

trustee be given prior notice of the receivables to be transferred, along with such information concerning those receivables as may be requested. Each prospectus or private placement memorandum will describe the amount to be deposited in, and the mechanics of, the pre-funding account and will describe the pre-funding period for the trust.

Parties to Transactions

16. The originator of a receivable is the entity that initially lends money to a borrower (obligor), such as a homeowner or automobile purchaser, or leases property to a lessee. The originator may either retain a receivable in its portfolio or sell it to a purchaser, such as a trust sponsor. Originators of receivables included in the trusts will be entities that originate receivables in the ordinary course of their business, including finance companies for whom such origination constitutes the bulk of their operations, financial institutions for whom such origination constitutes a substantial part of their operations, and any kind of manufacturer, merchant, or service enterprise for whom such origination is an incidental part of its operations. The originator of the receivables may also function as the trust sponsor or servicer. Each trust may contain assets of one or more originators.

17. The sponsor will be one of three entities: (i) A special-purpose or other corporation unaffiliated with the servicer, (ii) a special-purpose or other corporation affiliated with the servicer, or (iii) the servicer itself. Where the sponsor is not also the servicer, the sponsor's role will generally be limited to acquiring the receivables to be included in the trust, establishing the trust, designating the trustee, and assigning the receivables to the trust.

18. The trustee of a trust (or the issuer if it is not a trust) is the legal owner of the obligations in the trust and would hold a security interest in the collateral securing such obligations. The trustee is also a party to or beneficiary of all the documents and instruments deposited in the trust, and as such is responsible for enforcing all the rights created thereby in favor of certificateholders. The trustee generally will be an independent entity, although that the trustee may be related to the Applicant.¹⁸ The Applicant represents

that the trustee will be a substantial financial institution or trust company experienced in trust activities. The trustee receives a fee for its services, which will be paid from cash flows in the trust. The method of compensating the trustee, which is specified in the pooling and servicing agreement, will be disclosed in the prospectus or private placement memorandum relating to the offering of the certificates.

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

19. The servicer of a trust administers the receivables on behalf of the certificateholders. The servicer's functions typically involve, among other things, notifying borrowers of amounts due on receivables, maintaining records of payments received on receivables and instituting foreclosure or similar proceedings in the event of default. In cases where a pool of receivables has been purchased from a number of different originators and deposited in a trust, the receivables may be "subserviced" by their respective originators and a single entity may "master service" the pool of receivables on behalf of the owners of the related series of certificates. Where this arrangement is adopted, a receivable continues to be serviced from the perspective of the borrower by the local subservicer, while the investor's perspective is that the entire pool of receivables is serviced by a single, central master servicer who collects payments from the local subservicers and passes them through to certificateholders.

A servicer's default is treated in the same manner whether or not the issuer is a trust. The original servicer can be replaced, and the entity replacing the servicer varies from transaction to transaction. In certain cases, it may be the trustee (or indenture trustee if the issuer is not a trust) or it may be a third party satisfactory to the rating agencies and/or credit support provider. In addition, there are transactions where the trustee or indenture trustee will assume the servicer's responsibilities on a temporary basis until the permanent replacement takes over. In all cases, the replacement entity must be capable of satisfying all of the duties and responsibilities of the original servicer and must be an entity that is satisfactory to the rating agencies.

If, after the initial issuance of certificates, a servicer of receivables held by a trust which has issued certificates in reliance upon the Underwriter Exemptions (or an affiliate thereof) merges with or is acquired by (or acquires) the trustee of such trust (or an affiliate thereof), and thereby becomes an affiliate of the trustee, the requirement that the trustee not be an affiliate of the restricted group (other than the underwriter) will not be violated, provided that: (i) Such servicer ceases to be an affiliate of the trustee no later than six months after the date such servicer became an affiliate of the trustee; and (ii) such servicer did not breach any of its obligations under the pooling and servicing agreement, unless such breach was immaterial and timely cured in accordance with the terms of such agreement, during the period from the closing date of such merger or acquisition transaction through the date the servicer ceased to be an affiliate of the trustee.

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

In most cases, the originator and servicer of receivables to be included in a trust and the sponsor of the trust (although they may themselves be related) will be unrelated to RBC-DR. In other cases, however, affiliates of RBC-DR may originate or service receivables included in a trust or may sponsor a trust.

¹⁸ See Prohibited Transaction Exemption 2002-41 (67 FR 54487, August 22, 2002), an amendment to the prior individual exemptions granted for mortgage-backed and other asset-backed securities (the Underwriter Exemptions), which permits the trustee of the trust to be an affiliate of the underwriter of the certificates.