securitization).

45. The Principal Balance of such Loan, when added to the aggregate Principal Balance of all other Pool Loans owed by the same Obligor or any Affiliates thereof, does not cause the aggregate Principal Balance of all Pool Loans owing by such Obligor and its Affiliates to exceed \$4,000,000; provided, that if the aggregate Principal Balance of all such Pool Loans exceeds \$4,000,000, only the portion in excess of \$4,000,000 shall be deemed ineligible pursuant to this criterion.

46. As of the applicable Transfer Date, the inclusion of such Loan in the Collateral does not cause the weighted average Loan-to-Value Ratio of all Pool Loans (weighted by their respective Principal Balances as of such date) to exceed 80%.

47. The Principal Balance of such Loan does not exceed \$4,000,000; provided, that if the Principal Balance of such Loan exceeds \$4,000,000, only the portion in excess of \$4,000,000 shall be deemed ineligible pursuant to this criterion.

SCHEDULE E

HOTEL FRANCHISORS FOR APPROVED FRANCHISEES

ACCOR ECONOMY LODGING	INNSUITES HOSPITALITY TRUST
Studio 6	InnSuites Hotels & Suites
Motel 6	
Red Roof Inn	INTERCONTINENTAL HOTELS GROUP
	Holiday Inn
BEST VALUE INN	Holiday Inn Express
Best Value Inn	Holiday Inn Select
	Crown Plaza
BEST WESTERN INTERNATIONAL	Intercontinental
Best Western	Stay Bridge
	Candlewood
BUCKHEAD AMERICA CORP	JACKSON HOSPITALITY SERVICES
Country Hearth Inn	Key West Inn
BUDGET HOST INTERNATIONAL	LAQUINTA CORP.
Budget Host	La Quinta Inns/Inns & Suites
	Baymont Inns & Suites
CARLSON HOSPITALITY	MARRIOTT CORP.
Country Inns & Suites	Fairfield Inn
Raddison	Courtyard by Marriott
Park Inn	Town Place Suites
Park Plaza	Marriott Hotels
	Residence Inn
CENDANT	Springhill Suites
Days Inn	
Village Inn	NORTHCOTT HOSPITALITY
Super 8	AmericInn
Ramada	
Ramada Ltd.	PRIME HOSPITALITY
Howard Johnson	Amerisuites
Wingate Inn	Wellsley Inn & Suites
Travelodge	
Knights Inn	STARWOOD HOTELS & RESORTS WORLDWIDE
Amerihost	Four Points
	Sheraton Hotels
CHOICE HOTELS	SHOLOGDE
Comfort Inn	Guest House Inns
Comfort Suites	
Sleep Inn	SUBURBAN FRANCHISE SYSTEMS
Quality Inn	Suburban Extended Stay Hotels
Clarion	
Econolodge	US FRANCHISE SYSTEMS
Friendship Inn	Microtel
Rodeway	Hawthorn Suites
Mainstay Suites	Best Inn
	VALUE PLACE LLC
CLUBHOUSE LLC	Value Place
Clubhouse Inn & Suites	
Clubhouse Resorts	WEST COAST HOSPITALITY
	Red Lion Inn
HILTON HOTEL CORP.	West Coast Hotels
Hampton	
Hampton Inn & Suites	WYNDHAM INTERNATIONAL
Homewood Suites	Summerfield Suites
Hilton Garden Inn	Wyndham Hotels
Hilton Hotels	Wyndham Garden
Doubletree	
Embassy Suites	WOODFIN SUITE HOTELS
	Woodfin Suite Hotels
HOSPITALITY INTERNATIONAL	Chase Suite Hotel by Woodfin
Scottish Inn	
Red Carpet Inns	
Master Hosts Inn	
Passport Inn	
Downtowner Inn	

FINANCIAL COVENANTS

A. Minimum Net Worth. The Companies' consolidated Net Worth shall not at any time be less than the sum of (a) 90% of Net Worth as of the Closing Date, plus (b) 100% of the Net Proceeds from any Equity Issuances by Borrower after the Closing Date.

B. Maximum Leverage Ratio. The ratio of the Consolidated Companies' consolidated Total Liabilities to the Consolidated Companies' consolidated Net Worth shall not at any time exceed 2.00 to 1.00.

Capitalized terms used in this Schedule F shall have the meanings set forth below:

"Administrative Agent" means JPMorgan Chase Bank, National Association (successor by merger to Bank One, NA) (or its successors appointed under Section 12 of the Credit Agreement), acting as administrative, managing and syndication agent for Lenders under the Credit Documents.

"Affiliate" of a Person means any other Person who directly or indirectly controls, is controlled by, or is under common control with that Person. For purposes of this definition (a) "control," "controlled by," and "under common control with" mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities or other interests, by contract or otherwise) and (b) the Companies are "Affiliates" of each other.

"Asset Securitization" means any transaction or series of transactions that may be entered into by any Company pursuant to which such Company or any of its Subsidiaries may sell, convey or otherwise transfer any of their assets to a Special Purpose Entity, and pursuant to which the Special Purpose Entity will, in turn, pay to such Company a portion of the proceeds of a secured loan or debt offering to public or private investors (with such secured loan or debt offering being, among other things, non-recourse to Borrower).

"Assignment" means any assignment described in Section 13.3 of the Credit Agreement.

"Borrower" means PMC Commercial Trust.

"Capital Lease" means any capital lease or sublease which should be capitalized on a balance sheet in accordance with GAAP.

"CDO Subsidiary" means a Subsidiary (i) of which all of the issued and outstanding common equity interests are held by Borrower or one or more of its wholly-owned Subsidiaries, (ii) which is formed for the sole purpose of issuing preferred securities to an unrelated third party, and (iii) which has no assets other than its rights as payee in respect of Qualified Intercompany Debt.

"Companies" means at any time, Borrower and each of its subsidiaries (other than any Special Purpose Entities).

"Consolidated Companies" means, at any time, Borrower and each of its Subsidiaries (including any Special Purpose Entities that, according to GAAP, are required to be shown on Borrower's consolidated Financials).

"Credit Agreement" means that certain Credit Agreement dated as of February 29, 2004, as amended by that certain First Amendment dated as of March 15, 2004, that certain Second Amendment dated as of December 29, 2004 and that certain Third Amendment dated as of February 7, 2005, among the Borrower, the Administrative Agent and the Lenders.

"Credit Documents" means (a) the Credit Agreement, certificates and reports delivered under the Credit Agreement, and exhibits and schedules to the Credit Agreement, (b) all agreements, documents, and instruments in favor of Administrative Agent or Lenders (or Administrative Agent on behalf of Lenders) ever delivered under the Credit Agreement or otherwise delivered in connection with all or any part of the Obligation (other than Assignments), and (c) all renewals, extensions, modifications and restatements of, and amendments and supplements to, any of the foregoing, which are made in accordance with the provisions of the respective Credit Documents.

"Debt" means, with respect to any Person on any date of determination (without duplication), (a) all obligations for borrowed money, (b) all obligations evidenced by bonds, debentures, notes or similar instruments, (c) all obligations to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, which are paid when due in accordance with ordinary-course payment terms or which are being contested in good faith in appropriate proceedings, (d) all obligations arising under acceptance facilities or facilities for the discount or sale of accounts or loans receivable, (e) all direct or contingent obligations in respect of letters of credit, (f) Capital Lease obligations, (g) liabilities secured (or for which the holder of any obligations or liabilities has an existing Right, contingent or otherwise, to be so secured) by any Lien existing on property owned or acquired by that Person and (h) all guaranties, endorsements and other contingent obligations for liabilities, obligations or the maintenance of the financial condition of others, including obligations to repurchase or purchase properties or to maintain or cause to maintain any financial condition.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America and all other applicable laws providing for liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, or suspension of payments or similar Governmental Requirements affecting creditors' Rights.

"Equity Issuance" means the issuance by Borrower of any shares of any class of beneficial interests, stock, warrants, options or other equity interests, whether pursuant to a public offering or otherwise, but does not include (a) any present and future shares of beneficial interests, stock, options or warrants issued to employees or trust managers of Borrower or (b) any present and future shares of beneficial interests, stock, options or warrants issued in respect of any dividend reinvestment plan established and maintained by Borrower.

"Financials" of a Person means balance sheets, profit and loss statements, reconciliations of capital and surplus, and statements of cash flow prepared (a) according to GAAP (subject to year-end audit adjustments with respect to interim Financials) and (b) except as stated in Section 1.4 of the Credit Agreement, in comparative form to prior year-end figures or corresponding periods of the preceding fiscal year or other relevant period, as applicable.

"GAAP" means generally accepted accounting principles of the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board that are applicable from time to time.

"Lenders" means the financial institutions (including, without limitation, Administrative Agent in respect of its share of Borrowings) named on Schedule 2 of the Credit Agreement or on the most recently amended Schedule 2 of the Credit Agreement, if any, delivered by Administrative Agent under

the Credit Agreement, and, subject to the Credit Agreement, their respective successors and assigns (but not any Participant who is not otherwise a party to the Credit Agreement).

"Lien" means any lien, mortgage, security interest, pledge, assignment, charge, title retention agreement or encumbrance of any kind and any other arrangement for a creditor's claim to be satisfied from assets or proceeds prior to the claims of other creditors or the owners (other than title of the lessor under an operating lease).

"Net Income" of any Person means that Person's profit or loss determined in accordance with GAAP.

"Net Proceeds" means the net proceeds, whether received in cash or otherwise, received before, on or after the date of consummation of a subject transaction, by any Company from such transaction, after payment of (a) all usual and customary brokerage commissions and all other reasonable fees and expenses related to such transaction (including, without limitation, reasonable attorney's fees and closing costs), and (b) any Debt (other than the Obligation) relating to the assets being sold which must be repaid in connection with such subject transaction.

"Net Worth" means, for any Person, total beneficiaries' or stockholders' equity, as applicable, as determined in accordance with GAAP.

"Obligation" means (a) all present and future Debts, liabilities and obligations of any Company to Administrative Agent, or any Lender and related to any Credit Document, whether principal, interest, fees, costs, attorneys' fees or otherwise, (b) all present and future Rate Management Obligations, (c) any of the foregoing amounts that would become due but for the operation of 11 U.S.C. Section 502 and 503 or any other provision of Title 11 of the United States Code, (d) all present and future pre- and post-maturity interest on any of the foregoing, including all post-petition interest if any Company voluntarily or involuntarily files for protection under any Debtor Relief Law, and (e) renewals, extensions, rearrangements and modifications of any character whatsoever of any the foregoing.

"Qualified Intercompany Debt" means any unsecured indebtedness, in a principal amount not to exceed \$100,000,000, owing by the Borrower to a CDO Subsidiary from time to time and evidenced by one or more promissory notes or other evidences of indebtedness, which indicate that such indebtedness is subordinated to the Obligation (such subordination to be on terms reasonably acceptable to the Administrative Agent). In any case, the Borrower shall deliver the promissory notes or other documents evidencing the terms of such indebtedness, containing all the materially final or substantially final terms, to the Administrative Agent at least 5 Business Days in advance of the incurrence of any Qualified Intercompany Debt.

"Rate Management Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) under (i) any and all Rate Management Transactions, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Transactions.

"Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing or hereafter entered into between Borrower and any Lender or any Affiliate thereof which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction

(including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

"Rights" means rights, remedies, powers, privileges and benefits.

"Special Purpose Entity" means a special purpose Wholly-owned Subsidiary of Borrower, created in connection with the transactions contemplated by an Asset Securitization, which engages in no activities, has no material liabilities, and owns no other assets, other than those incidental to such Asset Securitization.

"Subsidiary" of any Person means any other Person of which (a) more than 50% (in number of votes) of the stock (or equivalent interests) is owned of record or beneficially, directly or indirectly, by that Person or (b) such Person serves as a general partner or in a similar capacity. Unless otherwise specified or the context otherwise requires, "Subsidiary" refers to a Subsidiary of Borrower.

"Total Liabilities" means, at any time and for the Consolidated Companies, all liabilities properly reflected on the Consolidated Companies' consolidated balance sheet in accordance with GAAP (other than any Qualified Intercompany Debt).

"Wholly-owned" when used in connection with any Subsidiary shall mean a Subsidiary of which all of the issued and outstanding shares of stock (or equivalent interests) are owned by Borrower or one or more of its Wholly-owned Subsidiaries.

SERVICING AGREEMENT

by and among

PMC CONDUIT L.P.,
as Borrower,

PMC COMMERCIAL TRUST,
as Servicer

and

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
as Agent

Dated as of February 7, 2005

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SERVICING AGREEMENT

This Servicing Agreement (this "Agreement"), dated as of February 7, 2005 is made and entered into by and among PMC CONDUIT, L.P., a Delaware limited partnership, as Borrower (the "Borrower"), PMC COMMERCIAL TRUST, a Texas real estate investment trust, as servicer (the "Servicer"), and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION as agent (the "Agent").

PRELIMINARY STATEMENTS

The Borrower is the owner of the Loans and the other property being pledged, assigned and conveyed by it to the Agent for the benefit of the Lenders (as defined below) pursuant to that certain Credit and Security Agreement, dated as of the date hereof (the "Credit Agreement"), by and among the Borrower, PMC Conduit, LLC, the Servicer, the other lenders party thereto (the "Lenders") and the Agent. The Servicer is in the business, among other things, of servicing Loans. The Borrower hereby appoints the Servicer to service the Loans that were transferred by the Servicer to the Borrower and are included in the Collateral, and the Servicer hereby accepts such appointment.

All covenants and agreements made by the Borrower and the Servicer herein are for the benefit of the Agent and the Secured Parties. The Borrower, the Servicer and the Agent are entering into this Agreement for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

In consideration of the mutual agreements herein contained, the Borrower, the Servicer and the Agent hereby agree as follows:

ARTICLE I DEFINITIONS

All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in Exhibit I to the Credit Agreement.

"Collection" means all payments received by the Servicer in respect of the Mortgage Loans, including, without limitation, Monthly Payments, Principal Payments, Liquidation Proceeds and insurance proceeds.

"Determination Date" means, with respect to a Settlement Date, the close of business on the last day of the related Due Period.

"Environmental Law" means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground processing, distribution, use, treatment, storage,

disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"Law" means all statutes, rules, regulations, ordinances, orders or decrees of any federal or state government or political subdivision, agency or public official thereof that apply to or affect a Loan or Mortgaged Property or the Servicer under this Agreement.

"Liquidated Loan" means any Defaulted Loan as to which the Servicer has certified to the Agent that all amounts which it expects to recover from or on account of such Loan and related Mortgaged Property (including REO Property) have been recovered and that no further Liquidation Proceeds will be received in connection therewith.

"Liquidation Expenses" means, with respect to Loans being liquidated and REO Properties, expenses paid or incurred by or for the account of the Servicer with respect to such Loans for (i) property protection expenses; (ii) property sales expenses; (iii) foreclosure costs, including court costs and reasonable attorneys' fees; and (iv) similar expenses reasonably paid or incurred in connection with liquidation.

"Liquidation Proceeds" means amounts received by the Servicer with respect to such a Loan in connection with the liquidation of such Loan, whether from (i) proceeds from a trustee's sale or judicial or nonjudicial foreclosure or otherwise; (ii) payments received from guarantors; (iii) condemnation proceeds received from any taking of the property by condemnation or otherwise; or (iv) any final disposition of REO Property, in each case, net of related Liquidation Expenses and any amounts required to be returned to the applicable Obligor pursuant to applicable law.

"Lockbox Account" means the bank account into which Obligor are directed by the Servicer to make payments in respect of the Loans, which account is maintained at JPMorgan Chase Bank, N.A. or another financial institution approved by the Agent.

"Lockbox Agreement" means an agreement in the form attached hereto a Exhibit A or otherwise satisfactory to the Agent.

"Monthly Payments" means, with respect to any Loans, each scheduled monthly payment of principal and interest on such Loan, which is payable by an Obligor from time to time under the related Underlying Note.

"Monthly Report" shall have the meaning set forth in Section 5.1 hereof.

"Principal Prepayments" means any payment of principal or other recovery of principal (whether in the form of Liquidation Proceeds or otherwise) on a Loan which is received in advance of its scheduled due date and which is not accompanied by an amount of interest representing the full amount of scheduled interest due on any date or dates in any month or months subsequent to the month of prepayment.

"Realized Loss" means, with respect to each Liquidated Loan, an amount (not less than zero or greater than the related Principal Balance as of the date of the final liquidation) equal to the Principal Balance of the Loan as of the date of liquidation, minus the Liquidation Proceeds

relating to such Liquidated Loan applied to principal (such Liquidation Proceeds to be applied first to unpaid interest due on the Liquidated Loan and then to the principal balance of the Liquidated Loan).

"REO Property" means a Mortgaged Property acquired by the Servicer on behalf of the Borrower through foreclosure or deed in lieu of foreclosure, pursuant to Section 4.4 hereof.

"Reporting Date" means the third (3rd) Business Day preceding each Settlement Date.

"Servicing Expenses" shall have the meaning set forth in Section 3.8 hereof.

"Servicing Fee" means an amount payable monthly in arrears on each Settlement Date, equal, for each month during the term of the Credit Agreement, to one-twelfth of 0.30% per annum times the aggregate outstanding Pool Principal Balance on the immediately preceding Determination Date.

"Servicing Officer" means an officer or other authorized employee of the Servicer involved in, or responsible for, the administration and servicing of the Loans whose name appears on an incumbency certificate of servicing officers and employees furnished to the Agent by the Servicer, as such certificate may from time to time be amended.

"Servicing Standard" means to service and administer the Loans with the same care, skill and diligence with which the Servicer services and administers mortgage loans held for its own account, and with which prudent institutional commercial mortgage lenders and loan servicers service comparable Loans, and with a view to the timely collection of all scheduled payments of principal and interest under the Loans or, if a default under a Loan occurs and continues and no satisfactory arrangements can be made for the collection of the delinquent payments, the maximization of the recovery of such Loan to the Agent and Lenders (as a collective whole) on a present value basis.

ARTICLE II REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations and Warranties of Servicer. The Servicer hereby reaffirms those representations and warranties it has made pursuant to Section 5.1 of the Credit Agreement. In addition, the Servicer hereby represents and warrants on behalf of itself to the Agent for the benefit of the Agent, the Lenders and the Borrower as of the Closing Date, and at all times during the term of this Agreement shall be deemed to represent and warrant on behalf of itself, that:

(a) it does not believe, nor does it have any reason or cause to believe, that it cannot perform each of its covenants contained in this Agreement; and

(b) it is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would materially and adversely affect the condition

(financial or other) or operations of the Servicer or its properties or might have consequences that would materially and adversely affect its performance hereunder.

Section 2.2. Covenants of Servicer. The Servicer hereby reaffirms those covenants specified in Article VII of the Credit Agreement. The Servicer hereby agrees with respect to itself that during the term of this Agreement, it shall maintain all licenses, permits, charters and registrations which are material to the performance by the Servicer of its obligations under this Agreement.

Section 2.3. Closing Certificate and Opinion. On the Closing Date, the Servicer will deliver to the Borrower and the Agent an Opinion of Counsel, dated the Closing Date, in form and substance satisfactory to the Agent, as to the due authorization, execution and delivery of this Agreement by the Servicer and the enforceability thereof and such other matters as reasonably requested by the Agent. On the Closing Date, the Servicer shall also deliver an Officer's Certificate, dated the Closing Date, signed by two Authorized Officers of the Servicer, to the effect that:

(a) the representations and warranties contained in Section 5.1 of the Credit Agreement are true and correct in all material respects as of the Closing Date;

(b) no Amortization Event or Unmatured Amortization Event exists;
and

(c) the Servicer maintains such errors and omissions insurance and fidelity bond coverage as is required by this Agreement.

Section 2.4. Fidelity Bond and Insurance. The Servicer shall maintain with a responsible company, at its own expense, a blanket fidelity bond in a minimum amount of \$1,000,000 (the "Fidelity Bond") and an errors and omissions insurance policy with coverage in an amount deemed reasonable by the Servicer (but in no event less than \$1,000,000) with coverage on all officers, employees or other persons acting in any capacity requiring such persons to handle funds, money, documents or papers relating to the Loans ("Servicer Employees"). Any such fidelity bond and errors and omissions insurance shall protect and insure the Collateral and the Agent, as Agent for the Lenders, its officers, employees and agents against losses, including losses resulting from forgery, theft, embezzlement, fraud, errors and omissions and negligent acts of the Servicer's employees. Such fidelity bond shall name the Agent, for the benefit of the Secured Parties, as a loss payee and shall provide that such bond cannot be cancelled without 30 days' prior notice to the Agent. No provision of this Section 2.4 requiring such fidelity bond and errors and omissions insurance shall diminish or relieve the Servicer from its duties and obligations as set forth in this Agreement. Upon the request of the Agent, the Servicer shall cause to be delivered to the Agent a certified true copy of such fidelity bond and insurance policy. Coverage of the Servicer under a policy or bond obtained by an Affiliate of the Servicer and providing the coverage required by this Section shall satisfy the requirements of this Section.

Section 2.5. Access to Certain Documentation and Information Regarding the Loans. The Servicer shall provide to the Agent and the Borrower, the Lenders and their representatives or designees, access to the documentation regarding the Loans, such access being

afforded without charge but only upon reasonable request and during normal business hours at the offices of the Servicer provided that such access shall not be requested more frequently than is reasonable or justifiable; provided, further, however, following the occurrence and during the continuance of an Amortization Event, Borrower and the Agent shall have unfettered access to the documentation relating to the Loans. The Servicer shall at all times maintain accurate records and books of account and an adequate system of audit and internal controls. All accounting and loan servicing records pertaining to each Loan shall be maintained in such manner as will permit the Agent and the Lenders or their duly authorized representatives and designees to examine and audit and make legible reproductions of records upon reasonable prior notice and during reasonable business hours. All such records shall be maintained until no Loans remain outstanding or such longer period as is required by Law, including but not limited to, all transaction registers and loan ledger histories.

Section 2.6. Merger or Consolidation. The Servicer will keep in full effect its existence, rights and franchises, 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 this Agreement or any of the Loans it services and to perform its duties under this Agreement. The Servicer shall not merge with, consolidate with or otherwise sell substantially all of its assets to, another Person except in accordance with the Purchase Agreement and in accordance with this Section 2.6. Any Person into which the Servicer may be merged or consolidated, or any Person resulting from any merger, conversion or consolidation to which the Servicer shall be a party, or any Person succeeding to the business of the Servicer, shall be an established Loan servicing institution that has a net worth of at least \$50,000,000 (unless such Person is then the Servicer hereunder or is otherwise consented to in writing by the Agent and the Required Alternate Lenders) and shall be the successor of the Servicer hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided such successor accepts the terms and conditions of this Agreement. The Servicer shall, upon making a determination that it will enter into any such merger or consolidation, send written notice thereof to the Agent which shall in no event be less than thirty (30) days prior written notice.

ARTICLE III
GENERAL ADMINISTRATION AND SERVICING OF THE LOANS

Section 3.1. General Duties of the Servicer.

(a) For and on behalf of the Borrower, the Agent and the Secured Parties, the Servicer shall service and administer the Loans in accordance with the provisions of this Agreement and the instructions of the Agent hereunder. Unless otherwise specified herein with respect to specific obligations of the Servicer, the Servicer shall service and administer the Loans in the best interests of, and for the benefit of, the Lenders, in accordance with the Credit and Collection Policy and the Servicing Standard.

(b) Consistent with the terms of this Agreement, the Servicer may waive, modify or vary any term of any Loan or consent to the postponement of strict compliance with any such term or in any manner grant indulgence to any Obligor if, in the Servicer's reasonable

determination, such waiver, modification, postponement or indulgence is not materially adverse to the interests of the Secured Parties, is consistent with the Credit and Collection Policy and the Servicing Standard; provided, however, that the Servicer may not permit any modification (except in connection with a plan of liquidation or reorganization of the related Obligor) with respect to any Loan that would decrease the Loan Rate or the default rate, forgive the payment of any principal or interest (unless in connection with the liquidation of the related Loan or in connection with a plan of liquidation or reorganization of the related Obligor), release any primary collateral (the first lien Mortgage) securing the Loan or defer or extend the final maturity date of such Loan without the written consent of the Agent. Notwithstanding the foregoing, in the event that any Loan is a Defaulted Loan, the Servicer, consistent with the Servicing Standard and upon written notice to the Agent, may, so long as no Amortization Event exists and it deems such action reasonably prudent in order to maximize Collections on such Loan, also waive, modify or vary any term of such Loan (including modifications that would change the Loan Rate or the default rate, forgive the payment of any principal or interest, waive any prepayment fee or penalty, release any primary collateral securing the Loan or defer or extend the final maturity date of such Loan. No such waiver or modification described above shall change the status of an otherwise ineligible Loan to an Eligible Loan). Without limiting the generality of the foregoing, and subject to the consent of the Agent and in accordance with the Servicing Standard, the Servicer shall continue, and is hereby authorized and empowered, to execute and deliver on behalf of the Agent, all instruments of satisfaction or cancellation, or of partial or full release, discharge and all other comparable instruments, with respect to the Loans it services and with respect to the Mortgaged Properties. If reasonably required by the Servicer, the Borrower shall furnish the Servicer with any powers of attorney and other documents necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties under this Agreement.

Section 3.2. No Assignment or Delegation of Duties by Servicer.

(a) The Servicer, as an independent contractor, shall service and administer the Loans and shall have full power and authority, acting alone, to do any and all things in connection with such servicing and administration which the Servicer may deem necessary or desirable and consistent with the terms of this Agreement. The Servicer may not enter into subservicing agreements (except with an Affiliate) for any servicing and administration of Loans without the prior written consent of the Agent. Except as expressly provided herein, the Servicer shall not assign or transfer (except to an Affiliate) any of its rights, benefits or privileges hereunder to any other Person, or delegate to or subcontract with, or authorize or appoint any other Person to perform any of the duties, covenants or obligations to be performed by the Servicer hereunder, without notice to the Agent and without the prior written consent of the Agent and absent such written consent any agreement, instrument or act purporting to effect any such assignment, transfer, delegation or appointment shall be void.

(b) Notwithstanding any subservicing agreement or any of the provisions of this Agreement relating to agreements or arrangements between the Servicer and a sub-servicer or reference to actions taken through a sub-servicer or otherwise, the Servicer shall remain obligated and primarily liable for the servicing and administering of the Loans in accordance with the provisions of this Agreement and the other Transaction Documents without diminution of such obligation or liability by virtue of such subservicing agreements or arrangements or by

virtue of indemnification from the sub-servicer and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Loans. For purposes of this Agreement, the Servicer shall be deemed to have received payments on a Loan when a sub-servicer has received such payments. The Servicer shall be entitled to enter into any agreement with a sub-servicer for indemnification of the Servicer by such sub-servicer, and nothing contained in this Agreement shall be deemed to limit or modify such indemnification.

(c) Any subservicing agreement that may be entered into and any transactions or services relating to the Loans involving a sub-servicer shall be deemed to be between the sub-servicer and the Servicer alone, and the Agent and Lenders shall not be deemed parties thereto and shall have no claims, rights, obligations, duties or liabilities with respect to the sub-servicer except as set forth in Section 3.2(d). The Servicer shall be solely liable for all fees owed by it to any sub-servicer irrespective of whether the Servicer's compensation pursuant to this Agreement is sufficient to pay such fees. Each sub-servicing agreement shall provide that it is assignable in accordance with Section 3.2(d) and may be terminated in accordance with such subsection.

(d) In the event a successor Servicer is appointed hereunder (including by reason of an Amortization Event), the Agent or its designee may in its sole discretion assume all of the rights and obligations of the predecessor Servicer under each subservicing agreement that the predecessor Servicer may have entered into, unless the Agent or designee elects to terminate any such subservicing agreement. Any fee payable in connection with such a termination will be payable by the predecessor Servicer. If the Agent, its designee or the successor Servicer for the Agent elects to assume all of the Servicer's rights and obligations under a subservicing agreement, then the Agent, such designee or such successor Servicer shall be deemed to have replaced the predecessor Servicer as a party to such subservicing agreement to the same extent as if the subservicing agreements had been assigned to the assuming party, except that the predecessor Servicer shall not thereby be relieved of any liability or obligations under the subservicing agreements with regard to events that occurred prior to the date the predecessor Servicer ceased to be the Servicer hereunder. The predecessor Servicer, at its expense and without right of reimbursement therefor, shall, upon the request of the Agent, deliver to the assuming party all documents and records and afford the assuming party reasonable access (to the extent practicable) to the computer systems, electronic files and personnel as they relate to each subservicing agreement and the Loans then being serviced and an accounting of amounts collected and held by it and otherwise use its best efforts to effect the orderly and efficient transfer of the subservicing agreements to the assuming party.

(e) The Servicer shall be liable for all acts and omissions of any sub-servicer, delegate, subcontractor or other agent appointed pursuant to this Agreement. Nothing contained in this Section 3.2 shall prohibit or be deemed to prohibit the Servicer from contracting with third parties to perform duties that are not duties of the Servicer hereunder that the Servicer deems reasonably necessary in connection with the servicing of the Loans for which it is responsible for servicing including, without limitation, title work, surveying, environmental consulting, property management and maintenance, construction, engineering and architectural consulting.

Section 3.3. Establishment of Lockbox Account; Notices to Obligors; Deposits in Lockbox Account.

(a) On or prior to the Closing Date, the Servicer shall cause to be established and maintained, at the Servicer's expense, the Lockbox Account with JPMorgan Chase Bank, N.A. or another financial institution approved by the Agent and which has entered into a Lockbox Agreement.

(b) Within three (3) Business Days after the Closing Date, the Servicer will prepare and deliver to each of the Obligors with respect to the Loans, with a copy of such correspondence to the Agent, notices in the form attached hereto as Exhibit B, directing each such Obligor to send all future Monthly Payments or Principal Prepayments directly to the Lockbox Account. Prior to the time the Obligations are satisfied in full, the Servicer will not direct the Obligors to send Monthly Payments or Principal Prepayments to any other address without the prior written consent of the Agent.

(c) Notwithstanding the foregoing notices, if the Servicer receives any Collections, including, without limitation, any Monthly Payments, late payment charges or other payments relating to any Loan, the Servicer will receive such funds in trust for the Agent and the Secured Parties and will forward such funds to the Lockbox Account no later than the Business Day immediately following the date the Servicer obtains knowledge of such receipt. In addition, any Liquidation Proceeds received by the Servicer will be deposited into the Lockbox Account no later than the Business Day immediately following the day the Servicer obtains knowledge of such receipt.

(d) Upon receipt of notice that the institution holding the Lockbox Account no longer wishes to hold the Lockbox Account or upon such institution failing to meet with Agent approval, the Agent will provide notice thereof to the Servicer and the Servicer will, within five (5) Business Days, cause to be executed a new Lockbox Agreement and to be established and maintained, at its expense a new Lockbox Account at a financial institution approved by the Agent. Within five (5) Business Days of establishing the new Lockbox Account, the Servicer will prepare and deliver to each of the Obligors with respect to the Loans for which it is responsible for servicing, with copies of such correspondence to the Agent, notices, in the form of Exhibit B attached hereto, directing each such Obligor to send all future Monthly Payments directly to the Lockbox Account. The Servicer will not add, terminate or replace a Lockbox Bank unless it has obtained a new Lockbox Agreement and shall cause the Lockbox Account to be subject to a Lockbox Agreement at all times.

Section 3.4. Permitted Withdrawals from the Lockbox Account. On a daily basis, all deposits to the Lockbox Account shall be withdrawn automatically and transferred to the Collection Account established under the Credit Agreement. The Agent shall cause the entity holding the Lockbox Account to forward funds held therein as provided herein.

Section 3.5. Payment of Taxes and Other Charges. If the Servicer receives notice that any taxes, assessments or other charges which are or may become a lien upon the Mortgaged Property are overdue, the Servicer will give a written demand to the Obligor to pay such amounts and will verify whether such payment has been made within sixty (60) days after mailing such notice (but in any event prior to the time that any taxing authority commences to exercise its available remedies), subject to any right, pursuant to the Mortgage, of an Obligor who is contesting the validity of such charges and has paid to the Servicer a deposit or security in

the amount of the contested charge plus possible costs, interest and penalties or who has otherwise established adequate reserves against such liability in accordance with generally accepted accounting principles; provided, further, however, that this provision shall not have the effect of permitting the Servicer to take, or fail to take, any action in respect of the payments described herein that would adversely affect the interest of the Agent in any Mortgaged Property. If such amounts have not been paid by the Obligor or the Obligor has not deposited or reserved funds therefor as described in the immediately preceding sentence, the Servicer will promptly make such payment as a Servicing Expense and request reimbursement from the Obligor, and from the Agent in accordance with Section 3.8 hereof.

Section 3.6. Collection of Certain Loan Payments. The Servicer shall make reasonable efforts to collect all payments called for under the terms and provisions of the Loans. Consistent with the foregoing, the Servicer shall not, unless the charging or collection of any such late payment charge, prepayment fee, assumption fee or any penalty or interest would result in the violation or contravention of applicable Law, waive or permit to be waived, except pursuant to the Servicer's customary servicing procedures, any late payment charge or assumption fee. If an Amortization Event or Unmatured Amortization Event shall have occurred and be continuing, the Servicer shall not, unless the charging or collection of any such prepayment fee or penalty would result in the violation or contravention of applicable Law, waive or permit to be waived any prepayment fee or any penalty or interest in connection with the prepayment of a Loan. Notwithstanding any other provisions hereof, the Servicer shall not charge or impose on any Obligor, nor seek to charge or impose on any Obligor, nor assert a right to receive, any fee, charge, premium or penalty that if charged or collected would violate or contravene any Law, including usury laws or the terms of the related Loan.

Section 3.7. Limitation of Liability of Servicer' Officers and Others. No director, officer, employee or agent of the Servicer shall be under any liability to the Agent, the Borrower, the Lenders or any other persons for any action taken by them or for their refraining to take any action in good faith pursuant to this Agreement or for errors in judgment; except that such provision shall not protect any of them from liability which would be imposed by reason of willful misfeasance, willful misconduct, bad faith or negligence.

Section 3.8. Servicing Compensation; Advances and Expenses.

(a) As compensation for its services hereunder, the Servicer shall be paid the Servicing Fee with respect to the Loans being serviced under this Agreement. The Servicer shall be required to pay all Servicing Expenses incurred by it in connection with its servicing activities hereunder and shall be entitled to reimbursement therefor as described in Section 3.8(b). The Servicing Fee shall be paid to the Servicer monthly on each Settlement Date in accordance with Section 2.2(c) of the Credit Agreement.

(b) All reasonable and customary "out-of-pocket" costs and expenses incurred in the performance by the Servicer of its servicing obligations hereunder ("Servicing Expenses") shall constitute routine servicing responsibilities of the Servicer, which shall include, but are not limited to, expenditures for the following, subject to the provisions of this Agreement: (i) attorneys' fees, trustee fees under any deed of trust, recording, filing and publication fees, title report and title search costs, costs associated with environmental audits, court costs, witness fees

and all other costs incurred in respect of any enforcement of a Loan, any judicial foreclosure, or any foreclosure sale, trustee's sale or acquisition in lieu of foreclosure, or in respect of the insurance, sale or other disposition of any Mortgaged Property or REO Property; (ii) repair, restoration, maintenance or other protection of any Mortgaged Property (whether incurred before or after such property became an REO Property) in accordance with and subject to the provisions of this Agreement, as applicable and (iii) compliance with the Servicer's obligations under Section 3.5 hereof; provided, that the Servicer shall not be obligated to incur such Servicing Expenses if it has determined in good faith that such Servicing Expenses will not ultimately be recoverable from the related Obligor, from the related Liquidation Proceeds or otherwise from proceeds or collections on the related Loan. Servicing Expenses shall not include any portion of the Servicer's overhead or normal salary and operating expenses. The Servicer shall be entitled to be reimbursed for Servicing Expenses (i) incurred in connection with foreclosure pursuant to Section 4.3; (ii) out of the Collections paid by any Obligor which, under the terms of the related Loan, are specifically allocable to such expenses; and (iii) otherwise out of any available funds otherwise released to the Borrower under Section 2.2(c)(viii) of the Credit Agreement.

Section 3.9. Maintenance and Release of Loan Documentation;
Satisfaction of Mortgages.

(a) The Servicer shall retain, with respect to each Loan, the originals (or copies if originals are not available) of all Loan Files. Each Loan File shall remain the property of the Borrower pledged to the Agent for the benefit of the Lenders and shall be held by the Servicer in trust for the benefit of the Agent on behalf of the Lenders. Upon written request of the Agent, the Servicer shall immediately deliver all or any of such instruments, records and documents in its possession or custody to the Agent, together with a list identifying each loan to which such records pertain. The Servicer, at its option, may microfilm, microfiche or otherwise condense any records or documents constituting a part of, or relating to, any Loan or any Loan File for which it is responsible, provided that the Servicer, upon written request by the Agent, promptly reproduces in their entirety any or all such records or documents at no cost to the Agent.

(b) The Servicer shall maintain each Loan File for a period of four (4) years after the related Loan has been paid in full, is foreclosed upon or is otherwise liquidated, or such longer period as may be required by Law. The Servicer shall maintain an appropriate account record for each Loan which shall include the permanent loan number for each Loan serviced by the Servicer as shown on the Loan Schedule. Any system utilized for the Loan account records shall be capable of producing, for any Loan, an account transcript itemizing in chronological order the date, amount and application of each Monthly Payment by due date and other information affecting the amounts paid by the Obligor, including the latest outstanding Principal Balance.

(c) The Servicer shall not grant a satisfaction or release of a Mortgage without having obtained payment in full of the indebtedness secured by the Mortgage, nor shall the Servicer otherwise prejudice any right the Agent may have under the mortgage instruments, subject to Section 4.1 hereof. Upon the prepayment in full or other liquidation of a Loan, the Servicer shall immediately deposit the prepayment or Liquidation Proceeds in the Lockbox Account or the Collection Account and prepare and deliver to the Agent a request for the

appropriate instrument releasing the Mortgaged Property from the lien of the Mortgage, together with an Officer's Certificate (i) certifying that (A) all amounts that the Obligor is obligated to pay under the Underlying Note, the Mortgage and any other document pertaining to the Loan, including, but not limited to, all required payments of principal and interest, have been paid in full and deposited in the Lockbox Account or the Collection Account; or (B) all Liquidation Proceeds that the Servicer reasonably believes will be collected with respect to a Liquidated Loan have been collected and deposited in the Lockbox Account or the Collection Account; and (ii) requesting that the Agent execute and deliver to the Servicer the appropriate instrument prepared by the Servicer if necessary to release the lien of the Mortgage, including release to the Servicer of the Underlying Note, if in Agent's possession, bearing written evidence of cancellation or assignment thereof, as appropriate. The Agent shall, upon receipt of a written request from a Servicing Officer, execute any document provided to the Agent by the Servicer or take any other action requested in such request, that is, in the opinion of the Servicer as evidenced by such request, required by any state or other jurisdiction to discharge the lien of a Mortgage upon the satisfaction thereof and the Agent will sign and post, but will not guarantee receipt of, any such documents to the Servicer, or such other party as the Servicer may direct in writing, within five (5) Business Days of the Agent's receipt of such certificate or documents. Such certificate or documents shall establish to the Agent's satisfaction that the related Loan has been paid in full by or on behalf of the Obligor and that such payment has been deposited in the Lockbox Account or the Collection Account, as the case may be. Any applications for partial release of any part of a Mortgaged Property must be approved in the manner set forth in Section 3.11 hereof. If the Servicer at any time seeks to initiate a foreclosure proceeding with respect to any Mortgaged Property, then the Servicer shall deliver to the Agent, for signature by the Agent, if necessary under applicable Law, any court pleadings, requests for Agent's sale or other documents necessary to the foreclosure or to any legal action brought to obtain judgment against the Obligor on the Underlying Note or the Mortgage, or to obtain a deficiency judgment, or to enforce any other remedies or rights provided by the Underlying Note or the Mortgage or otherwise available at law or in equity, provided that the Servicer shall be entitled to make the Agent a party to any litigation without the prior consent of the Agent. The Servicer shall also deliver to the Agent an Officer's Certificate requesting that such pleadings or documents be executed by the Agent and certifying as to the reason such documents or pleadings are required and that the execution and delivery thereof by the Agent will not invalidate the Mortgage except for the termination of such lien upon completion of the proposed foreclosure.

(d) The Servicer shall, at its expense, prepare and deliver to the Agent any instruments required in connection with substitution of a Loan pursuant to Section 8.5 of the Credit Agreement and will pay any recording or filing costs associated therewith.

Section 3.10. Notice of Liens and Other Actions. The Servicer shall, at all times, exercise reasonable efforts to prevent any Lien or judicial levy upon or writ of attachment against a Mortgaged Property of which the Servicer is notified or otherwise has knowledge, which is, or may be, superior to the lien of the Mortgage.

Section 3.11. Waivers, Releases, Condemnations, Easements and Alterations. Any applications for partial releases of real property and releases of personal property which are part of a Mortgaged Property, the creation or release of easements, waivers of rights under any Mortgage, consent to alteration, removal or demolition of improvements and other matters

affecting the Mortgage or the Mortgaged Property, other than those which are contractually provided for in the Underlying Note or related loan documents, shall be subject to the prior written approval of the Agent which consent shall not be unreasonably withheld and which shall be provided only upon written certification by the Servicer that such action is consistent with the Servicing Standard and the relevant Mortgage and the ability to collect under the Underlying Note will not be adversely affected by such release.

Section 3.12. Limitation on Liability of Servicer and Others. The Servicer and any director, officer, employee or agent of the Servicer may rely on any document of any kind which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper authorities respecting any matters arising hereunder. Subject to the terms of Section 10.2 of the Credit Agreement, the Servicer shall have no obligation to appear with respect to, prosecute or defend any legal action which is not incidental to the Servicer's duty to service the Loans in accordance with this Agreement. The Borrower agrees to indemnify and hold the Servicer harmless from any loss, claim, demand, liability or expense (including, without limitation, past acts of predecessor Servicer and fees and expenses of legal counsel) arising from or relating to the performance of its duties under this Agreement which do not result from the Servicer's negligence, bad faith or willful misconduct; provided that such indemnities shall be only payable out of Collections to the extent such Collections are not required to be distributed to the Agent or any Lender under Section 2.2(c) of the Credit Agreement.

Section 3.13. Property Address Change. The Servicer shall note in its records and notify the Agent of all changes of address of an Obligor or of a Mortgaged Property of which the Servicer is notified or of which the Servicer has knowledge.

ARTICLE IV SPECIFIC SERVICING PROCEDURES

Section 4.1. Assumption Agreements. When a Mortgaged Property has been or is about to be conveyed by the Obligor, the Servicer shall, at its option, to the extent it has knowledge of such conveyance or prospective conveyance, either (i) exercise its rights to accelerate the maturity of the related Loan under any "due-on-sale" clause contained in the related Mortgage or Underlying Note; provided, however, that the Servicer shall not exercise any such right if the "due-on-sale" clause, in the reasonable belief of the Servicer, is not enforceable under applicable law or if such enforcement would materially increase the risk of default or delinquency on, or materially decrease the security for, such Loan, or (ii) enter into an assumption and modification agreement with the person to whom such property has been or is about to be conveyed, pursuant to which such person becomes liable under the Underlying Note and, unless prohibited by applicable law or the Mortgage, the Obligor shall remain liable thereon. The Servicer may enter into an assumption agreement with the transferee only if (a) the transferee qualifies for credit under the customary credit policies of the Servicer, (b) an officer of the Servicer has examined and approved all instruments as are necessary to carry out the assumption transaction and approved such instruments as to form and substance, (c) the execution and delivery of such instruments by all necessary parties will not cause the unpaid principal balance and any accrued interest thereon for the Loan to be uncollectible in whole or in part, (d) such assumption will not cause the related Mortgage Loan to cease to be an Eligible

Mortgage Loan; or cause the Aggregate Principal to exceed the Borrowing Base due to additional Excess Concentration Amounts or otherwise, and (e) upon closing the assumption transaction (i) the Mortgage will continue to be a first lien upon the Mortgaged Property, and (ii) the Loan Rate and Monthly Payment for the related Loan will not be changed nor will the term of the Note be extended or shortened. For each proposed assumption transaction, the Servicer shall deliver an Officer's Certificate to the Agent certifying that each of the applicable requirements specified in the immediately preceding sentence have been satisfied together with the assumption instruments requiring execution by the Agent. Such certificate shall also indicate whether the seller/transferor of the Mortgaged Property will be released from liability on the Loan and that the Servicer has made a good faith determination that any such release will not adversely affect the collectibility of the Loan. The Servicer shall perform substantially the same level of due diligence with respect to the transferee as was performed on the seller/transferor in connection with the origination of the Loan and shall release the seller/transferor from liability only if any applicable Law requires that the seller/transferor be released from liability on the Loan or the Servicer has made a good faith determination that the applicable requirements set forth above have been satisfied. The Servicer is also authorized with the prior approval of the Agent to enter into a substitution of liability agreement with such transferee, pursuant to which the original Obligor is released from liability and such person is substituted as Obligor and becomes liable under the Underlying Note. The Servicer shall notify the Agent that any such substitution or assumption agreement has been completed and the original of such substitution or assumption agreement, shall be added by the Servicer to the appropriate Loan File and shall, for all purposes, be considered a part of such Loan File to the same extent as all other documents and instruments constituting a part thereof. Any fee collected by the Servicer for consenting to any such conveyance or entering into an assumption or substitution agreement shall be retained by or paid to the Servicer as additional servicing compensation. Notwithstanding the foregoing paragraph or any other provision of this Agreement, the Servicer shall not be deemed to be in default, breach or any other violation of its obligations hereunder by reason of any assumption of a Loan by operation of law or any assumption which the Servicer may be restricted by law from preventing, for any reason whatsoever.

Section 4.2. Servicing Delinquent Accounts; Liquidation of Loans.

(a) The Servicer shall exercise diligence in obtaining payment of Monthly Payments when due under the terms of each Loan and shall use reasonable efforts to contact any delinquent Obligor. If any delinquent Obligor shall be or become a bankrupt or otherwise become the subject of any insolvency or similar proceeding, the Servicer shall notify the Agent of such event and, thereafter, shall carry out all reasonable actions necessary for the benefit and protection of the interests of the Agent and the Secured Parties, including, but not limited to, retention of counsel to represent the Borrower in any bankruptcy or other court proceedings relating to such Obligor or the Mortgaged Property. If any Loan previously reported on a Monthly Report as ninety one (91) or more days delinquent is subsequently reported as being brought current, the Servicer will verify with the relevant Obligor that the Obligor paid the delinquent payments, by sending the Obligor the letter in the form attached hereto as Exhibit E.

(b) In the event that any payment due under any Loan and not postponed pursuant to Section 3.1 is not paid when the same becomes due and payable, or in the event the Obligor fails to perform any other covenant or obligation under such Loan and such failure

continues beyond any applicable grace period, the Servicer shall take such other action as it shall deem to be in the best interests of the Agent and the Lenders. The Servicer shall foreclose upon or otherwise effect the ownership in the name of the Agent of Mortgaged Properties relating to Defaulted Loans as to which no satisfactory arrangements can be made for collection of delinquent payments in accordance with the customary collection policies of the Servicer and the provisions of Section 3.1. In connection with such foreclosure or other conversion, the Servicer shall exercise collection and foreclosure procedures with the same degree of care and skill in its exercise or use as it would exercise or use under the circumstances in the conduct of its own affairs and shall in any event comply with the Servicing Standard. The Servicer shall use its reasonable efforts to realize upon such Defaulted Loans in accordance with the Servicing Standard. The Servicer shall be responsible for all other costs and expenses incurred by it in any foreclosure proceedings; provided, however, that it shall be entitled to reimbursement thereof as contemplated in Sections 3.8 and 4.3 hereof. No modification, recast or extension of a Loan other than as provided above and in Section 3.1 is permitted without the prior written consent of the Agent. Notwithstanding the foregoing provisions of this Section 4.2, the Servicer shall not, without the prior written consent of the Agent, obtain title to a Mortgaged Property by deed in lieu of foreclosure or otherwise, or take any other action with respect to any Mortgaged Property, if, as a result of any such action, the Agent or the Secured Parties, could, in the reasonable judgment of the Servicer, made in accordance with the Servicing Standard, be considered to hold title to, to be a "mortgagee-in possession" of, or to be an "owner" or "operator" of such Mortgaged Property within the meaning of CERCLA or any comparable law. The Servicer shall also not obtain title to any Mortgaged Property on behalf of the Borrower unless the Servicer has previously determined in accordance with the Servicing Standard, based on a Phase I Environmental Assessment (and any additional environmental testing that the Servicer deems necessary and prudent) of such Mortgaged Property conducted by an Independent Person who regularly conducts Phase I Environmental Assessments and performed during the twelve-month period preceding any such acquisition of title or other action, that the Mortgaged Property is in material compliance with applicable environmental laws and regulations or, if not, that it would maximize the recovery to the Secured Parties on a present value basis to acquire title to or possession of the Mortgaged Property and to effect such compliance.

(c) If the environmental testing contemplated by Section 4.2(b) above establishes that any of the conditions set forth therein have not been satisfied in all material respects with respect to any Mortgaged Property securing a defaulted Loan, the Servicer shall, in accordance with the Servicing Standard, prepare a written report to the Agent and the Lenders summarizing the environmental condition of the Mortgaged Property and proposing a course of action to pursue with respect to such Mortgaged Property. The Servicer shall not pursue any such proposed course of action without the prior written consent of the Agent.

(d) The Servicer shall report to the Agent monthly in writing as to any actions taken by the Servicer with respect to any Mortgaged Property as to which the environmental testing contemplated in Section 4.2(b) above has revealed that any of the conditions set forth thereon have not been satisfied, in each case until the earliest to occur of satisfaction of all such conditions and the release of the Lien of the related Mortgage on such Mortgaged Property.

(e) If foreclosure has been approved as provided above, the Servicer shall initiate or cause to be initiated the foreclosure action according to such procedures as are

authorized by Law and the practices in the locality where the Mortgaged Property is located. In the event that title to the Mortgaged Property is acquired in foreclosure or by deed in lieu of foreclosure, the deed or certificate of sale shall be taken in a manner which preserves on such property the lien of the Agent for the benefit of the Lenders. The Servicer shall not take title to any such property in its own name.

(f) The Servicer shall have the right to determine, in accordance with the Servicing Standard, the advisability of seeking to obtain a deficiency judgment if the state in which the Mortgaged Property is located and the terms of the Loan permit such an action and shall, in accordance with the Servicing Standard, seek such deficiency judgment if it deems advisable.

(g) After a Loan has become a Liquidated Loan, the Servicer shall promptly prepare and forward to the Agent a liquidation report detailing the Liquidation Proceeds received from the Liquidated Loan, expenses incurred with respect thereto and any Realized Loss incurred in connection therewith.

(h) If the requirements of Sections 4.2(b) and (c) hereof have been satisfied, the Servicer may accept a deed in lieu of foreclosure, provided that (i) marketable title as evidenced by a policy of title insurance can be conveyed to and acquired by the Borrower or its designee; (ii) a valid first priority Lien thereon is created in favor of the Agent as evidenced by a policy of title insurance; and (iii) no cash consideration is to be paid to the Obligor by the Agent; and (iv) the Servicer has obtained from the Obligor a written acknowledgment that the deed is being accepted as an accommodation to the Obligor and on the condition that the Mortgaged Property will be transferred to the Borrower or its designee free and clear of all claims, liens, encumbrances, attachments, reservations or restrictions except for those to which the Mortgaged Property was subject at the time the Mortgaged Property became subject to the Mortgage. Title shall be conveyed directly from the Obligor to such designee as the Agent may direct who will hold such title for the Borrower subject to the lien of the Agent for the benefit of the Secured Parties.

(i) The Servicer will indemnify and hold harmless the Agent, the Lenders and the Secured Parties and their respective directors, officers, agents and employees from and against any and all claims, demands, losses, penalties, liabilities, costs, damages, injuries and expenses, including, without limitation, reasonable attorneys' fees and expenses, suffered or sustained by such parties, either directly or indirectly, relating to or arising out of the violation of an Environmental Law with respect to a Mortgaged Property resulting from the Servicer's failure to perform its obligations hereunder, including without limitation any expenses and other costs incurred in connection with the defense of any such action, proceeding or claim. This obligation shall survive the termination of this Agreement, the Credit Agreement or the earlier resignation or removal of the Agent, as the case may be.

Section 4.3. Foreclosure Expenses. The Servicer shall prepare a written estimate of the amount of attorneys' fees, trustee's fees and other costs in respect of any foreclosure or acquisition in lieu of foreclosure and shall send copies of such estimate to the Agent. The Servicer shall arrange payment of attorneys' fees, trustees' fees and other foreclosure costs at the commencement of foreclosure proceedings. The Servicer may reimburse itself for

any Servicing Expenses paid by the Servicer, made in connection with a Loan or such foreclosure or other action, out of amounts received by the Servicer in connection with liquidation of such Loan, prior to remittance of any such amounts to the Lockbox Account.

Section 4.4. Title, Management and Disposition of REO Property.

(a) Upon the acquisition of REO Property by a Servicer by foreclosure or conveyance in lieu of foreclosure, the Servicer shall notify the Agent promptly that the REO Property has been acquired and shall thereafter: (i) deliver the deed or certificate of sale to the Agent, or its nominee and deliver to the Agent the related mortgage or deed of trust in favor of the Agent; (ii) manage, conserve and protect the REO Property in the same manner and to such extent as is customary in the locality where such REO Property is located including the rental of the same, or any part thereof, as the Servicer deems to be in the best interest of the Agent for the benefit of the Secured Parties; (iii) pay all costs such as taxes and assessments relating to the REO Property; (iv) process any claims for redemption and otherwise comply with any redemption procedures required by Law; (v) sell or otherwise dispose of the REO Property and remit the proceeds to the Agent; and (vi) timely file any and all federal, state and local tax or information returns or reports as are required as a result of the acquisition or disposition of REO Property and perform any withholding required in connection therewith. The Servicer shall not acquire any REO Property relating to a Defaulted Loan that is required to be released from the lien of the Credit Agreement and disposed of by the Borrower on the next Payment Date. If any REO Property is expected to be acquired, the Servicer shall inform the Borrower and the Agent and the Borrower shall acquire and maintain liability and casualty insurance in accordance with subsection 4.4(c). The Servicer shall manage, conserve, protect and operate each REO Property for the Agent solely for the purpose of its prudent and prompt disposition and sale. The Servicer shall, either itself or through an agent selected by the Servicer, manage, conserve, protect and operate the REO Property in the same manner that it manages, conserves, protects and operates other foreclosed property for its own account and in the same manner that similar property in the same locality as the REO Property is managed. The Servicer shall attempt to sell the same (and may temporarily rent the same) on such terms and conditions as the Servicer deems to be in the best interest of the Agent and the Lenders.

(b) Until the REO Property is disposed of, the Servicer shall (i) take appropriate action to secure the REO Property and maintain proper surveillance over it; (ii) advance all costs such as taxes and assessments; (iii) maintain the REO Property so as to preserve its value and prevent any additional deferred maintenance; and (iv) submit monthly statements for services to the Agent, together with additional documentation including statements of income and expenses (accompanied by copies of paid invoices for every expense item).

(c) Until the REO Property is disposed of, the Servicer shall maintain for such REO Property, a standard hazard insurance policy providing fire and extended coverage in an amount equal to the full replacement cost of all improvements on the Mortgaged Property, which requirement may be satisfied by a master force placed or blanket insurance policy insuring against hazard losses. If the Mortgaged Property is in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards (and such flood insurance has been made available) the Servicer shall maintain a flood hazard insurance policy

meeting the requirements of the current guidelines of the Federal Insurance Administration with an insurance carrier generally acceptable to commercial mortgage lending institutions for properties, similar to the REO Property in an amount representing coverage not less than the lesser of (i) the full insurable value of such REO Property, or (ii) the maximum amount of insurance which is available under the Flood Disaster Protection Act of 1973, as amended from time to time. The Servicer will also maintain comprehensive general liability insurance, casualty insurance, and business interruption insurance (to the extent applicable) in such amounts as are then customary for similarly situated properties and businesses.

(d) The Servicer shall advance all funds necessary for the proper operation, management, insurance and maintenance of the REO Property. On each Monthly Report, the Servicer shall schedule its reasonable expenses with respect to any REO Property for the related Due Period.

(e) The Servicer shall deposit all funds collected and received in connection with the operation or disposition of any REO Property in the Lockbox Account no later than the Business Day immediately following notice of receipt of such funds, net of funds necessary for the proper operation, management, insurance and maintenance of the REO Property.

(f) If as of the date of disposition of any REO Property there remain unpaid Servicing Fees with respect to the related Loan, the Servicer shall be entitled to payment for the unpaid Servicing Fees and reimbursement for the unreimbursed related Servicing Expenses from proceeds received in connection with the disposition prior to remittance of any proceeds to the Agent.

(g) Disposition of REO Property shall be carried out by the Servicer at such price and upon such terms and conditions as the Servicer, in its judgment, believes to be in the best interests of the Lenders, subject to and in accordance with Section 4.2. Upon the sale of any Mortgaged Property, the Servicer shall remit the net cash proceeds remaining after payment of expenses of the sale to the Collection Account.

(h) If any Defaulted Loan is expected to be released from the Lien of the Credit Agreement on the next Payment Date, the Servicer shall not commence a foreclosure proceeding or accept a deed in lieu of foreclosure. Any determination by the Servicer that a Loan is a Defaulted Loan shall be made in good faith.

ARTICLE V
REPORTS TO BE PROVIDED BY SERVICER

Section 5.1. Monthly Reports.

(a) Each month, not later than 12:00 noon Dallas, Texas time on each Reporting Date, the Servicer shall deliver to the Agent, in electronic format, the receipt and legibility of which shall be confirmed telephonically, with hard copy thereof to be delivered on the next Business Day, with copies to the Agent, a monthly report in the form attached hereto as Exhibit C (each a "Monthly Report") signed by a Servicing Officer stating the date (day, month

and year), referring to this Agreement by name and date and containing information, as of the close of business on the immediately preceding Determination Date.

(b) The Servicer shall furnish to the Agent, during the term of this Agreement, such periodic, special or other reports, Officer's Certificates, data relating to the Loans or information, whether or not provided for herein, as shall be reasonably requested, all such reports or information to be provided by and in accordance with such applicable instructions and directions as the Agent may reasonably require.

Section 5.2. Reports of Foreclosure and Abandonment of Mortgaged Property. Each year the Servicer shall make any reports of foreclosures and abandonments of any Mortgaged Property required by the Tax Code.

Section 5.3. Quarterly Statement as to Compliance. The Servicer will deliver to the Agent, quarterly, no later than each April 15, July 15, October 15 and January 15, for each quarterly period ending on each March 31, June 30, September 30 and December 31, commencing on April 15, 2005, an Officer's Certificate in the form attached hereto as Exhibit D stating that (a) the Servicer has fully complied with the provisions of this Agreement, (b) a review of the activities of the Servicer during the preceding quarter and of the Servicer's performance under this Agreement has been made under such officer's supervision and (c) to the best of such officer's knowledge, based on such review, the Servicer has fulfilled all of its obligations, duties and responsibilities under this Agreement throughout such quarterly period (or, with respect to the first such report, since the Closing Date) and no Amortization Event or Unmatured Amortization Event exists, or, if there has been a default or failure in the fulfillment of any such obligation, specifying each such default or failure known to such officer and the nature and status thereof and the action being taken by the Servicer to cure such default.

Section 5.4. Annual Independent Public Accountants' Servicing Report. The Servicer at its expense shall cause a nationally recognized firm of independent certified public accountants to furnish a statement to the Agent on or before May 1 of each year, commencing on May 1, 2006, to the effect that, with respect to the most recently ended fiscal year, such firm has examined certain records and documents relating to the Servicer's performance of its servicing obligations and that, on the basis of such examination, conducted substantially in compliance with the Uniform Single Attestation Program for Mortgage Bankers, such firm is of the opinion that such servicing has been conducted substantially in compliance in all material respects with the requirements of the standard servicing procedures outlined in the Uniform Single Attestation Program for Mortgage Bankers, except for such exceptions noted therein. In the event such firm requires the Agent to agree to the procedures performed by such firm, the Servicer shall direct the Agent in writing to so agree; it being understood and agreed that the Agent will deliver such letter of agreement in conclusive reliance upon the direction of the Servicer, and each of the Agent makes no independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures.

ARTICLE VI
AMORTIZATION EVENTS; REMEDIES

Section 6.1. Remedies. Upon the occurrence and during the continuance of an Amortization Event, the Agent may, and at the written direction of the Required Alternate Lenders shall, by notice in writing specifying the termination date to the Servicer, terminate all of the rights and obligations of the Servicer under this Agreement and in and to the Loans and the proceeds thereof. On or after the receipt by the Servicer of such written notice, all authority and power shall pass to and be vested in such Person as the Agent may designate (such Person, the "Successor Servicer") pursuant to and under this Section; and, without limitation, the Agent is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such notice of termination, whether to complete the purposes of such notice of termination, whether to complete the transfer and assignment of the Loans and related documents or otherwise. All reasonable costs and expenses (including, without limitation, attorneys' fees) of the Agent, the Successor Servicer or the Servicer incurred in connection with such termination and transfer will be at the expense of the Servicer. The Servicer agrees to cooperate with the Successor Servicer and the Agent in effecting the termination of the Servicer's responsibilities and rights hereunder, including, without limitation, the transfer to the Successor Servicer for administration by it of any cash amounts held by the Servicer or thereafter received relating to the Loans and all Loan Files. In addition to any other amounts which are then, or, notwithstanding the termination of its activities as Servicer, may become payable to the Servicer under this Agreement, the Servicer shall be entitled to receive out of any delinquent payment on account of interest on a Loan due during a Due Period prior to the notice of termination received pursuant to this Section 6.3 and received after such notice, that portion of such payment which it would have received pursuant to Section 3.8 hereof if such notice had not been given.

Section 6.2. Additional Remedies of Agent Upon Amortization Events. Upon any Amortization Event, the Agent, in addition to the rights specified in Section 6.1 hereof, shall have the right, in its own name and as Agent, to take all actions now or hereafter existing at law, in equity or by statute to enforce its rights and remedies and to protect the interests, and enforce the rights and remedies, of the Secured Parties (including the institution and prosecution of all judicial, administrative and other proceedings and the filings of proofs of claim and debt in connection therewith). No remedy provided for by this Agreement shall be exclusive of any other remedy, and each and every remedy shall be cumulative and in addition to any other remedy and no delay or omission to exercise any right or remedy shall impair any such right or remedy or shall be deemed to be a waiver of any Amortization Event.

Section 6.3. Agent To Act; Appointment of Successor. On the effective date of any resignation of the Servicer pursuant to Section 7.1 hereof or on the date the Servicer is removed as servicer pursuant to this Article VI, the Successor Servicer hereof shall be the successor in all respects to the Servicer under this Agreement and the transactions set forth or provided for herein and shall, except as otherwise agreed to in writing by the Agent, be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof; provided, however, that the Successor Servicer shall not be liable for any

acts or omissions of the Servicer occurring prior to such succession nor for any breach by the Servicer of any of its representations or warranties contained herein or in any related document or agreement. The Servicer shall, upon request of the Agent but at the expense of the Servicer, deliver to the Successor Servicer), all Loan Files, documents and records (including computer tapes and diskettes) relating to the Loans and an accounting of any amounts collected and held by the Servicer and otherwise use their reasonable efforts to effect the orderly and efficient transfer of servicing rights and obligations to the assuming party. The Servicer agrees to cooperate with the Agent and any Successor Servicer in effecting the termination of the Servicer's servicing responsibilities and rights hereunder and shall promptly provide the Successor Servicer all documents and records reasonably requested by it to enable it to assume the Servicer's functions hereunder and shall promptly also transfer to the Successor Servicer, as applicable, all amounts which then have been or should have been deposited in the Lockbox Account by the Servicer or which are thereafter received with respect to the Loans. Neither the Agent nor any Successor Servicer shall be held liable by reason of any failure to make, or any delay in making, any distribution hereunder or any portion thereof caused by (i) the failure of the Servicer to deliver, or any delay in delivering, cash, documents or records to it, or (ii) restrictions imposed by any regulatory authority having jurisdiction over the Servicer hereunder. The Agent shall provide written notice of each appointment of a successor to the Servicer hereunder to the Secured Parties.

Section 6.4. Waiver of Defaults. The Agent (with the written consent of the Required Lenders) may, on behalf of all Lenders, waive any events permitting removal of the Servicer pursuant to this Article VI. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto except to the extent expressly so waived.

ARTICLE VII TERMINATION

Section 7.1. Servicer Not To Resign. The Servicer shall not assign this Agreement or resign from the obligations and duties hereby imposed on them except by mutual consent of the Servicer and the Agent (with the Required Alternate Lenders' consent), or upon the determination that the Servicer's duties hereunder are no longer permissible under applicable law and such incapacity cannot be cured by the Servicer. Any such determination permitting the resignation of the Servicer shall be evidenced by a Certificate of an Authorized Officer of the Servicer to such effect delivered to the Agent. No such resignation shall become effective until a successor has assumed the Servicer's responsibilities and obligations hereunder in accordance with Section 6.3.

Section 7.2. Term of Agreement. This Agreement shall continue in existence and effect until the earlier of (a) the later of the final payment or other liquidation of the last Loan or the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure of any Loan and the remittance of all funds due thereunder, (b) the payment in full of Obligations in accordance with the Credit Agreement or (c) mutual consent of the Servicer, the Agent and the Required Alternate Lenders in writing.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

Section 8.1. Amendment. This Agreement may not be amended except by a written instrument executed by the Servicer, the Borrower and the Agent.

Section 8.2. Governing Law. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW (EXCEPT IN THE CASE OF THE OTHER TRANSACTION DOCUMENTS, TO THE EXTENT OTHERWISE EXPRESSLY STATED THEREIN).

Section 8.3. Notices. All demands, notices and communications hereunder shall be in writing and shall be duly given if addressed to the appropriate Notice Address and delivered by hand or sent by nationally recognized express courier, or mailed by registered mail, postage prepaid, or transmitted by telecopy, and shall be effective upon receipt, except when telecopied, in which case, any such communication shall be effective upon telecopy against receipt of answer back or written confirmation thereof.

Section 8.4. Severability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held invalid for any reason whatsoever, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other covenants, agreements, provisions or terms of this Agreement. The parties hereto further agree that the holding by any court of competent jurisdiction that any remedy pursued by the Agent hereunder is unavailable or unenforceable shall not affect in any way the ability of the Agent to pursue any other remedy available to it.

Section 8.5. No Partnership. Nothing herein contained shall be deemed or construed to create a partnership or joint venture between the parties hereto, and the services of the Servicer shall be rendered as an independent contractor and not as an agent for the Agent.

Section 8.6. Counterparts. This Agreement may be executed in one or more counterparts and by the different parties hereto on separate counter-parts, each of which, when so executed, shall be deemed to be an original; such counterparts, together, shall constitute one and the same agreement.

Section 8.7. Successors and Assigns; Beneficiaries; Assignment. This Agreement shall (i) inure to the benefit of the Servicer, the Borrower, the Agent, the Lenders and their respective successors and assigns, and (ii) shall be binding upon the Servicer, the Borrower and the Agent and their respective successors and assigns. The Servicer acknowledges and consents to the assignment to the Agent for the benefit of the Lenders of all of the Borrower's rights and the delegation of any the Borrower's obligations hereunder pursuant to the Credit Agreement.

Section 8.8. Indulgences; No Waivers. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

Section 8.9. Titles Not To Affect Interpretation. The titles of paragraphs and subparagraphs contained in this Agreement are for convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation hereof.

Section 8.10. Entire Agreement. This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof.

Section 8.11. Recordation of Agreement. To the extent permitted by applicable law, this Agreement is subject to recordation in all appropriate public offices for real property records in all the counties or the comparable jurisdictions in which any Mortgaged Property is situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Servicer and at its expense upon the written request of the Agent.

Section 8.12. No Setoff. The Servicer shall remit Collections as contemplated under this Agreement and under the Credit Agreement, except as expressly contemplated in Sections 3.8 and 4.3 hereof, without deduction, set-off or counterclaim, and, unless and until the Credit Agreement has been terminated and all amounts owing by the Borrower thereunder shall have been indefeasibly paid in full, hereby waives any right it may now or at any time hereafter have to set-off, such Collection against any obligations owed to it by the Borrower, or by the Agent or any Lenders.

[The immediately following page contains the signatures.]

IN WITNESS WHEREOF, the Borrower, the Servicer and the Agent have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

PMC CONDUIT, L.P.,
as Borrower

By: PMC Conduit, LLC
Its General Partner

By: /s/ JAN F. SALIT

Jan F. Salit
Executive Vice President

PMC COMMERCIAL TRUST,
as Servicer

By: /s/ JAN F. SALIT

Jan F. Salit
Executive Vice President

JPMORGAN CHASE BANK,
NATIONAL ASSOCIATION, as Agent

By: /s/ MAUREEN E. MARCON

Name: Maureen E. Marcon
Title: Vice President

Signature Page to Servicing Agreement

EXHIBIT A
TO
SERVICING AGREEMENT
FORM OF LOCKBOX AGREEMENT

EXECUTION COPY

LOCK-BOX AGREEMENT

February 7, 2005

JPMorgan Chase Bank, N.A.
Asset Backed Finance
Suite IL1-0612
1 Bank One Plaza
Chicago, Illinois 60670-0079
Fax: (312) 732-1844

Re: PMC Conduit, L.P.

Ladies and Gentlemen:

You have exclusive control of P.O. Box 974347, Dallas, TX 75397-4347 (the "Lock-Box") for the purpose of receiving mail and processing payments therefrom pursuant to that certain lock-box services agreement (the "Agreement") dated February 7, 2005 between you and PMC Conduit, L.P. (the "Customer") for the purposes of (1) that certain Purchase and Contribution Agreement (the "Purchase Agreement") dated as of February 7, 2005 among PMC Commercial Trust and PMC Conduit, L.P. and (2) that certain Credit and Security Agreement dated as of February 7, 2005 (the "Credit Agreement"), among the PMC Commercial Trust, as servicer (the "Servicer"), PMC Conduit, LLC, as general partner of the Customer, the Customer, JPMorgan Chase Bank, National Association, as agent (the "Agent") and the "Conduit Lender" and the "Alternate Lenders" from time to time parties thereto. You hereby confirm your agreement to perform the services described therein. Among the services you have agreed to perform therein is to endorse all checks and other evidences of payment, and credit such payments to checking account no. 675512990 maintained with you in the name of the Customer (the "Lock-Box Account").

We understand that JPMorgan Chase Bank, N.A. (as the "Collection Bank") and Bank One National Processing Corporation ("BONPC") work together to provide services with respect to the Lock-Box. All references herein to "you" and "your" shall mean the Collection Bank and BONPC, as applicable.

Customer hereby irrevocably instructs you, and you hereby agree, that from the date hereof, you shall comply with instructions originated by the Agent, directing disposition of the funds in the Lock-Box Account without further consent of the Customer. The Agent hereby authorizes you to take instructions from the Servicer, on behalf of the Agent, with respect to the funds delivered to the

Lock-Box and/or on deposit in the Lock-Box Account until such time as you receive notice from the Agent in the form attached hereto as Annex A.

Customer hereby irrevocably instructs you, and you hereby agree, that upon receiving notice from the Agent in the form attached hereto as Annex A: (i) the name of the Lock-Box Account will be changed to "JPMorgan Chase Bank, N.A., for itself and as agent" (or any designee of JPMorgan Chase Bank) and the Agent will have exclusive ownership of and access to such Lock-Box Account, and none of Customer, Servicer or any of their respective affiliates will have any control of such Lock-Box Account or any access thereto, (ii) you will either continue to send the funds from the Lock-Box to the Lock-Box Account, or will redirect the funds as the Agent may otherwise request, (iii) you will transfer monies on deposit in the Lock-Box Account, at any time, as directed by the Agent, (iv) all services to be performed by you under the Agreement will be performed on behalf of the Agent, and (v) all correspondence or other mail which you have agreed to send us will be sent to the Agent at the following address:

JPMorgan Chase Bank, N.A., as Agent
Asset Backed Finance
Suite IL1-0612
1 Bank One Plaza
Chicago, Illinois 60670-0079
Fax: (312) 732-1844

Moreover, upon such notice, the Agent will have all rights and remedies given to Customer under the Agreement. The Customer agrees, however, to continue to pay all fees and other assessments due thereunder at any time.

You hereby acknowledge that monies deposited in the Lock-Box Account or any other account established with you by the Agent for the purpose of receiving funds from the Lock-Box are subject to the liens of the Agent for itself and as agent under the Purchase Agreement, and will not be subject to deduction, set-off, banker's lien or any other right you or any other party may have against Customer or the Servicer, except that you may debit the Lock-Box Account for any items deposited therein that are returned or otherwise not collected and for all charges, fees, commissions and expenses incurred by you in providing services hereunder, all in accordance with your customary practices for the charge back of returned items and expenses.

You hereby agree that (i) you are a "bank" within the meaning of Section 9-102 of the Uniform Commercial Code as is in effect in the State of New York (the "UCC"), (ii) the Lock-Box Account constitutes a "deposit account" within the meaning of Section 9-102 of the UCC and (iii) this letter agreement shall constitute an "authenticated record" for purposes of Section 9-104 of the UCC. The Customer hereby grants to and confers upon the Agent "control" of the Lock-Box and Lock-Box Account as contemplated in Section 9-104 (and similar and related provisions) of the UCC.

You will be liable only for direct damages in the event you fail to exercise ordinary care. You shall be deemed to have exercised ordinary care if your action or failure to act is in conformity with general banking usages or is otherwise a commercially reasonable practice of the banking industry. You shall not be liable for any special, indirect or consequential damages,

even if you have been advised of the possibility of these damages. You will not be liable for any failure to perform your obligations when the failure arises out of causes beyond your control, including, without limitation, an act of a governmental regulatory/authority, an act of God, accident, equipment failure, labor disputes or system failure, provided you have exercised such diligence as the circumstances require.

Nothing in this agreement, unless otherwise agreed in writing, or any course of dealing between you, the Customer, the Servicer or the Agent, commits or obligates you to extend any overdraft or other credit to the Customer, the Servicer or the Agent.

You or the Agent, upon thirty (30) days notice to the other parties, may terminate this agreement. Any claim or cause of action of any party against any other relating to this agreement which existed at the time such termination becomes effective shall survive the termination. All mail received after the date specified in such notice of termination (the "Termination Date") shall be returned by you to the Agent by first class mail or such other means mutually agreeable to you and the Agent, and all funds received in the Lock-Box Account after the Termination Date shall be sent by you to an account specified by the Agent. Notwithstanding the foregoing, you acknowledge that monies deposited in the Lock-Box Account after the Termination Date shall continue to be subject to the liens of the Agent for itself and as agent under the Credit Agreement, and will not be subject to deduction, set-off, banker's lien or any other right you or any other party may have against Customer or the Servicer, except as otherwise provided in this letter agreement.

The Customer and the Servicer agree to indemnify you for, and hold you harmless from, all claims, damages, losses, liabilities and expenses, including legal fees and expenses, resulting from or with respect to this agreement and the administration and maintenance of the Lock-Box Account and the services provided hereunder, including, without limitation: (a) any action taken, or not taken, by you in regard thereto in accordance with the terms of this agreement, (b) the breach of any representation or warranty made by the Customer pursuant to this agreement, (c) any item, including, without limitation, any automated clearinghouse transaction, which is returned for any reason, and (d) any failure of the Customer to pay any invoice or charge to you for services in respect to this agreement and the Lock-Box Account or any amount owing to you from the Servicer with respect thereto or to the service provided hereunder.

The parties acknowledge that you may assign or transfer your rights and obligations hereunder to a wholly-owned subsidiary of JPMorgan Chase Bank, N.A.

This letter agreement and the rights and obligations of the parties hereunder will be governed by and construed and interpreted in accordance with the laws of the State of New York. This letter agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

This letter agreement contains the entire agreement between the parties, and may not be altered, modified, terminated or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. In the event that any provision in this letter agreement is in conflict with, or inconsistent with, any provision of the Agreement, this

letter agreement will exclusively govern and control. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this letter agreement or to preserve and protect the rights of each party hereunder.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Please indicate your agreement to the terms of this letter agreement by signing in the space provided below. This letter agreement will become effective immediately upon execution of a counterpart of this letter agreement by all parties hereto.

Very truly yours,

PMC CONDUIT, L.P.

By: PMC Conduit, LLC, its General Partner

By: _____

Name:
Title:

PMC COMMERCIAL TRUST, as Servicer

By: _____

Name:
Title:

Acknowledged and agreed to
this 7th day of February, 2005:

JPMORGAN CHASE BANK, N.A.,
in its capacity as Collection Bank.

By: _____

Name:
Title:

JPMORGAN CHASE BANK, N.A.,
in its capacity as Agent under the Credit Agreement.

By: _____

Name:
Title:

Signature Page to the Lock-Box Agreement

ANNEX A
FORM OF COLLECTION NOTICE

[ON LETTERHEAD OF THE AGENT]

[DATE]

JPMorgan Chase Bank, N.A.
Asset Backed Finance
Suite IL1-0612
1 Bank One Plaza
Chicago, Illinois 60670-0079
Fax: (312) 732-1844

Re: PMC Conduit, L.P.

Ladies and Gentlemen:

We hereby notify you that we are exercising our rights pursuant to that certain letter agreement among PMC Conduit, L.P., you and us, to have the name of, and to have exclusive ownership and control of, account number _____ (the "Lock-Box Account") maintained with you, transferred to "JPMorgan Chase Bank, N.A., as Agent." [The Lock-Box Account will henceforth be a zero-balance account, and funds deposited in the Lock-Box Account should be sent at the end of each day to _____]. You have further agreed to perform all other services you are performing under that certain agreement dated _____ between you and PMC Conduit, L.P. on our behalf.

We appreciate your cooperation in this matter.

Very truly yours,

JPMORGAN CHASE BANK, N.A., as Agent

By: _____

Name:
Title:

Annex A

EXHIBIT B
TO
SERVICING AGREEMENT

FORM OF LOCKBOX NOTICE LETTER

[PMC Commercial Trust Letterhead]

[Date]

[Name of Obligor]
[Address]

Re: PMC Commercial Trust ("PMC")
Loan Number

Dear [Obligor]:

Unless and until you are otherwise directed by JPMorgan Chase Bank, National Association, as Agent or any successor thereto to send your payments to a different address, please send all future payments on your loan including, all monthly payments of principal and interest and any and all prepayments to the following address:

PMC Commercial Trust
P. O. Box _____
Dallas, Texas _____

You should, however, continue to direct any and all inquiries or other correspondence relating to your loan to the following address:

PMC Commercial Trust
17950 Preston Road, Suite 600
Dallas, Texas 75252

If you have any questions, please contact the undersigned at (XXX) XXX-XXXX.

Sincerely,

[Officer]
[Title]

EXHIBIT D
TO
SERVICING AGREEMENT

QUARTERLY OFFICER'S CERTIFICATE

[Date]

The undersigned, pursuant to the provisions of Section 5.3 of the Servicing Agreement dated as of February 7, 2005 (the "Agreement"), by and among JPMorgan Chase Bank, National Association in its capacity as Agent, PMC Conduit, L.P. and the Servicer, do hereby certify on behalf of each the Servicer, as follows:

- (i) the Servicer has fully complied with the provisions of the Agreement;
- (ii) a review of the activities of the Servicer during the preceding quarter and of the Servicer's performance under the Agreement has been made under my supervision; and
- (iii) to the best of my knowledge, based on the review referred to in (ii) above, the Servicer has fulfilled all of its obligations, duties and responsibilities under the Agreement throughout the preceding quarterly period and no Unmatured Amortization Event or Amortization Event exists.

Capitalized terms used but not otherwise defined herein shall have the same meanings ascribed to such terms in the Agreement.

IN WITNESS WHEREOF, I have executed this certificate this ____ day of _____, 20____.

PMC COMMERCIAL TRUST, Servicer

By:
Name:
Title:

EXHIBIT E
TO
SERVICING AGREEMENT
FORM OF OBLIGOR LETTER

[Date]

VIA CERTIFIED MAIL

[Obligor]
[Address]

Re: PMC Commercial Trust ("PMC")
Loan Number

Dear [Obligor]:

Your loan serviced by PMC is part of a pool of loans for which JPMorgan Chase Bank, National Association serves as Agent. As part of our servicing responsibility we are required to verify certain information with respect to your loan.

Our records indicate your loan was previously delinquent by more than 90 days and has recently been brought current. We are required to demonstrate that you did in fact make the delinquent payments.

If these facts are correct, please indicate your acknowledgment by signing and returning a copy of this letter to our attention, in the envelope provided. If these facts are not correct, please indicate your disagreement by signing this letter and indicating your disagreement beneath your signature and returning a copy of this letter to our attention, in the envelope provided.

If we do not hear from you within 30 days of the date of this letter we will assume that these facts are true.

If you have any questions, please contact the undersigned at (XXX) XXX-XXXX.

Sincerely,

[Officer]
[Title]

Acknowledged by:

Obligor Name Date

PURCHASE AND CONTRIBUTION AGREEMENT

dated as of February 7, 2005

by and between

PMC COMMERCIAL TRUST,
as Seller

and

PMC CONDUIT, L.P.,
as Purchaser

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PURCHASE AND CONTRIBUTION AGREEMENT

PURCHASE AND CONTRIBUTION AGREEMENT, dated February 7, 2005, by and between PMC COMMERCIAL TRUST, a Texas real estate investment trust ("PMC" or the "Seller") and PMC CONDUIT, L.P., a Delaware limited partnership (the "Purchaser").

W I T N E S S E T H

WHEREAS, the Purchaser desires to acquire, by way of purchase and contribution, certain Loans and related rights and assets owned by the Seller;

WHEREAS, the Seller desires to sell and otherwise transfer certain Loans and related rights and assets to the Purchaser;

WHEREAS, it is contemplated that the Loans transferred hereunder will be pledged by the Purchaser to Agent for the benefit of the Secured Parties pursuant to the Credit and Security Agreement;

WHEREAS, the Seller agrees that all covenants and agreements made by the Seller herein with respect to the Loans shall also be for the benefit of the Agent for the benefit of the Secured Parties;

NOW, THEREFORE, it is hereby agreed by and between the Purchaser and the Sellers as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Incorporation of Defined Terms. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Credit and Security Agreement referred to below or, if not defined therein, in the Servicing Agreement referred to below.

Section 1.2. Additional Definitions. The following words and phrases shall have the following meanings:

"Addition Date" has the meaning specified in Section 2.1(b).

"Additional Loan" has the meaning specified in Section 2.1(b).

"Agent" means JPMorgan Chase Bank, in its capacity as agent under the Credit and Security Agreement, and any successor thereto in such capacity.

"Agreement" means this Purchase and Contribution Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Closing Date" means February 7, 2005.

"Conveyance" means any sale, transfer, assignment, contribution or conveyance to the Purchaser pursuant to this Agreement or any Subsequent Transfer Agreement (including, without limitation, any substitution pursuant to Section 2.5).

"Conveyance Papers" means this Agreement, any Subsequent Transfer Agreement and any other document or instrument delivered pursuant hereto and thereto.

"Credit and Security Agreement" means the Credit and Security Agreement dated as of the Closing Date among the Purchaser, PMC Conduit, LLC, the Servicer, Jupiter Securitization Corporation, as "Conduit Lender", the financial institutions from time to time party thereto as "Alternate Lenders" and the Agent, as amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Cut-Off Date" means February 1, 2005.

"Defective Loan" means any Purchased Loan subject to repurchase or substitution by the Seller pursuant to Article II or Section 4.2.

"Indemnified Amounts" has the meaning specified in Section 6.1.

"Indemnified Party" has the meaning specified in Section 6.1.

"Initial Loan" means any Loan set forth in the Loan Schedule as of the Closing Date.

"Initial Purchased Assets" has the meaning specified in Section 2.1(a).

"Insurance Proceeds" means proceeds paid by any insurer pursuant to any insurance policy covering a Loan or Mortgaged Property, net of any component thereof (i) covering any expenses incurred by or on behalf of the Servicer in connection with obtaining such proceeds, (ii) applied to the restoration or repair of the related Mortgaged Property or (iii) released to the Obligor in accordance with the Servicer's normal servicing procedures.

"Loan" means a loan originated by the Seller to an Obligor to finance or refinance the acquisition, construction, development or renovation of real or personal property by such Obligor.

"Loan Documents" means the instruments and documents listed in Section 8.1 of the Credit and Security Agreement pertaining to a particular Loan and any additional instruments or documents required to be added to the Loan File pursuant to the Credit and Security Agreement or the Servicing Agreement.

"Loan File" means the Loan Documents either (i) set aside and held in trust by the Seller as custodian and bailee for the Agent or (ii) delivered to the Agent, in either case, pursuant to Section 8.1 of the Credit and Security Agreement.

"Loan Schedule" means, as of any date, the schedule of Loans set forth herein as Schedule 2 (as amended from time to time in accordance with the terms hereof), which schedule shall set forth for each Loan: (i) the Principal Balance thereof as of the Cut-Off Date (or, for any Loans in which the Purchaser acquires an interest after the Closing Date, as of the applicable Transfer Date), (ii) the account number, (iii) the original principal amount, (iv) the name of each Obligor, (v) the Loan Rate, (vi) lien position, (vii) property state, (viii) property zip code, (ix) property type and (x) Loan-to-Value Ratio. The Loan Schedule may be amended from time to time pursuant to Sections 2.1(h).

"Material Adverse Effect" means a material adverse effect on (i) the financial condition or operations of the Seller and its Subsidiaries, (ii) the ability of the Seller to perform its obligations under this Agreement and the other Transaction Documents, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document, (iv) the Purchaser's ownership interest in the Purchased Assets, or (v) the collectibility of the Purchased Loans generally or of any material portion of the Purchased Loans.

"Mortgage" means a mortgage, deed of trust, security agreement, assignment of leases and rents or other instruments given as security for a Underlying Note, together with any and all riders, addenda, amendments, supplements or other modifications thereto.

"Mortgaged Property" means the real property and improvements thereon securing a Loan.

"Obligor" means the Person or Persons obligated to repay the indebtedness evidenced by an Underlying Note or any Person that has acquired a Mortgaged Property and assumed the obligations of the Obligor under such Underlying Note and the related Mortgage.

"Officer's Certificate" means a certificate signed by the President, an Executive Vice President, the Chief Financial Officer, the General Counsel, a Senior Vice President, a Vice President, the Treasurer, Assistant Treasurer, the Secretary, an Assistant Secretary or any other authorized officer of the Seller, as the case may be, and delivered to the Purchaser and the Agent.

"Principal Balance" means, with respect to any Loan and any day, the related Principal Balance as of the Cut-Off Date (or, in the case of a Loan in which the Purchaser acquires an interest after the Closing Date, as of the applicable Transfer Date), minus all collections or other proceeds applied to reduce the principal balance of such Loan in accordance with the terms of the Servicing Agreement.

"Purchased Loan" means, as of any date, any Loan that has been (or is to be) transferred, assigned and/or contributed to the Purchaser pursuant to this Agreement and the other Conveyance Papers (whether by way of substitution or otherwise), together with the related Loan Documents, exclusive of Loans that have been reconveyed to the Seller on or prior to such date in accordance with the terms of this Agreement. The Purchased Loans at any time shall be identified on the Loan Schedule.

"PMC Entities" has the meaning specified in Section 5.1(i).

"Purchased Assets" means all Initial Purchased Assets and Subsequent Transfer Assets, exclusive of any such assets relating to Deleted Loans that have been reconveyed to the Seller pursuant to this Agreement.

"Purchase Price" means, (i) with respect to any Initial Loan, an amount equal to the Principal Balance of such Loan as of the Cut-Off Date and (ii) with respect to any Additional Loan, the Principal Balance of such Loan as of the related Transfer Date.

"Purchase Termination Event" has the meaning specified in Section 8.1.

"Purchaser" has the meaning specified in the preamble to this Agreement.

"Repurchase Price" means, with respect to any Defective Loan, an amount equal to the "Purchase Price" under and as defined in the Credit Agreement.

"Seller" has the meaning specified in the preamble to this Agreement.

"Servicer" means PMC, in its capacity as servicer under the Servicing Agreement, and any successor thereto in such capacity.

"Servicing Agreement" means that certain Servicing Agreement of even date herewith among the Purchaser, the Servicer and the Agent, as such agreement may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Subsequent Loan" means any Additional Loan or Substitute Loan.

"Subsequent Transfer Agreement" means an agreement among one or more Sellers and the Purchaser, in the form of Exhibit A, relating to the transfer to the Purchaser of any Additional Loans or Substitute Loans.

"Subsequent Transfer Assets" means, with respect to any Subsequent Loan, (i) such Subsequent Loan and the Principal Balance related thereto as of the related Transfer Date, (ii) all payments in respect of interest and principal received, collected or otherwise recovered on or after the applicable Transfer Date and all other proceeds received (including Insurance Proceeds) with respect to such Subsequent Loan on or after such Transfer Date, (iii) all Loan Documents and other Records relating to such Subsequent Loan, (iv) all property that secures such Subsequent Loan, including all escrow, deposits, income, interest, profits or other payments paid or payable with respect thereto and any and all insurance policies relating thereto, (v) all guaranties, letters of credit, letter-of-credit rights, supporting obligations and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Subsequent Loan whether pursuant to the Loan Documents related to such Loan or otherwise, (vi) all insurance policies that relate to such Subsequent Loan or Mortgaged Property related thereto and (vii) all proceeds (including, without limitation, "proceeds" as defined in Article 9 of the UCC as in effect in the State of New York) of any of the foregoing.

"Substitute Loan" means a Loan substituted for a Defective Loan or a Defaulted Loan pursuant to Section 2.5.

"Substitution Date" has the meaning specified in Section 2.5(b).

"Supplemental Loan Schedule" has the meaning specified in Section 2.5(b).

"Transfer Date" means the Closing Date, each Substitution Date and each Addition Date.

"Underlying Note" means, with respect to a Mortgage, the promissory note, deed of trust note or other evidence of indebtedness evidencing the indebtedness of the related Obligor under a Loan, including any and all amendments, supplements or modifications thereto.

Section 1.3. Other Definitional Provisions.

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

(b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement or any Conveyance Paper shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section, Subsection, Schedule and Exhibit references contained in this Agreement are references to Sections, Subsections, Schedules and Exhibits in or to this Agreement unless otherwise specified.

(c) All determinations of the principal or finance charge balance of the Loans, and of any collections thereof, shall be made in accordance with the Servicing Agreement.

ARTICLE II PURCHASE AND CONVEYANCE OF LOANS

Section 2.1. Purchases.

(a) The Seller, concurrently with the execution and delivery of this Agreement, does hereby sell, transfer, assign, set over and otherwise convey to the Purchaser, without recourse, except as otherwise set forth herein, all of its right, title and interest in, to and under (i) each Initial Loan and the Principal Balance related thereto as of the Cut-Off Date, (ii) all payments in respect of interest and principal received, collected or otherwise recovered on or after the Cut-Off Date and all other proceeds received (including Insurance Proceeds) with respect to each Initial Loan on or after the Cut-Off Date, (iii) all Loan Documents and other Records relating to the Initial Loans, (iv) all property that secures an Initial Loan, including all escrow, deposits, income, interest, profits or other payments paid or payable with respect thereto and any and all insurance policies relating thereto, (v) all guaranties, letters of credit, letter-of-credit rights, supporting obligations and other agreements or arrangements of whatever character from time to time supporting or securing payment of any Initial Loan whether pursuant to the Loan Documents related to such Loan or otherwise, (vi) all insurance policies that relate to any Initial Loan or Mortgaged Property related thereto and (vii) all proceeds (including, without limitation, "proceeds" as defined in Article 9 of the UCC as in effect in the State of New York) of any of the foregoing (collectively, the "Initial Purchased Assets").

(b) From time to time hereafter, so long as the Amortization Date has not occurred and no Amortization Event has occurred and is continuing, the Seller may in its sole discretion agree to sell, transfer, assign, set over and otherwise convey to the Purchaser, and the Purchaser may in its sole discretion agree to purchase from the Seller, additional Loans pursuant to a Subsequent Transfer Agreement (any additional Loans so purchased being "Additional Loans") on the terms and conditions set forth herein. In the event the Purchaser elects to purchase an Additional Loan from the Seller, the Seller shall provide to the Purchaser and the Agent, on the date such purchase is to occur (the "Addition Date"), an Officer's Certificate of the Seller (i) stating that no Amortization Event shall have occurred and be continuing, (ii) stating that each Additional Loan being purchased by the Purchaser on such Addition Date is an Eligible Loan, and that all conditions precedent to such purchase specified herein have been satisfied, (iii) attaching as an exhibit a Supplemental Loan Schedule setting forth for each Additional Loan the same type of information as appears on the Loan Schedule and representing and warranting that such information is true and correct and (iv) stating that the representations and warranties contained in Section 4.2 are true and correct with respect to each Additional Loan to be purchased by the Purchaser on and as of such Addition Date. Concurrently with the transfer of any Additional Loans to the Purchaser pursuant to this Agreement, Schedule 2 to this Agreement shall be deemed to be amended to include the information set forth on the Supplemental Loan Schedule with respect to such Additional Loans, and all references in this Agreement and the other Conveyance Papers to the Purchased Loans shall include such Additional Loans.

(c) The parties hereto intend that each Conveyance shall constitute an absolute sale or contribution, conveying good title to the relevant Purchased Assets free and clear of any Liens from the Seller to the Purchaser and that the Purchased Assets shall not be part of the Seller's estate in the event of the insolvency of the Seller or a conservatorship, receivership or similar event with respect to the Seller. In the event that, notwithstanding such intention, any Conveyance is characterized by a court of competent jurisdiction as a pledge or a financing rather than a sale or any Conveyance shall for any reason be ineffective or unenforceable, the Seller shall be deemed to have granted to the Purchaser, and the Seller hereby does grant to the Purchaser, a security interest in all of the Seller's right, title and interest in, to and under the Purchased Assets, whether now owned or hereafter acquired, in order to secure all of the Seller's obligations hereunder. For purposes of the foregoing, this Agreement shall constitute a security agreement under applicable law.

(d) In connection with the Conveyances, the Seller agrees (i) to record and file, at its own expense, any financing statement (and continuation statements with respect to such financing statements when applicable) with respect to the Purchased Loans now existing and hereafter created, meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect, and maintain perfection of, the Conveyances of such Purchased Assets from the Seller to the Purchaser, (ii) such financing statement shall name the Seller, as seller, and the Purchaser, as purchaser, of the Purchased Assets and (iii) to deliver a file-stamped copy of such financing statements or other evidence of such filings (excluding such continuation statements, which shall be delivered as filed) to the Purchaser and the Agent promptly upon becoming available after the applicable Transfer Date.

(e) In connection with the Conveyances hereunder, the Seller will, at its own expense, within two (2) Business Days after the applicable Transfer Date with respect to the related Purchased Loans (i) indicate in its computer files or microfiche lists that the applicable Purchased Assets have been sold to the Purchaser on such Transfer Date and that the Purchaser has granted to the Agent a first priority perfected security interest in such Purchased Assets by including an appropriate code for such Loans in such computer file and microfiche list and (ii) deliver to the Purchaser and the Agent a computer file or electronic or magnetic tape list containing a true and complete list of all such Purchased Loans specifying for each such Purchased Loan, as of the related Cut-Off Date with respect to any Initial Loan and as of the applicable Transfer Date with respect to any Subsequent Loan, the items required to be included in the Loan Schedule. The Seller further agrees not to alter the code referenced in clause (i) of this paragraph with respect to any of the Purchased Loans purchased by the Purchaser during the term of this Agreement unless and until the related Purchased Loans have been reconveyed to the Seller in accordance with this Agreement. In addition, the Seller shall maintain in its internal written records documents which indicate that the Purchased Assets have been sold to the Purchaser pursuant to this Agreement and that the Purchaser has granted a security interest in such Purchased Assets in favor of the Agent under the Credit and Security Agreement.

(f) Notwithstanding anything herein to the contrary, no Conveyance may be made pursuant to this Agreement unless it complies with the Credit and Security Agreement as then in effect.

(g) The Seller, promptly following the transfer of (i) a Deleted Loan from the Purchaser to the Seller in accordance with Section 2.4 or 2.5 or (ii) a Substitute Loan or Additional Loan to the Purchaser pursuant to this Section 2.1 or Section 2.5, as the case may be, shall amend the Loan Schedule in accordance with such Section and deliver a copy of such amended Schedule to the Purchaser and the Agent and make appropriate entries in their general account records to reflect such transfer and the addition of any Substitute Loan or Additional Loan, as applicable.

Section 2.2. Loan Documents.

(a) On or prior to each Transfer Date, and at all times thereafter (except as provided herein), the Seller shall prepare and, subject to Section 2.2(b) below, hold in trust, as custodian and bailee for the Agent, each of the documents and instruments specified in Section 8.1 of the Credit and Security Agreement with respect to each Loan to be purchased by the Purchaser from the Seller on such date.

(b) The Seller hereby represents and warrants, as of the Closing Date and as of each Transfer Date, that the Seller is in possession of all Loan Documents with respect to the Purchased Loans and all such Loan Documents are included in the related Loan File. Prior to the occurrence of an Amortization Event, the Seller shall so long as it is acting as Servicer under the Servicing Agreement be entitled to maintain possession of the foregoing Loan Files as custodian and bailee for the benefit of the Agent. In the event, however, that possession of any such Loan Files is required by any Person (including the Agent) acting as Servicer pursuant to the Servicing Agreement in order to carry out the duties of the Servicer thereunder, then such Servicer shall be

entitled to request delivery, at the expense of the Seller, of such Loan Files and to retain such Loan Files for servicing purposes. The Seller shall promptly comply with any request so made.

(c) The Seller hereby represents and warrants to the Purchaser that the Seller has made the appropriate entries in its general accounting records, to indicate that the Purchased Loans have been transferred to the Purchaser and constitute part of the Purchased Assets in accordance with the terms of this Agreement.

(d) Not later than ten (10) Business Days after the occurrence and during the continuance of an Amortization Event, the Seller shall deliver to the Agent with respect to each Purchased Loan:

(i) the original Underlying Note, endorsed in blank, with all intervening endorsements showing a complete chain of title from the Seller to the Purchaser, or a copy of such original Underlying Note with an accompanying Lost Note Affidavit;

(ii) the original Mortgage (or, to the extent the Original Mortgage is not available, a certified copy or duplicate original), with evidence of recording thereon; provided, that if the original Mortgage has been delivered for recording to the appropriate public recording office of the jurisdiction in which the Mortgaged Property is located but has not yet been returned to the Seller by such recording office, the Seller shall deliver to the Purchaser a true copy of such original Mortgage, together with a certificate of the Seller certifying that such original Mortgage has been so delivered to such recording office; in all such instances, the Seller shall deliver to the Purchaser the original recorded mortgage promptly upon receipt thereof;

(iii) the original attorney's opinion of title or the original policy of title insurance (or, to the extent not available, a certified copy thereof); provided that if any such original policy of title insurance has not yet been received by the Seller, the Seller shall deliver to the Purchaser a copy of such original policy or a title insurance binder or commitment for the issuance of such policy;

(iv) an original Assignment of Mortgage, with evidence of recording thereon, evidencing a complete chain of title of the applicable Mortgage from the Seller to the Purchaser, provided, that if such original Assignment of Mortgage has been delivered for recording to the appropriate public recording office of the jurisdiction in which the Mortgaged Property is located but has not yet been returned to the Seller by such recording office, the Seller shall deliver to the Purchaser a true copy of such original Assignment of Mortgage, together with a certificate of the Seller certifying that such original Assignment of Mortgage has been so delivered to such recording office; in all such instances, the Seller shall deliver to the Borrower any such original Assignments of Mortgage promptly upon receipt thereof; and

(v) originals of all assumption and modification agreements, if any

In the event any such Loan File relating to one or more Purchased Loans is not so delivered to the Agent within such ten (10) Business Day period, the Seller shall be obligated to repurchase such Purchased Loan at the related Purchase Price in accordance with Section 2.4.

(e) Each of the Purchaser and the Agent is hereby appointed as the attorney-in-fact of the Seller with the power to prepare, execute and record Assignments of Mortgages and endorsements to Underlying Notes in the event that the Seller fails to do so on a timely basis as provided in this paragraph.

(f) If, at any time, the Purchaser, the Servicer or the Agent finds any document constituting a part of the Loan File not to have been executed or received or to be unrelated to the Purchased Loans identified in the Loan Schedule or, if in the course of its review, the Purchaser, the Servicer or the Agent determines that such Loan File does not include any of the documents required to be included therein pursuant to this Section 2.2 or is otherwise defective in any material respect, the Purchaser, the Servicer or the Agent, as the case may be, shall notify the Seller, and the Seller shall have a period of fifteen (15) Business Days after such notice within which to either (i) correct or cure any such defect or (ii) to purchase such Purchased Loan at the related Purchase Price in accordance with Section 2.4 or substitute an Eligible Substitute Loan therefor in accordance with Section 2.5; provided, that is the Seller is diligently attempting to cure such defect and such defect is reasonably capable of being cured, then the Seller shall have an additional five (5) Business Days to effect such cure or purchase.

Section 2.3. Document Defects. If the Seller is given notice of an omission or defect under Section 2.2 and the Seller does not correct or cure such omission or defect within the fifteen (15) Business Day period or twenty (20) Business Day period, whichever is applicable, following such notice, the Seller shall be obligated to either (i) purchase the related Purchased Loan from the Purchaser at the Repurchase Price in accordance with Section 2.4 or (ii) substitute an Eligible Substitute Loan for such Purchased Loan in accordance with Section 2.5.

Section 2.4. Repurchase of Defective Loans. The Repurchase Price for any Defective Loan which is to be purchased by the Seller pursuant to this Article II or Section 4.2 shall be deposited in the Collection Account no later than (i) the Business Day prior to the Settlement Date immediately following the date on which such obligation arises and (ii) the Business Day prior to any Transfer Date immediately following the date on which such obligation arises. Upon receipt by the Agent of evidence confirming that such Repurchase Price has been so remitted or deposited, the related Loan File shall be released to the Seller and the Agent shall execute and deliver such instruments of release, prepared by and at the expense of the Seller, in each case without recourse, representation or warranty, as shall be necessary to release the Agent's security interest therein. Upon such release, the Purchaser shall automatically and without further action be deemed to sell, transfer, assign, set-over and otherwise convey to the Seller, without recourse, representation or warranty, all the right, title and interest of the Purchaser in and to the relevant Defective Loans, all monies due or to become due with respect thereto and all proceeds thereof. The Purchaser shall execute such documents and instruments of transfer or assignment and take such other actions as shall reasonably be

requested by the Seller to effect the conveyance of such Defective Loan pursuant to this Section 2.4.

Section 2.5. Substitutions.

(a) On or before the date on which the Seller would otherwise be required to repurchase a Defective Loan under this Article II or Section 4.2, so long as no Amortization Event has occurred and is continuing, the Seller may transfer and assign to the Purchaser, in accordance with this Section 2.5 and subject to the conditions set forth in Article VII, one or more Eligible Substitute Loans in substitution for any one or more of such Defective Loans. In addition, so long as no Amortization Event has occurred and is continuing, the Seller may, in its sole discretion, transfer and assign to the Purchaser, in accordance with this Section 2.5 and subject to the conditions set forth in Article VII, one or more Eligible Substitute Loans in substitution for any one or more Defaulted Loans. In connection with any such substitution for a Defective Loan or Defaulted Loan, the Servicer shall, pursuant to the Servicing Agreement, calculate the Substitution Adjustment, if any, and the Seller shall deposit such amount to the Collection Account on or before the applicable Substitution Date. Notwithstanding anything herein to the contrary, no substitution may be made pursuant to this Section 2.5 at any time on or after the Amortization Date.

(b) The Seller shall provide the Servicer, the Purchaser and the Agent with not less than five Business Days' prior written notice of their intention to effect a substitution under this Section 2.5. On the date such substitution is to occur (the "Substitution Date"), (i) the Purchaser and the Seller shall execute and deliver to the Agent a Subsequent Transfer Agreement covering the Eligible Substitute Loans which are to be substituted for the Deleted Loans and (ii) the Seller shall (1) deliver to the Purchaser and the Agent a list of the Deleted Loans to be substituted for by such Eligible Substitute Loans, (2) deliver to the Purchaser and the Agent an Officer's Certificate of the Seller (A) stating that no Amortization Event shall have occurred and be continuing, (B) stating that the aggregate Principal Balance (determined as of the applicable Substitution Date) of all Eligible Substitute Loans that have been substituted for Defaulted Loans since the date of the most recent Term Securitization, or, if no Term Securitization has occurred, since the Closing Date (including the Eligible Substitute Loans being substituted on such Substitution Date but excluding Eligible Substitute Loans substituted for Defective Loans pursuant to clause (a) above) does not exceed an amount equal to 15% of the highest Pool Principal Balance since the date of the most recent Term Securitization, or, if no Term Securitization has occurred, since the Closing Date, (C) stating that each Loan being substituted on that Substitution Date is an Eligible Substitute Loan and that all conditions precedent to such substitution specified in this Section 2.5 and Article VII have been satisfied and attaching as an exhibit a supplemental Loan schedule (a "Supplemental Loan Schedule") setting forth for each Substitute Loan the same type of information as appears on the Loan Schedule and representing and warranting that such information is true and correct and (D) stating that the representations and warranties contained in Section 4.2 are true and correct with respect to each Substitute Loan on and as of such Substitution Date, and (4) deliver to the Purchaser and the Agent a certificate stating that cash in the amount of the related Substitution Adjustment, if any, has been deposited to the Collection Account. Upon receipt of the foregoing and confirmation of the contents thereof, the Agent shall, at the expense of the Purchaser and pursuant to the Credit and Security

Agreement, release its security interest in such Deleted Loans without recourse, representation or warranty. Upon such release, the Purchaser shall automatically and without further action be deemed to sell, transfer, assign, set-over and otherwise convey to the Seller, without recourse, representation or warranty, all the right, title and interest of the Purchaser in and to the relevant Deleted Loans, all monies due or to become due with respect thereto and all proceeds thereof. The Purchaser shall execute such documents and instruments of transfer or assignment and take such other actions as shall reasonably be requested by the Seller to effect the conveyance of such Deleted Loans pursuant to this Section 2.5.

(c) Concurrently with the satisfaction of the conditions set forth in Sections 2.5(a) and (b) above and the transfer of such Substitute Loans to the Purchaser in accordance with this Section 2.5, Schedule 2 to this Agreement shall be deemed to be amended to exclude all Deleted Loans being replaced by such Substitute Loans and to include the information set forth on the Supplemental Loan Schedule with respect to such Substitute Loans, and all references in this Agreement and the other Conveyance Papers to Purchased Loans shall include such Substitute Loans.

ARTICLE III
CONSIDERATION AND PAYMENT

Section 3.1. Payment for the Purchases.

(a) The Purchase Price for the Conveyance of Loans (other than any Loans contributed to Purchaser's capital) by the Seller on the Closing Date shall be payable in full by the Purchaser to the Seller on the Closing Date, and shall be paid to the Seller in the following manner:

(i) first, by delivery of immediately available funds, to the extent of funds made available to the Purchaser in connection with a Borrowing by the Purchaser under the Credit and Security Agreement or other cash on hand; and

(ii) second, by accepting such Loans as a contribution to the Purchaser's capital in an amount equal to the remaining unpaid balance of such Purchase Price.

(b) With respect to any Loans sold or contributed hereunder after the Closing Date, such Loans shall be transferred to the Purchaser and on such date of Purchase, the Purchaser shall pay the Purchase Price therefor to the Seller in the following manner:

(i) first, by delivery of immediately available funds, to the extent of funds made available to the Purchaser in connection with a Borrowing by the Purchaser under the Credit and Security Agreement or other cash on hand;

(ii) second, at the Seller's election as described below by accepting a contribution to Buyer's capital in an amount equal to the remaining unpaid balance of such Purchase Price.

(c) Each contribution of a Loan by the Seller to the Purchaser shall be deemed to be a Conveyance of such Loan by the Seller to the Purchaser for all purposes of this Agreement. The Purchaser hereby acknowledges that the Seller shall have no obligation to make further capital contributions to the Purchaser in respect of the Seller's equity interest in the Purchaser or otherwise, in order to provide funds to pay the Purchase Price to the Seller under this Agreement or for any other reason.

Section 3.2. Payments and Computations, Etc. All amounts to be paid or deposited by the Purchaser hereunder shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds to the account of the Seller designated from time to time by the Seller or as otherwise directed by the Seller. In the event that any payment owed by any Person hereunder becomes due on a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day. If any Person fails to pay any amount hereunder when due, such Person agrees to pay, on demand, interest on such unpaid amount at the Base Rate until paid in full. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations and Warranties of the Seller. The Seller hereby represents and warrants to, and agrees with, the Purchaser as of the Closing Date and as of each Transfer Date, that:

(a) Existence and Power. The Seller's jurisdiction of organization is correctly set forth in the preamble to this Agreement. The Seller is duly organized under the laws of that jurisdiction and no other state or jurisdiction. The Seller is validly existing and in good standing under the laws of its state of organization. The Seller is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by the Seller of this Agreement and each other Conveyance Paper to which it is a party, and the performance of its obligations hereunder and thereunder and the Seller's use of proceeds of purchases made hereunder, are within its powers and authority and have been duly authorized by all necessary action on its part. This Agreement and each other Conveyance Paper to which the Seller is a party has been duly executed and delivered by the Seller.

(c) No Conflict. The execution and delivery by the Seller of this Agreement and each other Conveyance Paper to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its organizational documents, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order,

writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Lien on assets of the Seller or its Subsidiaries (except as created hereunder) except, in any case, where such contravention or violation could not reasonably be expected to have a Material Adverse Effect; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by the Seller of this Agreement and each other Conveyance Paper to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of the Seller's knowledge, threatened, against or affecting the Seller, or any of its properties, in or before any court, arbitrator or other body, that could reasonably be expected to have a Material Adverse Effect. The Seller is not in default with respect to any order of any court, arbitrator or governmental body.

(f) Binding Effect. This Agreement and each other Conveyance Paper to which the Seller is a party constitute the legal, valid and binding obligations of the Seller enforceable against the Seller in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. All information heretofore furnished by the Seller or any of its Affiliates to the Purchaser, the Agent or the Lenders for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by the Seller or any of its Affiliates to the Purchaser, the Agent or the Lenders will be, true and accurate in every material respect on the date such information is stated or certified and does not and will not contain any material misstatement of fact or be otherwise misleading in light of the circumstances under which such information was furnished.

(h) Use of Proceeds. No proceeds of any purchase hereunder will be used (i) for a purpose that violates, or would be inconsistent with, Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.

(i) Good Title. After giving effect to each Conveyance hereunder, the Purchaser shall be the legal and beneficial owner of the Loans and other Purchased Assets, free and clear of any Lien, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Purchaser's ownership interest in each Loan and the other Purchased Assets.

(j) Places of Business and Locations of Records. The principal places of business and chief executive office of the Seller and the offices where it keeps all of its Records are located at the address listed on Schedule 1 or such other locations of which the Purchaser and the Agent have been notified in accordance with Section 5.1(m) in jurisdictions where all action required by Section 9.14 has been taken and completed. The Seller's Federal Employer Identification Number and state organizational identification number are correctly set forth on Schedule 1.

(k) Material Adverse Effect. Since December 31, 2003, no event has occurred that would have a Material Adverse Effect

(l) Names. The name in which the Seller has executed this Agreement is identical to the name of the Seller as indicated on the public record of its state of organization which shows the Seller to have been organized. In the past five (5) years, the Seller has not used any names, trade names or assumed names other than the name in which it has executed this Agreement and the names set forth on Schedule 1.

(m) Ownership. The Seller owns 100% of the issued and outstanding limited partnership interests of the Purchaser. All such general partnership interests and limited partnership interests are validly issued, fully paid and nonassessable and there are no options, warrants or other rights to acquire any equity interest of the Purchaser.

(n) Not a Holding Company or an Investment Company. The Seller is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. The Seller is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(o) Compliance with Law. The Seller has complied in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

(p) Compliance with Collection Policy. The Seller has complied in all material respects with the Collection Policy with regard to each Loan and the related Loan Documents, and has not made any change to such Collection Policy other than as permitted under Section 5.1(n) and in compliance with the notification requirements in Section 5.1(a)(vii).

(q) Collection Information. The Seller has instructed all Obligor with respect to each Loan sold or conveyed hereunder, not later than one Business Day after such sale or conveyance, to remit all Collections with respect to such Loan to the Lockbox Account. The Lockbox Account is the only account to which Obligor have been instructed to remit payments with respect to the Loans. The Seller has not granted any Person, other than the Purchaser or the Agent "control" (within the meaning of Section 9-102 of any applicable enactment of the UCC) of the Lockbox Account or the right to take control of the Lockbox Account at a future time or upon the occurrence of a future event. The conditions and requirement set forth in Article III of the Servicing Agreement have at all times been satisfied and duly performed.

(r) Solvency. The Seller (i) is not "insolvent" (as such term is defined in Section 101(32)(A) of the Federal Bankruptcy Code, (ii) is able to pay its debts as they become due and (iii) does not have unreasonably small capital for the business in which it is engaged or for any business or transaction in which it is about to engage.

(s) Payments to Seller. With respect to each Loan transferred to the Purchaser hereunder, the Purchase Price received by the Seller constitutes reasonably equivalent value in consideration thereof. No Conveyance has been made for or on account of an antecedent debt owed by the Seller to the Purchaser and no such Conveyance is or may be voidable or subject to avoidance under any section of the Federal Bankruptcy Code.

(t) No Purchase Termination Event. Immediately after giving effect to each Conveyance, no Purchase Termination Event has occurred.

(u) Financial Statements.

(i) The consolidated balance sheet of the Seller and its consolidated Subsidiaries as of December 31, 2003 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by PricewaterhouseCoopers L.L.P., fairly present, in conformity with GAAP, the consolidated financial position of the Seller and its consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(ii) The unaudited consolidated balance sheet of the Seller and its consolidated Subsidiaries as of September 30, 2004 and the related unaudited consolidated statements of income and cash flows for the six months then ended, a copy of which has been delivered to each of the Lenders, fairly present in all material respects, in conformity with GAAP applied on a basis consistent with the financial statements referred to in clause (i) above, the financial position of the Seller and its consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such six-month period (subject to normal year-end adjustments).

(v) Transaction Documents. The Transaction Documents represent all agreements between the Seller and the Purchaser relating to the transfer of Loans except for other agreements related to the transactions that are permitted by Section 5.1(r).

(w) Accounting. The Seller accounts for the transactions contemplated by this Agreement as a sale from the Seller to the Purchaser except to the extent that such sales are not recognized under GAAP due to consolidated financial reporting.

(x) REIT Status. As of the Closing Date, the Seller is a "a real estate investment trust".

(y) Transfer Agreement. The Transfer Agreement is the only agreement pursuant to which the Seller has acquired Loans. With respect to each Loan transferred to the Seller under the Transfer Agreement, the Seller has given reasonably equivalent value to the applicable seller in consideration therefor and such transfer was not made for or on account of an

antecedent debt. No transfer by any Subsidiary of the Seller of any Loan under the Transfer Agreement is or may be voidable under any section of the Federal Bankruptcy Code.

Section 4.2. Representations and Warranties Relating to the Loans.

(a) The Seller hereby represents and warrants to the Purchaser as of each Transfer Date with respect to each Loan it sells on such date (and to the extent expressly stated below at such other time) that, as to such Loan:

(i) this Agreement constitutes a valid transfer and assignment to the Purchaser of all right, title and interest of the Seller in and to the applicable Loans, all monies due or to become due with respect thereto, and all proceeds of such Loans and all other property specified in the definition of "Purchased Assets" relating to such Loans;

(ii) such Loan is an Eligible Loan; and

(iii) such Loan is not subject to any servicing agreements with any third-party servicers or subservicers.

(b) With respect to the representations and warranties set forth in the Eligibility Criteria that are made to the best of the Seller's knowledge or as to which the Seller has no knowledge, if it is discovered by the Seller, the Servicer, the Purchaser or the Agent that the substance of such representation and warranty is inaccurate then, notwithstanding the lack of knowledge by the Seller with respect to the substance of such representation and warranty being inaccurate at the time the representation or warranty was made, such inaccuracy shall be deemed a breach of the applicable representation or warranty for purposes of this Section 4.2.

(c) Upon discovery by the Seller, the Servicer, the Purchaser or the Agent of a breach of any of the representations and warranties set forth in the Eligibility Criteria, without regard to any limitation set forth therein concerning the knowledge of the Seller as to the facts stated therein, the party discovering such breach shall give prompt written notice to the other parties. Not later than fifteen (15) Business Days following of its discovery or its receipt of notice of breach, the Seller shall jointly and severally be obligated to either (i) cure such breach or (ii) purchase such Loan from the Purchaser at the applicable Purchase Price in accordance with Section 2.4 or substitute an Eligible Substitute Loan for such Loan in accordance with Section 2.5; provided, that is the Seller is diligently attempting to cure such defect and such defect is reasonably capable of being cured, then the Seller shall have an additional five (5) Business Days to effect such cure or purchase.

Section 4.3. Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants to the Seller as of the Closing Date and as of each Transfer Date, that:

(a) Existence and Power. The Purchaser is validly existing and in good standing under the laws of its state of organization.

(b) Power and Authority; Due Authorization, Execution and Delivery.

The execution and delivery by the Purchaser of this Agreement and each other Conveyance Paper to which it is a party, and the performance of its obligations hereunder and thereunder, are within its corporate powers and authority and have been duly authorized by all necessary limited partnership action on its part. This Agreement and each other Conveyance Paper to which the Purchaser is a party has been duly executed and delivered by the Purchaser.

(c) No Conflict. The execution and delivery by the Purchaser of this

Agreement and each other Conveyance Paper to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its certificate of limited partnership or limited partnership agreement, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, except, in any case, where such contravention or violation could not reasonably be expected to have a material adverse effect on the ability of the Purchaser to perform its obligations hereunder; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. No authorization or approval or

other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by the Purchaser of this Agreement and each other Conveyance Paper to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Binding Effect. This Agreement and each other Conveyance Paper

to which the Purchaser is a party constitute the legal, valid and binding obligations of the Purchaser enforceable against the Purchaser in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

The representations and warranties set forth in this Article IV shall survive the Conveyance of the Loans to the Purchaser and termination of the rights and obligations of the Purchaser and the Seller under this Agreement.

ARTICLE V
COVENANTS OF THE SELLER

Section 5.1. Seller Covenants. The Seller hereby covenants and agrees with the Purchaser as follows:

(a) Reporting. The Seller will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish or cause to be furnished to the Agent:

(i) Annual Reporting. Within 90 days after the close of each of its respective fiscal years, audited, unqualified financial statements (which shall include balance sheets, statements of income and a statement of cash flows) of the Seller for such

fiscal year certified in a manner acceptable to the Agent by independent public accountants of recognized national standing;

(ii) Quarterly Reporting. Within 45 days after the close of the first three (3) quarterly periods of each of its respective fiscal years, balance sheets of the Seller as at the close of each such period and statements of income and a statement of cash flows for the Seller for the period from the beginning of such fiscal year to the end of such quarter, all certified by its Chief Financial Officer;

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit IV to the Credit and Security Agreement signed by the Seller's Authorized Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be;

(iv) Statements and Reports. Promptly upon the furnishing thereof to the equity owners of the Seller copies of all financial statements, reports and proxy statements so furnished;

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular periodic reports and reports on Forms 10-K or 10-Q which the Seller files with the Securities and Exchange Commission;

(vi) Copies of Notices. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than the Agent or any Lender, copies of the same;:

(vii) Change in Collection Policy. At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Collection Policy, a copy of the Collection Policy then in effect and a notice (A) indicating such change or amendment, and (B) if such proposed change or amendment would be reasonably likely to materially and adversely affect the collectibility of the Purchased Loans or materially decrease the credit quality of any newly created Loans, requesting the Purchaser's and the Agent's consent thereto.

(viii) Location of Records. At least thirty (30) days prior to the relocation of its Records during the term of this Agreement, the Seller shall deliver to the Agent an updated Schedule 1 which shall list the addresses of all offices where Records will be kept as of such date.

(ix) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Purchased Loans or the condition or operations, financial or otherwise, of the Seller as the Purchaser or the Agent may from time to time reasonably request in order to protect the interests of the Purchaser or the Agent and the Lenders under or as contemplated by the Transaction Documents.

(b) Notices. The Seller will notify the Purchaser and the Agent in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Purchase Termination Events. The occurrence of any Purchase Termination Event or event that with the giving of notice or lapse of time or both would constitute a Purchase Termination Event, accompanied by a statement of an Authorized Officer of the Seller;

(ii) Judgments and Proceedings. (A) The entry of any judgment or decree against the Seller or any of its Subsidiaries if the aggregate amount of all judgments and decrees then outstanding against the Seller and its Subsidiaries could reasonably be expected to have a Material Adverse Effect and (B) the institution of any litigation, arbitration proceeding or governmental proceeding against the Seller which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect;

(iii) Material Adverse Effect. The occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect;

(iv) Defaults Under Other Agreements. The occurrence of a default or an event of default under any other financing arrangement for borrowed money pursuant to which the Seller is a debtor or an obligor that could reasonably be expected to have a Material Adverse Effect; and

(v) Downgrade. Any downgrade in the rating of any Indebtedness of the Seller or any Subsidiary thereof by Moody's or S&P, setting forth the Indebtedness affected and the nature of such change.

(c) Compliance with Laws and Preservation of Existence. The Seller will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. The Seller will preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign entity in each jurisdiction where its business is conducted, except where the failure to so preserve and maintain or qualify could not reasonably be expected to have a Material Adverse Effect.

(d) Audits. The Seller will furnish to the Purchaser and the Agent from time to time such information with respect to it and the Loans as the Purchaser or the Agent may reasonably request. The Seller will, from time to time during regular business hours as requested by the Purchaser or the Agent upon reasonable notice and at the sole cost of the Seller (subject, in the case of the Agent, to the limitations set forth in the Credit and Security Agreement), permit the Purchaser or Agent, or their respective agents or representatives: (i) to examine and make copies of and abstracts from all Records in the possession or under the control of the Seller relating to the Purchased Assets, including, without limitation, the related Loan Documents, and (ii) to visit the offices and properties of the Seller for the purpose of examining such materials

described in clause (i) above, and to discuss matters relating to the Seller's financial condition or the Purchased Assets or the Seller's performance under any of the Conveyance Papers or the Seller's performance under the Loan Documents and, in each case, with any of the officers or employees of the Seller having knowledge of such matters; provided, that prior to the occurrence of a Purchase Termination Event, the Seller shall be obligated to pay the cost of only one audit during any twelve-month period beginning on the date hereof or any anniversary date hereof.

(e) Keeping and Marking of Records and Books.

(i) The Seller will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing the Purchased Loans in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Purchased Loans (including, without limitation, records adequate to permit the immediate identification of all collections of and adjustments to each Loan). The Seller will give the Purchaser and the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) The Seller will within two (2) Business Days after the date hereof, mark its master data processing records and other books and records relating to the Purchased Loans with a legend, acceptable to the Purchaser and the Agent, describing the Purchaser's ownership in the Purchased Assets and the Agent's security interest in the Purchased Assets.

(f) Compliance with Loan Documents and Collection Policy. The Seller will timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Loan Documents related to the Purchased Loans, and (ii) comply in all respects with the Collection Policy in regard to each Purchased Loan and the related Loan Documents.

(g) Location of Records. The Seller will keep its chief place of business and chief executive office and the offices where it keeps the Records at (i) the address(es) of the Seller referred to on Schedule 1 or (ii) upon 30 days' prior written notice to the Agent, at any other location in the United States where all actions reasonably requested by the Purchaser or the Agent to protect and perfect the interests of the Purchaser, the Agent and the Lenders in the Purchased Loans and the other Purchased Assets have been taken and completed.

(h) Ownership. The Seller will take all necessary action to vest legal and equitable title to the Purchased Assets irrevocably in Purchaser, free and clear of any Liens (other than Liens in favor of the Purchaser and the Agent, for the benefit of the Secured Parties) including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Purchaser's interest in such Purchased Assets and such other action to perfect, protect or more fully evidence the interest of Purchaser therein as the Purchaser or the Agent may reasonably request.

(i) Lenders' Reliance. The Seller acknowledges that the Lenders are entering into the transactions contemplated by the Transaction Documents in reliance upon Purchaser's identity as a legal entity that is separate from the Seller. Therefore, from and after the date of execution and delivery of this Agreement, the Seller shall take all reasonable steps, including, without limitation, all steps that the Agent or any Lender may from time to time reasonably request, to maintain the Purchaser's identity as a separate legal entity and to make it manifest to third parties that Purchaser is an entity with assets and liabilities distinct from those of the Seller, the Servicer or any Affiliates thereof (other than the Purchaser, collectively, the "PMC Entities") and not just a division of any PMC Entity. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, the Seller will take all actions necessary on its part in order to ensure compliance with the covenants set forth in Section 7.1(k) of the Credit and Security Agreement.

(j) Collections. Not later than one (1) Business Day after the Purchaser has acquired a Loan hereunder, the Seller shall instruct all Obligor with respect to such Pool Loan to remit all Collections with respect to such Pool Loan to the Lockbox Account by check, wire transfer or electronic funds transfer. In the event that the Seller shall receive any Collections relating to a Purchased Loan, the Seller shall receive such funds in trust for the Purchaser and the Agent and shall deposit such funds in the Lockbox Account no later than the second Business Day following the date such Transaction Party obtains knowledge of such receipt. The Seller will take all steps necessary to comply with the requirements of Section 3.3 of the Servicing Agreement.

(k) Taxes. The Seller will file all material tax returns and reports required by law to be filed by it and will promptly pay all material taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

(l) Remarketing of REO Property. The Seller will cooperate with the Servicer and use its reasonable efforts to assist the Servicer in the remarketing of any REO Property.

(m) Name Change and Offices. The Seller will not change its name, identity, jurisdiction of organization or structure (within the meaning of any applicable enactment of the UCC) or relocate its chief executive office at any time while the location of its chief executive office is relevant to perfection of the Purchaser's ownership interest in the Purchased Assets, unless it shall have: (i) given the Purchaser and the Agent at least thirty (30) days' prior written notice thereof and (ii) delivered to the Purchaser and the Agent all financing statements, instruments and other documents requested by the Purchaser or the Agent in connection with such change or relocation.

(n) Modifications to Loan Documents and Collection Policy. The Seller will not make any change to the Collection Policy that could materially and adversely affect the collectibility of the Purchased Loans or materially decrease the credit quality of any newly

created Loans. Except as provided in the Servicing Agreement, the Seller will not extend, amend or otherwise modify the terms of any Purchased Loan or any Loan Documents related thereto.

(o) Sales, Liens. The Seller will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Lien upon (including, without limitation, the filing of any financing statement) or with respect to, any of the Purchased Assets, or assign any right to receive income with respect thereto (other than, in each case, the Conveyances provided for herein), and the Seller will defend the right, title and interest of the Purchaser in, to and under any of the Purchased Assets, against all claims of third parties claiming through or under the Seller.

(p) Prohibition on Additional Negative Pledges. The Seller will not enter into or assume any agreement (other than this Agreement and the other Conveyance Papers) prohibiting the creation or assumption of any Lien upon the Purchased Assets as contemplated by the Conveyance Papers, or otherwise prohibiting or restricting any transaction contemplated hereby or by the other Conveyance Papers.

(q) Change in Payment Instructions to Obligors. The Seller will not make any change in its instructions to Obligors regarding making payments in respect of the Purchased Loans by check, wire transfer or electronic funds transfer to the Lockbox Account.

(r) Limitation on Transactions with the Purchaser. Enter into, or be a party to any transaction with the Purchaser, except for:

(i) the transactions contemplated by this Agreement and the other Transaction Documents; and

(ii) to the extent not otherwise prohibited under this Agreement, other transactions in the nature of employment contracts and directors' fees, upon fair and reasonable terms materially no less favorable to the Purchaser than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate.

(s) Merger or Consolidation. The Seller shall not consolidate with or merge into any other corporation or other Person or convey or transfer its properties and assets substantially as an entirety or ownership to any Person, unless:

(i) the resulting entity formed by such consolidation or into which the Seller is merged or the Person which acquires by conveyance or transfer the properties and assets or ownership of the Seller substantially as an entirety shall be a Person organized and existing under the laws of the United States of America or any state or the District of Columbia and shall expressly assume, by an agreement supplemental hereto, executed and delivered to the Agent in form satisfactory to the Agent, the performance of every covenant and obligation of the Seller hereunder;

(ii) no Change of Control or other Purchase Termination Event would result therefrom.

(t) Treatment as Sales. The Seller will not account for or treat (whether in financial statements or otherwise) the transactions contemplated by this Agreement in any manner other than as the sale and/or absolute conveyance of the Purchased Loans by the Seller to the Purchaser.

ARTICLE VI
INDEMNITIES

Section 6.1. Indemnities. Without limiting any other rights that the Purchaser or any other Person may have hereunder or under applicable law, the Seller hereby agrees to indemnify (and pay upon demand to) the Purchaser, the Agent, Conduit Lender, each of the Alternate Lenders and each of the respective assigns, officers, directors, agents and employees of the foregoing (each, an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or relating to any of the following:

(i) any representation or warranty made by the Seller (or any officers of the Seller) under or in connection with this Agreement, any other Conveyance Paper or any other information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(ii) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Purchased Loan or Loan Document related thereto, or the nonconformity of any Purchased Loan or Loan Document included therein with any such applicable law, rule or regulation or any failure of the Seller to keep or perform any of its obligations, express or implied, with respect to any Loan Document;

(iii) any failure of the Seller to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Conveyance Paper;

(iv) any dispute, claim, offset or defense (other than discharge in bankruptcy of an Obligor or a dispute, claim offset of defense arising out of acts or omissions by any party other than the Seller occurring after the applicable Transfer Date) of an Obligor to the payment of any Purchased Loan (including, without limitation, a defense based on such Purchased Loan or the related Loan Document not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms);

(v) the commingling of any collections of Purchased Loans at any time with other funds;

(vi) any investigation, litigation or proceeding related to or arising from this Agreement or any other Conveyance Paper, the transactions contemplated hereby, the use of the proceeds of any purchase hereunder, the Purchased Assets or any other

investigation, litigation or proceeding relating to the Seller in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(vii) any inability to litigate any claim against any Obligor in respect of any Purchased Loan as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(viii) any Amortization Event;

(ix) any failure of the Purchaser to acquire and maintain legal and equitable title to, and ownership of any of the Purchased Assets from the Seller, free and clear of any Lien (other than as created under the Transaction Documents);

(x) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Purchased Assets, and the proceeds thereof, whether at the time of any Conveyance or at any subsequent time;

(xi) any action or omission by the Seller which reduces or impairs the rights of the Purchaser with respect to any Purchased Assets or the value of any Purchased Assets;

(xii) any attempt by any Person to void any Conveyance or the Purchaser's ownership interest in the Purchased Assets under statutory provisions or common law or equitable action; and

(xiii) any environmental claim or liability relating to or arising out of any Mortgaged Property or REO Property;

provided, however, that the Seller shall not be required to indemnify any Indemnified Party to the extent of any amounts (x) resulting from the gross negligence or willful misconduct of such Indemnified Party, (y) constituting credit recourse for the failure of an Obligor to pay a Purchased Loan or (z) constituting net income or franchise taxes that are imposed by the United States or the jurisdiction under the laws of which such Indemnified Party is organized or any political subdivision thereof.

Section 6.2. Other Costs and Expenses. The Seller shall pay to Purchaser on demand all reasonable costs and out-of-pocket expenses of the Indemnified Parties, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other Conveyance Papers delivered hereunder and in connection with any restructuring or workout of this Agreement or such Conveyance Papers.

ARTICLE VII
CONDITIONS PRECEDENT

Section 7.1. Conditions to the Purchaser's Obligations. The obligation of the Purchaser to purchase any Loan or accept the substitution of any Loan on any Transfer Date shall be subject to the satisfaction of the following conditions:

(a) The representations and warranties set forth in Sections 4.1 and 4.2 shall be true and correct as of such date (both before and after giving effect to such Conveyance);

(b) The Seller shall have delivered to the Purchaser and the Agent a computer file or electronic or magnetic tape list containing a true and complete list of all information specified in Section 2.1(e) hereof and shall have substantially performed all other obligations required to be performed by the provisions of this Agreement;

(c) The Seller shall have prepared for recording and filing, at its expense, any financing statement with respect to the Purchased Loans now existing and hereafter created meeting the requirements of applicable state law in such manner and in such jurisdictions as would be necessary to perfect the sale of such Purchased Loans from the Seller to the Purchaser, and shall deliver a file-stamped copy of such financing statements or other evidence of such filings to the Purchaser and the Agent;

(d) In the case of any purchase of Additional Loans or substitution of Substitute Loans, (i) the Agent shall have received a Subsequent Transfer Agreement duly executed and completed by the Seller and the Purchaser and (ii) all other conditions to such purchase or substitution set forth in the Credit and Security Agreement shall have been satisfied;

(e) All of the conditions to the initial Advance under the Credit and Security Agreement shall have been satisfied or waived in accordance with the terms thereof and, with respect to any Addition Date, all of the conditions to any Advance to be made on such Addition Date shall have been satisfied or waived in accordance with the terms thereof;

(f) No Purchase Termination Event shall have occurred and be continuing or would result therefrom; and

(g) Each of the Purchaser and the Agent shall have received from the Seller copies of all documents (including, without limitation, records of company proceedings) relevant to the transactions herein contemplated as the Purchaser or the Agent may reasonably have requested.

ARTICLE VIII
PURCHASE TERMINATION EVENTS

Section 8.1. Purchase Termination Events. If any one or more of the following events (each a "Purchase Termination Event") shall occur:

(a) The Seller shall fail to make any payment or deposit required to be made by it hereunder when due and such failure shall continue unremedied for two (2) Business Days; or

(b) Any representation, warranty, certification or statement made by the Seller hereunder or in any other document delivered pursuant hereto shall prove to have been incorrect when made or deemed made; provided, that a breach of any representation or warranty made by the Borrower with respect to one or more Loans pursuant to Section 4.2 shall not constitute a Purchase Termination Event hereunder if the Seller either (i) cures such breach, (ii) purchases such Purchased Loan from the Purchaser at the applicable Repurchase Price in accordance with Section 2.4 or (iii) substitutes an Eligible Substitute Loan for such Loan in accordance with Section 2.5; or

(c) The Seller shall fail to perform or observe any covenant or agreement (i) set forth in Section 5.1(a)(iv), 5.1(a)(vi), 5.1(a)(viii), 5.1(c), 5.1(e) or 5.1(k) and such failure shall continue for thirty (30) consecutive days or (ii) under any Transaction Document (other than as referred to in clause (i) of this paragraph (c) or Section 8.1(a)) and such failure shall continue unremedied for five (5) Business Days; or

(d) (i) The Seller fails to make any payment in respect of any Indebtedness of the Seller when due, (ii) any default or other event or condition occurs or exists beyond the applicable grace or cure period, the effect of which is to permit any holder of Indebtedness of the Seller to cause (whether or not it elects to cause) any of such Indebtedness to become due before its stated maturity or regularly scheduled payment dates, or (iii) any of such Indebtedness is declared to be due and payable or required to be prepaid by the Seller before its stated maturity; or

(e) An Event of Bankruptcy shall occur with respect to the Seller;
or

(f) A Change of Control shall occur with respect to the Seller; or

(g) The Seller fails, within 10 days after entry, to pay, bond, or otherwise discharge any one or more judgments or orders for the payment of money (not paid or fully covered by insurance) in excess of \$1,000,000 (individually or collectively) or the equivalent thereof in another currency or currencies, or any warrant of attachment, sequestration, or similar proceeding against the Seller's assets having a value (individually or collectively) of \$1,000,000 or the equivalent thereof in another currency or currencies, which is not either (i) stayed on appeals; (ii) being diligently contested in good faith by appropriate proceedings with adequate reserves having been set aside on the books of the Seller in accordance with GAAP, or (iii) dismissed by a court of competent jurisdiction; or

(h) This Agreement or any other Transaction Document shall terminate in whole or in part (except in accordance with its terms), or shall cease to be effective or to be the legally valid, binding and enforceable obligation of the Seller and the Purchaser or either of the Seller or the Purchaser shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability thereof; or

(i) The Purchaser shall cease to have a valid and perfected first priority security interest in the Purchased Assets; or

(j) The Internal Revenue Service shall file notice of a Lien pursuant to Section 6323 of the Tax Code with regard to any assets of the Seller and such Lien shall not have been released within fifteen (15) Business Days after the Seller obtains notice thereof, or the PBGC shall file notice of a Lien pursuant to Section 4068 of ERISA with regard to any assets of the Seller; or

(k) An Amortization Event shall occur under the Credit and Security Agreement;

then, in any such event, no further Conveyances of Additional Loans or Eligible Substitute Loans may be made to the Purchaser hereunder. Notwithstanding any cessation of Conveyances hereunder, Purchased Assets transferred to the Purchaser prior to the occurrence of such Amortization Date and principal collections and interest collections on the Loans, insurance proceeds and other proceeds in respect of such Loans whenever received, shall continue to be property of the Purchaser.

ARTICLE II MISCELLANEOUS PROVISIONS

Section 9.1. Waivers and Amendment. No failure or delay on the part of the Purchaser or any other Indemnified Party in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given. No provision of this Agreement may be amended, supplemented, modified or waived except in writing signed by Seller, the Buyer and the Agent.

Section 9.2. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW, EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE INTEREST OF THE PURCHASER IN ANY OF THE PURCHASED ASSETS IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

Section 9.3. CONSENT TO JURISDICTION. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, AND EACH SUCH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION

IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE PURCHASER OR ANY OTHER INDEMNIFIED PARTY TO BRING PROCEEDINGS AGAINST THE SELLER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE SELLER AGAINST THE PURCHASER OR ANY OTHER INDEMNIFIED PARTY INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

Section 9.4. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 9.5. Notices. All communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on Schedule 3 or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto and to the Agent. Each such notice or other communication shall be effective (i) if given by telecopy, upon the receipt thereof or (ii) if given by any other means, when received at the address specified in this Section 9.5.

Section 9.6. Severability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Agreement or any Conveyance Paper shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions, or terms shall be deemed severable from the remaining covenants, agreements, provisions and terms of this Agreement or such Conveyance Paper and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of such Conveyance Paper.

Section 9.7. Payments; Waiver of Set-Off. The Seller expressly acknowledges and agrees that any amounts payable by the Seller to the Purchaser hereunder shall be deposited directly into the Collection Account. All such amounts shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds. If the Seller fails to pay or deposit any such amount when due, the Seller shall pay to the Purchaser, on demand, interest on such amount from the time when such amount became due until the date such amount is paid or deposited in full in accordance with the terms hereof, at a rate of interest (computed for the actual number of days elapsed based on a year of 360 days) equal to the Default Rate; provided, that in no event shall such rate exceed the maximum rate permitted by applicable law. The obligations and liabilities of the Seller under this Agreement and the Conveyance Papers (collectively, the "Seller Obligations") shall not be subject to deduction of any kind or type, except by payment in full of the amount thereof in accordance with the terms thereof. The Seller

hereby waives any right it may now or at any time hereafter have to set-off any Seller Obligation against any obligation of the Purchaser (including, without limitation, any obligation of the Purchaser in respect of the payment of the Purchase Price for any Purchased Assets).

Section 9.8. Counterparts. This Agreement and all Conveyance Papers may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement or any other Conveyance Paper by facsimile shall be effective as delivery of a manually executed counterpart of a signature page to this Agreement or such Conveyance Paper, as the case may be.

Section 9.9. Binding Effect; Third-Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that the Seller may not assign its rights or obligations hereunder or any interest herein without the prior written consent of the Purchaser and the Agent. The Purchaser may assign all or any part of its rights and obligations hereunder without the consent of the Seller and such assignees may (except as otherwise agreed to by such assignees) further assign, or grant security interests in, their rights under this Agreement without the consent of the Seller. All such assignees and secured parties and the other Indemnified Parties, shall be third party beneficiaries of, and shall be entitled to enforce the Purchaser's rights, remedies and powers under this Agreement and the Conveyance Papers to the same extent as if they were parties hereto, subject to the terms of their agreement with the Purchaser. Without limiting the generality of the foregoing, the Seller hereby acknowledges that the Purchaser has granted a security interest in all such rights, remedies and powers to the Agent pursuant to the Credit and Security Agreement. The Seller agrees that the Agent (for the benefit of the Secured Parties) shall, subject to the terms of the Credit and Security Agreement, have the right to enforce this Agreement and to exercise directly all of the Purchaser's rights and remedies under this Agreement (including, without limitation, the right to give or withhold any consents or approvals of the Purchaser to be given or withheld hereunder) and the Seller agrees to cooperate fully with the Agent in the exercise of such rights, remedies and powers.

Section 9.10. Merger and Integration. Except as specifically stated otherwise herein, this Agreement and the Conveyance Papers set forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Agreement and the Conveyance Papers. This Agreement and the Conveyance Papers may not be modified, amended, waived or supplemented except as provided herein.

Section 9.11. Headings. The headings are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

Section 9.12. Schedules and Exhibits. The schedules and exhibits attached hereto and referred to herein shall constitute a part of this Agreement and are incorporated into this Agreement for all purposes.

Section 9.13. Survival of Representations and Warranties. All representations, warranties and agreements contained in this Agreement or any other Conveyance Papers, or contained in certificates of officers of the Seller submitted pursuant hereto, or contained in any

assignment permitted hereunder, shall remain operative and in full force and effect and shall survive each Conveyance hereunder and each conveyance of, or grant of a security interest in, the related Purchased Assets by the Purchaser to any other Person.

Section 9.14. Protection of Ownership Interests of Purchaser.

(a) The Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be reasonably necessary or desirable, or that the Purchaser or the Agent may reasonably request, to perfect, protect, defend or more fully evidence the ownership interest of the Purchaser (and its assigns) in the Purchased Assets, or to enable the Purchaser and the Agent to exercise and enforce their rights and remedies hereunder (including, without limitation, to enforce any of the Purchased Loans). At any time after the occurrence and during the continuance of a Purchase Termination Event, the Purchaser or the Agent may notify the Obligors of Purchased Loans, at the Seller's expense, of the ownership of the Purchaser and/or security interests of the Agent in the Purchased Loans and may also direct that payments of all amounts due or that become due under any or all Purchased Loans be made directly to the Agent or its designee.

(b) If the Seller fails to perform any of its obligations hereunder, the Purchaser or the Agent may (but shall not be required to) perform, or cause performance of, such obligations, and the Purchaser's or the Agent's costs and expenses incurred in connection therewith shall be payable by the Seller pursuant to Section 6.2. The Seller irrevocably authorizes each of the Purchaser and the Agent at any time and from time to time in the sole discretion of the Purchaser or the Agent, and appoints each of the Purchaser and the Agent as its attorney-in-fact, to act on behalf of the Seller (i) to execute on behalf of the Seller and to file and record assignments of Mortgages, financing statements and other instruments and documents necessary or desirable in the Purchaser's or the Agent's reasonable discretion to perfect and to maintain the perfection and priority of the interest of the Purchaser and its assigns in the Purchased Assets and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Purchased Loans as a financing statement in such offices as the Agent or the Purchaser in its reasonable discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Purchaser's ownership interest in the Purchased Assets. This appointment is coupled with an interest and is irrevocable. The Seller hereby authorizes the Purchaser and the Agent to file financing statements and other filing or recording documents with respect to the Purchased Loans and other Purchased Assets (including any amendments thereto, or continuation or termination statements thereof), without the signature or other authorization of the Seller, in such form and in such offices as the Purchaser or the Agent reasonably determines appropriate to perfect or maintain the perfection of the ownership interest of the Purchaser in the Purchased Assets. The Seller acknowledges and agrees that it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Purchased Loans or other Purchased Assets (including any amendments thereto, or continuation or termination statements thereof), without the express prior written approval by the Purchaser and the Agent, consenting to the form and substance of such filing or recording document. The Seller approves, authorizes and ratifies any filings or recordings made by or on behalf of the Purchaser or the Agent in connection with the perfection of the ownership interests in favor of the Purchaser in the Purchased Assets.

Section 9.15. Confidentiality.

(a) Each of the Seller and the Purchaser shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other confidential or proprietary information with respect to the Agent and the Conduit Lender and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that each of the Seller and the Purchaser and its officers and employees may disclose such information to such Person's external accountants and attorneys (it being understood that such parties to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential) and as required by any applicable law or order of any judicial or administrative proceeding. Anything herein to the contrary notwithstanding, each of the Seller and the Purchaser and any successor or assign of any of the foregoing (and each employee, representative or other agent of any of the foregoing) may disclose to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated herein and all materials of any kind (including opinions or other tax analyses) that are or have been provided to any of the foregoing relating to such tax treatment or tax structure, and it is hereby confirmed that each of the foregoing have been so authorized since the commencement of discussions regarding the transactions.

(b) Anything herein to the contrary notwithstanding, the Seller hereby consents to the disclosure of any nonpublic information with respect to it to the extent permitted under Section 14.5(b) of the Credit and Security Agreement.

Section 9.16. Bankruptcy Petition. The Seller hereby covenants and agrees that, prior to the date that is one year and one day after the Final Payout Date, it will not institute against, or join any other Person in instituting against, the Purchaser any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 9.17. Term. This Agreement shall commence as of the date of execution and delivery hereof and shall continue until the date after the Final Payout Date on which all Purchased Loans shall have either collected in full or become written off as uncollectible; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by the Seller pursuant to Article IV and (ii) the indemnification and payment provisions of Article VI and the provisions of Section 9.16 shall be continuing and shall survive any termination of this Agreement.

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

PMC COMMERCIAL TRUST, as Seller

By: /s/ JAN F. SALIT

Name: Jan F. Salit
Title: Executive Vice President

PMC CONDUIT, L.P., as Purchaser

By: PMC Conduit, LLC,
its General Partner

By: /s/ JAN F. SALIT

Name: Jan F. Salit
Title: Executive Vice President

Signature Page to Purchase and Contribution Agreement

FORM OF SUBSEQUENT TRANSFER AGREEMENT

This SUBSEQUENT TRANSFER AGREEMENT, dated as of _____, 200__ (the "Transfer Date"), is entered into by and between PMC Commercial Trust (the "Seller") and PMC Conduit, L.P. (the "Purchaser").

PRELIMINARY STATEMENTS

Reference is hereby made to that certain Purchase and Contribution Agreement dated February 7, 2005 (as amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement") between the Seller and the Purchaser. Capitalized terms used and not otherwise defined herein shall have the meanings specified in the Purchase Agreement or, if not defined therein, in the Credit and Security Agreement or Servicing Agreement referred to therein.

Pursuant to the Purchase Agreement, the Seller may from time to time sell, transfer, assign, set over and otherwise convey Subsequent Loans to the Purchaser. The Purchase Agreement provides that each such Conveyance of Subsequent Loans be evidenced by the execution and delivery of an agreement such as this Subsequent Transfer Agreement.

The assets sold to the Purchaser pursuant to this Subsequent Transfer Agreement consist of all of the Seller's right, title and interest in, to and under the Subsequent Transfer Assets relating to the Subsequent Loans identified on Schedule A attached hereto.

The aggregate Principal Balance of such Loans as of the related Transfer Date is \$_____.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Sale, Assignment and Transfer. In consideration of the [receipt of the related Purchase Price][reconveyance of Deleted Loans to be made on the Transfer Date in connection with a substitution under Section 2.5 of the Purchase Agreement], the Seller does hereby sell, transfer, assign, set over and otherwise convey to the Purchaser, without recourse except as provided in the Purchase Agreement, all of its right, title and interest in, to, and under the Subsequent Transfer Assets relating to the Subsequent Loans identified on Schedule A attached hereto, whether now existing or hereafter arising.

Section 2. Representations and Warranties of the Seller. With respect to each Subsequent Loan, the Seller hereby makes each of the representations and warranties set forth in Sections 4.1 and 4.2 of the Purchase Agreement, on which the Purchaser relies in accepting the Subsequent Loans. Such representations and warranties shall survive the Conveyance of the Subsequent Loans to the Purchaser.

Section 3. Amendment. This Subsequent Transfer Agreement may be amended from time to time by the Seller and the Purchaser only with the prior written consent of the Agent.

Section 4. Binding Effect; Third-Party Beneficiaries. This Subsequent Transfer Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns as set forth in the Purchase Agreement.

Section 5. Headings. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

Section 6. Schedule. Schedule A attached hereto and referred to herein shall constitute a part of this Subsequent Transfer Agreement and is incorporated into this Subsequent Transfer Agreement for all purposes.

Section 7. Intent of the Parties; Security Agreement. The parties hereto intend that the Conveyance contemplated hereby shall constitute an absolute sale, conveying good title to the Subsequent Transfer Assets from the Seller to the Purchaser and that the Subsequent Transfer Assets shall not be part of the Seller's estate in the event of the insolvency of the Seller or a conservatorship, receivership or similar event with respect to the Seller. In the event that, notwithstanding such intention, the Conveyance contemplated hereby is characterized by a court of competent jurisdiction as a pledge or a financing rather than a sale or such Conveyance shall for any reason be ineffective or unenforceable, the Seller shall be deemed to have granted to the Purchaser, and the Seller hereby does grant to the Purchaser, a security interest in all of the Seller's right, title and interest in, to and under the Subsequent Transfer Assets, whether now owned or hereafter acquired, in order to secure all of the Seller's obligations hereunder and under the Purchase Agreement. For purposes of the foregoing, this Subsequent Transfer Agreement shall constitute a security agreement under applicable law.

Section 8. GOVERNING LAW. THIS SUBSEQUENT TRANSFER AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW AND EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE INTEREST OF THE PURCHASER IN ANY OF THE SUBSEQUENT TRANSFER ASSETS IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

Section 9. Counterparts. This Subsequent Transfer Agreement may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Subsequent Transfer Agreement by facsimile shall be effective as delivery of a manually executed counterpart of a signature page to this Subsequent Transfer Agreement.

IN WITNESS WHEREOF, the Purchaser and the Seller have caused this Subsequent Transfer Agreement to be duly executed by their respective officers as of the day and year first above written.

PMC COMMERCIAL TRUST, as Seller

By: _____
Name:
Title:

PMC CONDUIT, L.P., as Purchaser

By: PMC Conduit, LLC,
its General Partner

By: _____
Name:
Title: