

SERVICING AND MANAGEMENT AGREEMENT

This Servicing and Management Agreement ("Agreement") is made and entered into effective as of June 13, 2003 (the "Effective Date") by and between CAVALRY PORTFOLIO SERVICES, LLC, a Delaware limited liability company ("Servicer"), and CAVALRY SPV I, LLC, a Delaware limited liability company ("Owner"), as follows:

Owner purchases and acquires portfolios of consumer accounts (each such consumer account, together with the respective obligations included therein and the rights, remedies and powers related thereto, an "Account" and, collectively, the "Account Portfolios").

Servicer is experienced in servicing consumer accounts of the type included in the Account Portfolios and has the expertise and resources to manage, collect and generally service the respective obligations included in the Account Portfolios for the purpose of maximizing the value thereof. Owner desires to retain the services of Servicer to perform servicing and management of the Account Portfolios.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, it is hereby agreed by and between Owner and Servicer as follows:

1. Definitions. The following definitions shall apply in this Agreement:

"Account" has the meaning prescribed in the Recitals to this Agreement.

"Account Debtor" means any Person who is or who may become obligated under or with respect to any Account.

"Account Portfolio" has the meaning prescribed in the Recitals to this Agreement.

"Action" has the meaning prescribed by Section 15.

"Collections" means all cash, checks, notes, instruments, money orders and other items of payment or proceeds in respect of the Account Portfolio or any portion thereof.

"Business Day" means any day on which Owner is open for business other than a Saturday, a Sunday or a federal holiday.

"Collection Fee Deductions" means, in respect of Collections, the amount thereof, if any, which, prior to receipt by Owner or Servicer, is deducted or otherwise netted therefrom by attorneys or agents in respect of (and pursuant to fee arrangements entered into with Owner or Servicer in the ordinary course of business in consideration of) services rendered by such attorneys or agents to Owner or Servicer in enforcing or otherwise obtaining payment of such Collections.

"Court Costs" means the actual aggregate disbursements in payment of repossession costs, foreclosure costs and direct court costs incurred by Servicer in respect of filing fees, service or other

process fees, garnishment fees and other direct court costs in connection with judicial enforcement of payment of the Account Portfolio, or any portion thereof.

“Effective Date” has the meaning prescribed in the opening paragraph of this Agreement.

“Governing Documents” means, with respect to any Person, the certificate or articles of incorporation or formation, by-laws, limited liability company agreement or other organizational documents of such Person.

“Governmental Authority” means any federal, state, local, or other governmental or administrative body, instrumentality, department, or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

“Owner” has the meaning prescribed in the opening paragraph of this Agreement.

“Person” means natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

“Prevailing Party” has the meaning prescribed in Section 15.

“Professional Costs” means amounts payable by Servicer to attorneys for both reasonable attorney’s fees, and reasonable out of pocket costs reimbursable to attorneys, incurred by Servicer in connection with the enforcement of the Account Portfolios, or any portion thereof.

“Service Fee” has the meaning prescribed by Section 4.

“Servicer” has the meaning prescribed in the opening paragraph of this Agreement.

“Termination Date” means the effective date of any termination of this Agreement pursuant to Section 10.

2. Servicer Servicing Duties. Subject to the terms of this Agreement, Servicer agrees to provide servicing and management of the Account Portfolio at all times on and after the Effective Date and continuing through the Termination Date. Such services include, without limitation, (a) receiving, processing and accounting for all Collections in respect of the Account Portfolio, (b) monitoring and pursuing payment of obligations included in the Account Portfolio, (c) subject to Section 7, judicial enforcement of obligations included in the Account Portfolio, including engagement of attorneys for such purpose, and (d) taking all lawful actions and procedures as reasonably required to maximize the value of the Account Portfolio and collect on the obligations included therein.

3. Servicer's Reporting Duties. Servicer will provide such reports and information with respect to the Account Portfolio as may be requested by Owner.

4. Service Fee. In consideration of Servicer's services under this Agreement, Owner shall pay to Servicer, on or before the second Business Day of each calendar week or at such other times as the parties hereto may agree, a service fee ("Service Fee") in an amount, determined for the preceding calendar week (or other such time period as the parties hereto may agree), equal to the sum

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REDACTED REDACTED In addition, Owner shall reimburse Servicer for any Professional Fees relating to any answer or counterclaim brought by Servicer on any Account that was not caused by Servicer's acts or omissions or breach of this Agreement.

5. Servicer's Performance; Standard of Care and Diligence.

(a) Servicer will perform its obligations under this Agreement in full compliance with all applicable laws, rules, regulations and orders of any Governmental Authority, including, without limitation, the Fair Labor Standards Act, the Americans with Disabilities Act, and all state and federal laws, rules, regulations and orders governing debt collection and credit reporting practices, including without limitation, the Gramm-Leach Bliley Act, the Consumer Credit Protection Act, the Fair Credit Reporting Act and the Fair Debt Collection Practices Act.

(b) At all times Servicer shall perform its duties under this Agreement with respect to the Account Portfolio in accordance with prudent industry standards for the servicing and management of similar property and use the same degree of care and diligence in service, collection and reporting that Servicer would use in servicing and managing a similar portfolio for its own account. Servicer will use commercially reasonable efforts to maximize collections in respect of the Account Portfolio. Servicer will not engage or use any subservicer or agent in connection with its obligations under this Agreement except as provided by Section 7 of this Agreement.

6. Compromise Authority. Unless and until otherwise instructed by Owner, Servicer shall have authority in its sole discretion, subject to Section 5(b), to compromise and settle obligations included in the Account Portfolio, provided, that Servicer has concluded that such compromise and settlement is necessary for maximizing the value of the Account Portfolio.

7. Litigation; Court Costs; Professional Costs. Servicer will not institute legal proceedings against Account Debtors unless Servicer has determined that to do so is reasonably expected to enhance the likelihood of maximizing the amount recoverable in respect of the Account Portfolio. Servicer will monitor and control the incurrence of Professional Costs to maximize recovery. Servicer will prosecute such legal proceedings subject to the direction of Owner. Servicer shall be solely responsible for payment of all Court Costs and attorneys fees, in each case incurred by Servicer in connection with judicial enforcement of the obligations in the Account Portfolio.

8. Servicer Representations and Warranties. Servicer represents and warrants to Owner as follows:

(a) Servicer is, and will continue to be, a duly organized and validly existing limited liability company in good standing under the laws of the State of Delaware, having all requisite power and authority to own and operate its property and assets and to conduct its business.

(b) Servicer is duly qualified, in good standing and, where required, licensed, in each state where the nature of its business or the character of its properties makes such qualification or licensing necessary except for jurisdictions where, individually or in the aggregate, failure to so qualify would not have a material adverse effect on its business, properties or condition, financial or otherwise, or preclude Servicer from availing itself of legal process to enforce obligations included in the Account Portfolio.

(c) Servicer has all requisite power and authority to execute, deliver and carry out the provisions of this Agreement, and has duly and properly taken all necessary action to permit and authorize the execution, delivery and performance of this Agreement. This Agreement constitutes the legal, valid and binding obligation of Servicer, enforceable in accordance with its terms. Neither the execution nor delivery by Servicer of this Agreement nor the consummation by Servicer of the transactions contemplated hereby, nor compliance by Servicer with any of the provisions hereof, will (a) conflict with or result in a breach of any provision of the Governing Documents of Servicer, (b) result in the breach of, or conflict with, any of the terms and conditions of, or constitute a default (or an event which, with or without the giving of notice or the lapse of time or both would constitute a default) under, any agreement or instrument to which Servicer is a party or by which it is bound or (c) violate any law, rule, regulation order, writ, injunction or decree of any Governmental Authority.

(d) No consent, approval, license, exemption of or filing or registration with, giving of notice to, or other authorization of or by, any Governmental Authority is or will be required in connection with the execution, delivery or performance by Servicer of this Agreement or for consummation of the transactions contemplated hereby, other than consent approvals, licenses, exemptions, filings and registrations that Servicer already has obtained and that are in full force and effect.

(e) There are no material actions, suits, proceedings or investigations pending or threatened against or affecting Servicer or its property. There is no order, writ, injunction, decree or award affecting Servicer before any Governmental Authority which, in any case or in the aggregate, could have a materially adverse effect on the business, assets, properties, prospects or financial condition of Servicer or its ability to perform under this Agreement, and Servicer knows of no basis for any such suit, proceeding or investigation.

(f) Servicer is in material compliance with all laws, rules, regulations, orders and decrees of Governmental Authorities that are applicable to Servicer or any of its properties or assets.

All representations and warranties under this Section 8 shall constitute continuing representations and warranties and will survive the execution and delivery of this Agreement.

9. Servicer's Additional Covenants. In addition to the other covenants and agreements made by Servicer under this Agreement, Servicer covenants and agrees that during the term of this Agreement it will timely perform and do each of the following:

(a) Assist Owner in perfecting and maintaining Owner's interest in the Account Portfolio.

(b) Maintain complete and accurate files with respect to each obligation included in the Account Portfolio, including all agreements, instruments and documentation in respect thereof, with complete and accurate notations of all collection activities.

(c) Provide such information and documentation in respect of the Account Portfolio, and Servicer's activities in performance of its duties under this Agreement, in reasonable detail, as Owner may request.

(d) Maintain adequate qualified personnel and appropriate equipment, facilities and support services necessary to perform its duties under this Agreement.

(e) Permit Owner to visit Servicer's premises and inspect and copy all records relating to the Purchased Portfolio and to discuss Servicer's affairs, finances and accounts all at such reasonable times and as often as Owner may reasonably request.

(f) Perform all things necessary to preserve and keep in full force and effect its existence, qualification and licensing as to where required and will comply with all laws applicable to Servicer.

(g) Pay when due all taxes, assessments and other governmental charges, except those being contested in good faith and for which adequate reserves have been established.

(h) Furnish such additional information regarding its operations, business affairs and financial condition as Owner may request.

(i) Take reasonable steps to maintain appropriate safeguards for Owner's "customer information," as such term is defined in the Gramm-Leach-Bliley Act, 15 U.S.C. §6801 et seq., and the regulations thereunder.

(j) Take reasonable steps to select and retain service providers that are capable of maintaining appropriate safeguards for any "customer information," as such term is defined in the Gramm-Leach-Bliley Act, 15 U.S.C. §6801 et seq., and the regulations thereunder.

(k) Do all the things necessary to preserve and keep in full force and effect its existence and all licenses, permits and qualifications necessary to perform its obligations under this Agreement.

(l) Maintain the following insurance policies in the following amounts: (i) errors and omissions (\$1,000,000); (ii) general liability (\$1,000,000); (iii) employee dishonesty (\$500,000); and (iv) employee practices (\$1,000,000).

10. Termination. Owner or Servicer may terminate this Agreement upon thirty (30) days prior written notice to the other.

11. **INDEMNIFICATION OF OWNER**. SERVICER HEREBY INDEMNIFIES, AND AGREES TO DEFEND AND HOLD OWNER HARMLESS FOR, FROM, AGAINST AND IN RESPECT OF, AND SHALL ON DEMAND REIMBURSE OWNER FOR, ANY AND ALL LOSS, LIABILITY OR DAMAGE TO OWNER RELATING TO (A) THE FAILURE OF SERVICER TO PERFORM ANY COVENANT OR AGREEMENT MADE HEREUNDER, (B) THE BREACH OF ANY WARRANTY OR REPRESENTATION MADE BY SERVICER HEREUNDER, (C) ANY LIABILITIES OR OBLIGATIONS (INCLUDING, WITHOUT LIMITATION, ACTUAL OR CONSEQUENTIAL DAMAGES) ARISING DIRECTLY OR INDIRECTLY FROM ANY VIOLATION OR CLAIMED VIOLATION BY SERVICER (OR OTHERS PERFORMING SERVICES ON SERVICER'S BEHALF) OF ANY FEDERAL, STATE OR LOCAL LAW GOVERNING DEBT COLLECTION AND CREDIT REPORTING PRACTICES, INCLUDING WITHOUT LIMITATION, THE GRAMM-LEACH BLILEY ACT, THE CONSUMER CREDIT PROTECTION ACT, THE FAIR CREDIT REPORTING ACT AND THE FAIR DEBT COLLECTION PRACTICES ACT AND (D) ANY AND ALL ACTIONS, SUITS, PROCEEDINGS, CLAIMS, DEMANDS, ASSESSMENTS, JUDGEMENTS, COSTS AND EXPENSES, INCLUDING, WITHOUT LIMITATION, REASONABLE COURT COSTS, ATTORNEY' FEES AND OTHER EXPENSES INCIDENT TO ANY OF THE FOREGOING. THE PROVISIONS OF THIS SECTION 11 SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT.

12. Notices. All notices or demands under this Agreement shall be in writing and shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, electronic mail (at such email address as Owner, Servicer or Agent, as applicable, may designate to each other in accordance herewith), or telefacsimile to Owner, Servicer or Agent, as the case may be, at its address set forth below (in the case of any electronic mail or telefacsimile notification, the sending party agrees to promptly send a copy thereof to the other party by registered or certified mail as provided above):

Servicer: Cavalry Portfolio Services, LLC
7 Skyline Drive
Hawthorne, New York 10532
Attention: Chief Financial Officer
Fax Number: (914) 347-7552

Owner: Cavalry SPV I, LLC
7 Skyline Drive
Hawthorne, New York 10532
Attention: Chief Financial Officer

Fax Number: (914) 347-7552

Owner or Servicer may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other party. All notices or demands sent in accordance with this Section 12 shall be deemed received on the earlier of the date of actual receipt or three (3) Business Days after the deposit thereof in the mail.

13. Governing Law; Venue; Consent to Jurisdiction.

(A) **THE VALIDITY OF THIS AGREEMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

(B) **THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF NEW YORK. SERVICER AND OWNER WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION.**

(C) **SERVICER AND OWNER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. SERVICER AND OWNER REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.**

14. Captions. The captions of the various Sections of this Agreement have been inserted only for convenience of reference, and shall not be deemed to modify, explain, enlarge, or restrict any provision of this Agreement or affect the construction hereof.

15. Attorney's Fees. In the event any dispute between the parties concerning this Agreement should result in litigation for any relief against the other, declaratory or otherwise, to enforce the terms hereof or to declare rights hereunder (collectively, "Action"), the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees and costs incurred in bringing and prosecuting such Action and/or enforcing any judgment, order, ruling or award granted therein. "Prevailing Party" within the meaning of this Section includes, without limitation, a party who agrees to dismiss an Action on the other party's payment of the sums allegedly due or performance of the covenants allegedly breached, or who obtains substantially the relief sought by it.

16. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute a single agreement. Delivery of a facsimile signature page shall be deemed to be delivery of a manually executed original signature page.

17. Remedies Cumulative. Except as otherwise expressly limited herein, the rights, remedies, powers and privileges given to any party by this Agreement shall be in addition to all rights, remedies, powers and privileges given to that party by any statute or rule of law. Any forbearance or failure or delay in exercising any right, remedy, power or privilege hereunder shall not be deemed to be a waiver of such right, remedy, power or privilege and any single or partial exercise of any right, remedy, power or privilege shall not preclude the further exercise thereof or be deemed to be a waiver of any other right, remedy, power or privilege.

18. Severability. If any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction or as a result of future legislative action, such holding or action shall be strictly construed and shall not affect the validity or effect of any other provision hereof.

19. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

20. Amendment. This Agreement may not be amended or modified except in writing signed by Owner and Servicer.

21. Entire Agreement; Amendment. This Agreement (including any exhibits and schedules hereto) contains the entire agreement between the parties with respect to the transactions contemplated hereby, and supersedes all written or oral communications and understandings prior to the date hereof. This Agreement may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements.

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THIS AGREEMENT is signed effective as of the Effective Date.

SERVICER:

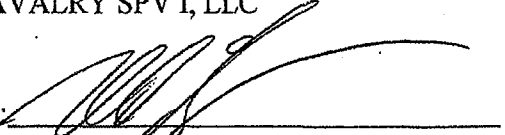
CAVALRY PORTFOLIO SERVICES, LLC

By: 

Michael S. Godner,
Chief Financial Officer
and Treasurer

OWNER:

CAVALRY SPV I, LLC

By: 

Michael S. Godner,
Chief Financial Officer
and Treasurer